



COUNTRY GARDEN 碧桂園

给您一个五星级的家

Stock Code: 2007  
(Incorporated in the Cayman Islands with limited liability)

2019 ANNUAL REPORT

COUNTRY  
GARDEN

Holdings Company Limited  
碧桂園控股有限公司



# WHAT IS COUNTRY GARDEN?

**Country Garden is a diversified technology company that creates lifestyle products for global markets.**

## **We are committed to robotics**

Country Garden has nearly 200,000 employees, including more than 1,000 PhDs. We established Bright Dream Robotics so that we could bring together leading minds from around the world to develop practical and affordable high-tech products. We use robotics to deliver higher standards of living, and is helping to promote China's technological development.

We were the first company in China to launch a chain of robot restaurants, offering healthy, tasty, speedy, and affordable dining to all.

At building sites, our robots are improving safety and efficiency, and protecting the environment. We have also introduced smart security and service robots in our apartment complexes to deliver thoughtful, efficient, and comprehensive resident services.

## **We build good housing and good communities**

For more than two decades, Country Garden has been China's leader in new urbanization. Just as a craftsman hones his skills, we have progressively improved our apartments to ensure that they are safe, healthy, attractive, affordable, functional, and durable. We have now brought modern living to over 1,200 towns and cities, and more than 1.6 million homeowners have chosen to build their lives in Country Garden developments. Our urban gardens and shopping plazas are a magnet for local residents, while our amenities and management services provide unparalleled convenience and security. We have embraced green construction and smart building technologies, and in our Forest City development we have created a new concept in 3D multi-layered urban planning. This huge project was named one of "five new cities that are set to shake up the future" by Forbes.

## **We're revitalizing rural China with modern agriculture**

Country Garden has made investments in modern agriculture, including leading agricultural technologies and machinery, to produce a wide selection of safe, tasty, and affordable foods and household products. We provide these products to families in our communities and across China, so that they can access affordable fresh food, and farmers can reap the full commercial benefits, with bigger harvests and bigger profits.

## **Make the world a better place for having us in it**

For us, targeted poverty alleviation programs and rural revitalization are key parts of our business. Country Garden and its founder have donated over 6.4 billion yuan to charitable causes. We are actively engaged in targeted poverty relief and rural revitalization projects in 14 counties across 9 different provinces. These programs are helping to lift 336,000 people out of poverty.

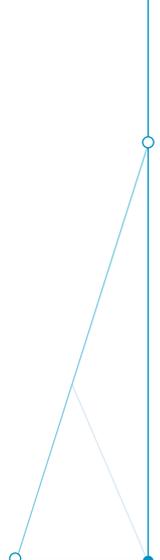
Country Garden is a Fortune 500 company that has been publicly listed in Hong Kong since 2007 and is tracked as a component of the Hang Seng Index. We are also a major taxpayer: in the year 2019 alone, we contributed over 70.2 billion yuan in taxes. In Country Garden, ethics, corporate social responsibility, and transparency are vital. Going forward, we are committed to being a force for human progress.

**Country Garden — Five-star living for you.**

## Design Concept

This annual report is designed with the theme of "high technology, high quality". Corporate logo of Country Garden is presented in a starry sky with the combination of high-tech elements. This is to present Country Garden's vision of providing high quality housing by advanced construction technology to its residents.





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# CORPORATE OVERVIEW



# CORPORATE PROFILE

Country Garden Holdings Company Limited (stock code: 2007.HK) is one of China's largest residential property developer that capitalizes on urbanization. With centralized management and standardization, the Group runs the businesses of property development, construction, interior decoration, property investment, and the development and management of hotels. Country Garden offers a broad range of products to cater for diverse demands, namely residential projects such as townhouses, condominiums, car parks and retail shop spaces. The Group also develops and manages hotels at some of its property projects with the aim of increasing the properties' value. The Group's other businesses are robotics and modern agriculture.

Country Garden was listed on the main board of the Stock Exchange on 20 April 2007. The listing has allowed the Group to tap the international capital market for funds to sustain its healthy growth in the future. Since its listing, Country Garden has been recognized by the market for its business performance. The Group became a constituent stock of MSCI Global Standard Indices on 1 September 2007, of Hang Seng Composite Index and Hang Seng Mainland 100 on 10 September 2007, of FTSE China 50 Index on 14 September 2016, of Hang Seng China (Hong Kong-listed) 25 Index on 12 June 2017, of Hang Seng China 50 Index on 5 March 2018, and of Hang Seng China Enterprises Index on 17 June 2019. Country Garden is also a constituent stock of Hang Seng Index. All this shows that the capital market regards Country Garden as a major component of the Hong Kong stock market. This has also strengthened the Group's position in the international capital markets.

Since its establishment, Country Garden has been benefitting from China's thriving economy. Its business presence has been extended from Guangdong province to other economically vibrant regions of the country. Country Garden had projects of property development and operation in a number of locations of strategic importance in all the provinces, municipalities and autonomous regions of the country by the end of 2018. The Group ranked 177th in Fortune Global 500 as of July 2019.

Looking ahead, Country Garden will continue to enhance and consolidate its various community-based businesses that centre around its real estate business. It will do so by means of financing and integrating community resources. Specifically, it will build businesses that can meet all the needs in the entire human life cycle. All this can unlock the value of all of the Group's businesses and serve to reinforce its market leadership.





## CORE VALUE

To shape a prosperous future through our conscience and social responsibility awareness



### Corporate Mission

To create a better society with our existence



### Corporate Spirit

To benefit people and the society



### Service Concept

Five-star living for you

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## CORPORATE POSITION

We are a high-tech conglomerate that provides good living worldwide

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THE TRINITY OF BUSINESSES That Drives The Company's Development :



real estate



robotics



modern agriculture



## Mr. YEUNG Kwok Keung : Country Garden that I dreamed of

- This is an elitist company
- This is a good place for the talents
- This is a place to learn and make progress
- This is a harmonious big family
- This is a company of integrity and commitment, operating in compliance with laws and regulations
- This is a company that creates lifestyle products for global markets
- This is a company that excels in social well being, corporate benefits and staff benefits
- This is a sensible company that constantly corrects itself
- This is a company of quality which rewards excellence
- This is a company that prospers and constantly betters itself with experiences and practices
- This is a company that is highly recognized and appreciated by the society
- This is a company dedicates to the development of human society



# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. YEUNG Kwok Keung (*Chairman*)  
 Ms. YANG Huiyan (*Co-Chairman*)  
 Mr. MO Bin (*President*)  
 Ms. YANG Ziyang  
 Mr. YANG Zhicheng  
 Mr. SONG Jun  
 Mr. SU Baiyuan  
 Mr. LIANG Guokun (resigned on 18 October 2019)

### Non-executive Director

Mr. CHEN Chong

### Independent Non-executive Directors

Mr. LAI Ming, Joseph  
 Mr. SHEK Lai Him, Abraham  
 Mr. TONG Wui Tung  
 Mr. HUANG Hongyan  
 Mr. TO Yau Kwok (appointed on 1 June 2019)  
 Mr. YEUNG Kwok On (resigned on 1 June 2019)

## CHIEF FINANCIAL OFFICER

Ms. WU Bijun

## JOINT COMPANY SECRETARIES

Mr. LEUNG Chong Shun  
 Mr. LUO Jie (appointed on 18 March 2019)

## AUTHORIZED REPRESENTATIVES

Ms. YANG Huiyan  
 Mr. MO Bin  
 Mr. MA Ziling (*alternate to Ms. YANG Huiyan*)  
 (appointed on 2 January 2019)  
 Mr. LUO Jie (*alternate to Mr. MO Bin*)  
 Ms. ZUO Ying (*alternate to Ms. YANG Huiyan*)  
 (resigned on 2 January 2019)

## AUDIT COMMITTEE

Mr. LAI Ming, Joseph (*Chairman*)  
 Mr. SHEK Lai Him, Abraham  
 Mr. TONG Wui Tung  
 Mr. HUANG Hongyan

## REMUNERATION COMMITTEE

Mr. TONG Wui Tung (*Chairman*)  
 Mr. YEUNG Kwok Keung  
 Mr. MO Bin  
 Mr. LAI Ming, Joseph  
 Mr. SHEK Lai Him, Abraham  
 Mr. HUANG Hongyan

## NOMINATION COMMITTEE

Mr. YEUNG Kwok Keung (*Chairman*)  
 Mr. LAI Ming, Joseph  
 Mr. TONG Wui Tung  
 Mr. HUANG Hongyan

## CORPORATE GOVERNANCE COMMITTEE

Mr. YEUNG Kwok Keung (*Chairman*)  
 Ms. YANG Huiyan  
 Mr. MO Bin

## EXECUTIVE COMMITTEE

Mr. YEUNG Kwok Keung (*Chairman*)  
 Ms. YANG Huiyan  
 Mr. MO Bin  
 Ms. YANG Ziyang  
 Mr. YANG Zhicheng

## FINANCE COMMITTEE\*

Ms. WU Bijun (*Chairman*)  
 Ms. YANG Huiyan  
 Mr. MO Bin  
 Ms. YANG Ziyang  
 Mr. YANG Zhicheng

\* Other two members are senior management of the finance centre of the Company

**REGISTERED OFFICE**

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

**PRINCIPAL PLACE OF BUSINESS  
IN THE PRC**

Country Garden Centre  
No. 1 Country Garden Road  
Beijiao Town, Shunde District, Foshan  
Guangdong Province 528312  
The PRC

**PRINCIPAL PLACE OF BUSINESS  
IN HONG KONG**

Suite 1702, 17/F.  
Dina House, Ruttonjee Centre  
11 Duddell Street  
Central, Hong Kong

**PRINCIPAL SHARE REGISTRAR  
AND TRANSFER OFFICE**

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

**HONG KONG BRANCH  
SHARE REGISTRAR  
AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**PRINCIPAL BANKERS**

(In Alphabetical Order)

Agricultural Bank of China Limited  
Bank of Beijing Co., Ltd.  
Bank of China (Hong Kong) Limited  
Bank of China Limited  
China CITIC Bank Corporation Limited  
China Construction Bank Corporation  
China Development Bank Corporation  
China Everbright Bank Company Limited  
China Guangfa Bank Co., Ltd.  
China Merchants Bank Co., Ltd.  
China Minsheng Banking Corp., Ltd.  
China Zheshang Bank Co., Ltd.  
Chong Hing Bank Limited  
CIMB Bank Berhad  
CMB Wing Lung Bank Limited

Hang Seng Bank Limited  
Industrial and Commercial Bank of China Limited  
Industrial Bank Co., Ltd.  
Malayan Banking Berhad  
Ping An Bank Company Limited  
Postal Savings Bank of China  
Shanghai Pudong Development Bank Co., Ltd.  
Standard Chartered Bank (Hong Kong) Limited  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

**AUDITOR**

PricewaterhouseCoopers

**LEGAL ADVISORS****As to Hong Kong law:**

Woo Kwan Lee & Lo  
Sidley Austin  
lu, Lai & Li  
Baker & McKenzie

**As to PRC law:**

Allbright Law Offices  
Chongqing Shariea Law Firm  
Guangdong ETR Law Firm  
Guangdong Guoding Law Firm  
King & Wood Mallesons  
Shanghai City Development Law Firm, Wuhan Branch  
Tahota Law Firm (Chongqing Office)  
Dentons Law Firm Guangzhou Office  
Beijing Yingke Law Firm Guangzhou Office

**STOCK CODES**

Stock Exchange	2007
Reuters	2007.HK
Bloomberg	2007 HK Equity

**WEBSITE**

<http://www.countrygarden.com.cn>

**FINANCIAL CALENDAR 2020**

Announcement of 2019 annual results	27 March
Record Date for Shareholders to attend, speak and vote at 2020 AGM	14 May
2020 AGM	21 May
Ex-dividend date for proposed final dividend	1 June
Record Date for Eligible Shareholders to be entitled to proposed final dividend	4 June
Despatch of dividend warrants	12 August
Announcement of 2020 interim results	August



碧桂園西湖  
COUNTRY GARDEN  
GARDEN 西區湖畔·77平方公里·世界酒莊

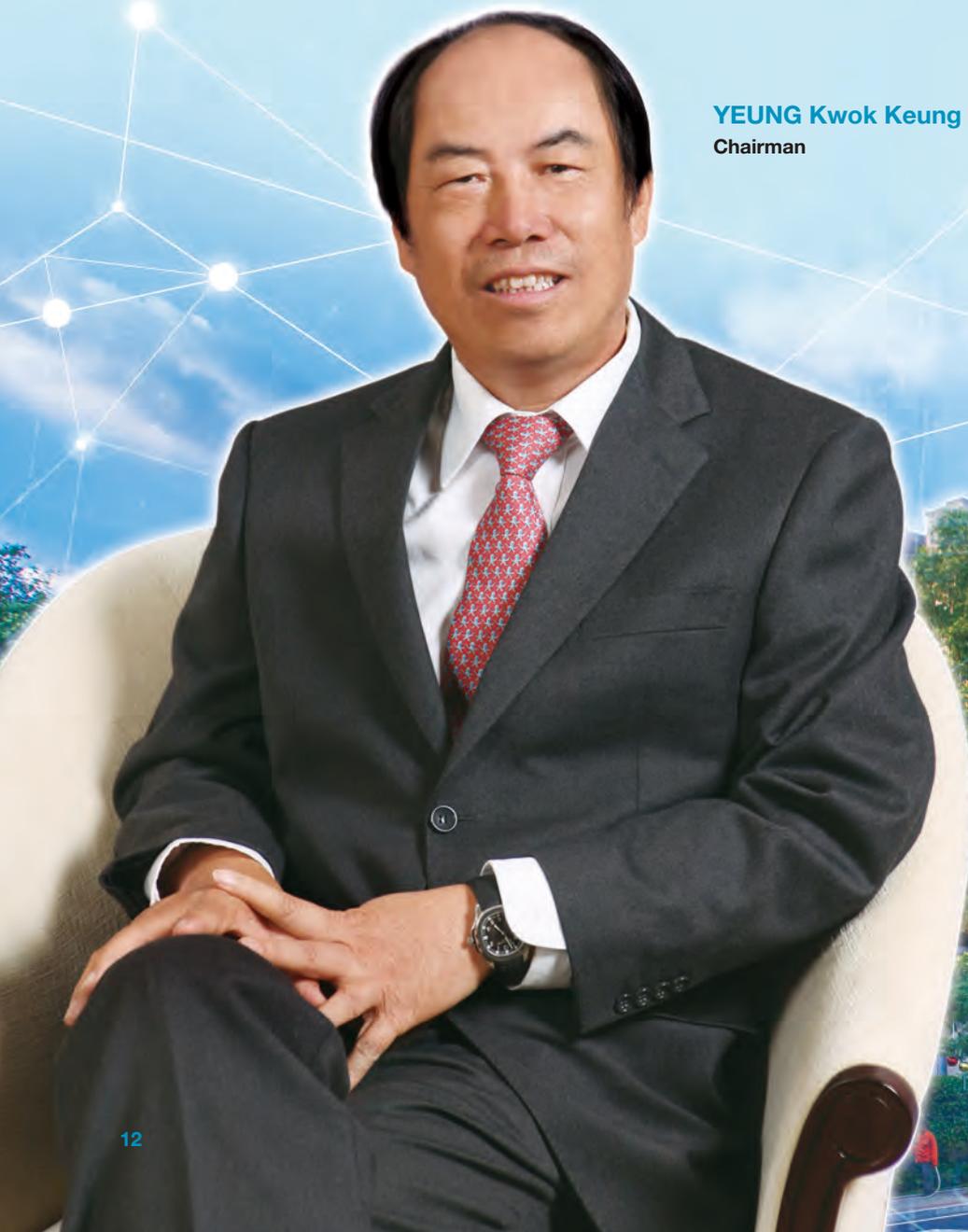


PERFORMANCE

# CHAIRMAN STATEMENT

# 遠改穩印

**YEUNG Kwok Keung**  
Chairman



I am deeply impressed by how our country has been thriving under the reform and opening-up policies. This has inspired me with confidence in the ability of the diligent and brave Chinese people to overcome the present difficulties. Undoubtedly, as entrepreneurs, we should not only tackle the current situation competently but also be visionary: The direction of our development, how well we harness our competitive strengths determine how Country Garden can contribute more to society and generate greater returns to investors.

### **Forging ahead confidently: Urbanization is the way forward**

China's urbanization and modernization have enabled Country Garden and me to succeed. As a first-generation migrant worker from the rural areas after the reform and open-up, I made my way to a town and worked at a construction site in 1978. I am grateful to society for giving me a chance to learn the ropes and serve the people. Nowadays, agriculture has seen its productivity increase because of the adoption of advanced farm machinery. This has freed up more manpower for the country's urbanization, allowing an enormous amount of the rural population to pursue a better life in the urban areas for their convenience of living, employment, education, commercial activities and medical care. This is the same aspiration I had when I started out on my career. As urbanization continues unimpeded, Country Garden capitalizes on the trend by building up a nationwide, balanced geographical market coverage. Adhering to this strategy has sharpened the Company's competitive edge. It has come up with its own winning formula:



## CHAIRMAN STATEMENT



— Country Garden — Canglong Mansion, Guangzhou

For the year ended 31 December 2019 (the “Year”), the Group together with its joint ventures and associates recorded approximately RMB552.20 billion in contracted sales attributable to the shareholders of the Company. As of 31 December 2019, the Group had gained footholds in 282 cities and 1,299 counties/townships in 31 provinces/autonomous regions/municipalities in Mainland China. During the Year, the Group’s revenue increased by 28.2% to approximately RMB485.91 billion; gross profit grew by 23.6% to approximately RMB126.64 billion; net profit increased by 26.1% to approximately RMB61.20 billion; profit attributable to the owners of the Company rose by 14.2% to approximately RMB39.55 billion; and core net profit attributable to the owners of the Company increased by 17.6% to approximately RMB40.12 billion. The Company has made it to the Fortune Global 500 List for three consecutive years since 2017 and it has improved its ranking significantly in the list to 177th this year, up by 176 places compared with that in 2018.

### Braving the headwinds to make steady progress towards success

Started up by seven people, the Company now has more than 100,000 staff which include over 1,000 holders of doctorates. I have been fortunate to work shoulder to shoulder with the best in class to advance the development of the Company while creating a platform for their career advancement. To match our company’s development, we have put in place programmes of recruiting and fostering professional and highly efficient teams. For instance, we have groomed more than 34 employees for the posts of regional presidents and regional vice presidents through the “Programme of Fostering Future Leaders” and the “Country Garden Trainee Programme”. A promising future awaits them. Moreover, we have been able to retain the top talents who are vice presidents at the group level and have formed the stable, core

management team. At an average age of 46 years, they are in their prime and have proven their capabilities throughout the economic cycle. With their endeavour, our team has been able to ceaselessly improve both itself and its competitive strengths, press ahead with a prudent approach to business operation and thus generate good returns to shareholders despite numerous difficulties over the years.

During the Year, the Group had collected consolidated cash inflow from property sales of approximately RMB589.86 billion and achieved positive operating cash flow for four consecutive financial years since 2016. As at 31 December 2019, its available cash amounted to a historic high of approximately RMB268.35 billion, and its net gearing ratio decreased by 3.3 percentage points to 46.3%, indicating healthy financial condition. The Group's unused bank credit lines totalled approximately RMB316.79 billion. The Group has been well recognized by credit rating agencies and major financial institutions for its plentiful working capital and strong financial position and has thus secured support from them.

### Scientific planning for high-technology business which is the way forward

Keeping pace with the era of flourishing technologies, Country Garden Bright Dream Robotics project has already been researching on and developing robots since July 2018. Specifically, it has also been studying ways of manufacturing and using robots for the construction industry. It has recruited 3,256 outstanding researchers and developers at home and abroad to work on key products and to make breakthroughs in the development of crucial technologies. In the pipeline is research on 50 types of construction robots, of which 32 is being tested at construction sites. They surpassed manual labour in both safety and efficiency by a wide margin. Until now we have applied for 1,843 patents on the results of our research and development and we have been granted 327 patents. As a result of our efforts, we now have proprietary core technologies in the key areas of application. We are now aiming for the combination of robotics and advanced construction technologies and aspire to develop the most advanced



— Country Garden — Jiangshan Mansion, Urumqi

## CHAIRMAN STATEMENT

intelligent manufacturing capability in the world. In the not too distant future, we will see robots working day and night on safe, healthy, stylish, affordable and durable housing. They will even probably be used in property management, medicine, catering industry and agriculture. We will conduct scientific planning to increase the chance of success for the robotics business which can then add to the strength of the Group's property business. This can create great value for investors.

**Engaging in targeted poverty alleviation programmes and modern agriculture to fulfil social responsibility: working for the well-being of people and society at large to ensure sustainable development**

We owe our success to the urbanization and modernization of our country. To give back to society, we have made targeted poverty alleviation programmes and modern agriculture the mainstay businesses of Country Garden. Since its establishment, the Group, together with my family and I, has donated over RMB6.4 billion to charity and carried out its work in poverty alleviation and the revival of rural economy in 14 counties in nine provinces, helping 336,000 people eradicate poverty and even get rich. In our business of modern agriculture, we have adopted advanced technologies and equipment for production. For instance, we have used robot technology

to build advanced, unmanned farms. We have also linked our farms directly to the community-based retail channels to reduce the number of intermediaries, thus decreasing the transaction costs for both the farmers and consumers. Therefore, the Group is able to grow and provide safe, delicious, affordable and diverse agricultural produce for the communities at its property projects and even for a wider domestic market. This serves as the Group's contribution to the revival of rural economy and complements its targeted poverty alleviation programmes. For its hard-earned achievements, Country Garden feels grateful to our country, whose reform and opening-up policies have set the stage for its development. The Company firmly believes in shouldering its social responsibility to give back to society. To join hands with all the people in our country to fight against the novel coronavirus pneumonia, Country Garden has recently established a fund for that purpose and has donated money to it. Donations to the fund have totalled RMB200 million. The Company has also set up a care fund for medical workers and volunteers, purchased scarce medical supplies worldwide and then delivered them directly to the epidemic areas. It has also provided the sealed off areas and mobile cabin hospitals with catering robots free of charge. In addition, it has built production lines for medical masks. All this is Country Garden's effort to assist our country in fighting the epidemic.

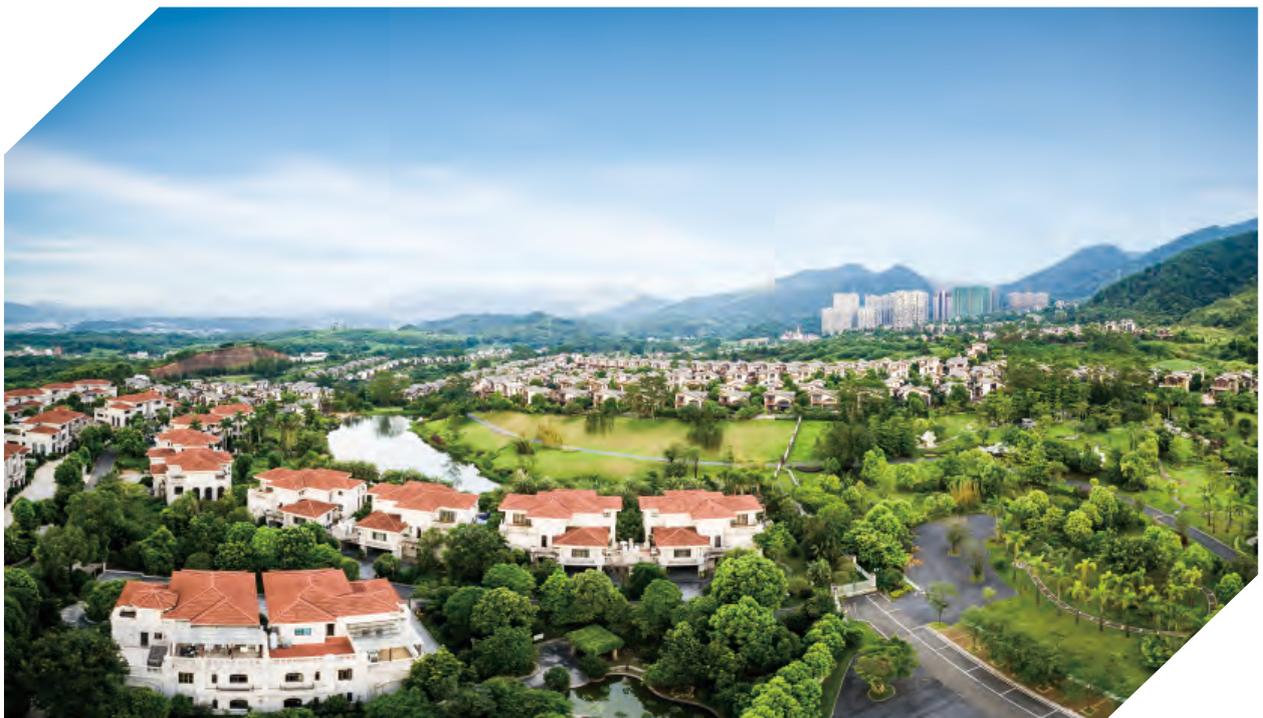
We are set on making society a better place and, for this purpose, we will enhance our competitiveness with the help of technology. I hope that all staff members of the Group will take advantage of this great era by tapping their potential completely and giving their talent full play. Only then can we look back on our lives with no regrets! Let's contribute to our country's social advancement, urbanization and modernization. Let's create more value for society and the capital market. Here I would like to express my gratitude to all the colleagues for their hard work!

March on for a brighter future.

**YEUNG Kwok Keung**

*Country Garden Holdings Company Limited  
Chairman*

Shunde, Guangdong, China, 27 March 2020



— Country Garden — Qingquan City, Qingyuan

# BUSINESS OVERVIEW

## PROPERTY DEVELOPMENT

### Contracted Sales

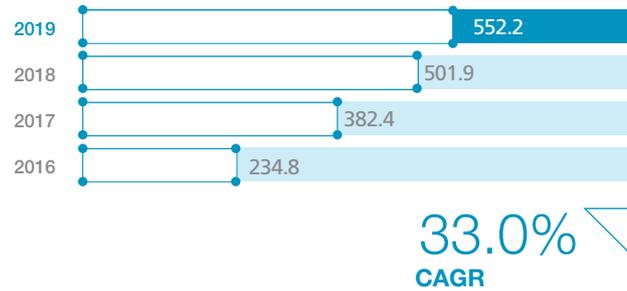
In 2019, the Group together with its joint ventures and associates achieved contracted sales attributable to the shareholders of the Company of approximately RMB552.20 billion with contracted sales GFA attributable to the shareholders of the Company of approximately 62.37 million sq.m..

From 2016 to 2019, the attributable contracted sales compound annual growth rate was approximately 33.0%, and attributable contracted sales in 2019 increased by 10.0% as compared with 2018.

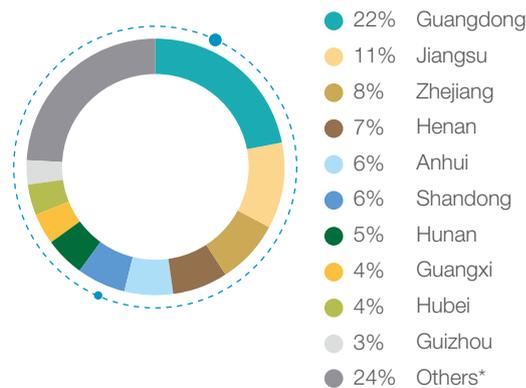
In 2019, the attributable contracted sales outside Guangdong Province was around 78% of that of the Group, reflecting the Group's efforts in geographic diversification.

In terms of tier cities, around 56% of the attributable contracted sales in Mainland China was contributed by projects located in tier 3&4 cities targeting tier 3&4 cities, around 31% was contributed by projects located in tier 2 cities targeting tier 2 cities and 13% was contributed by the others.

### Attributable contracted sales (RMB billion)

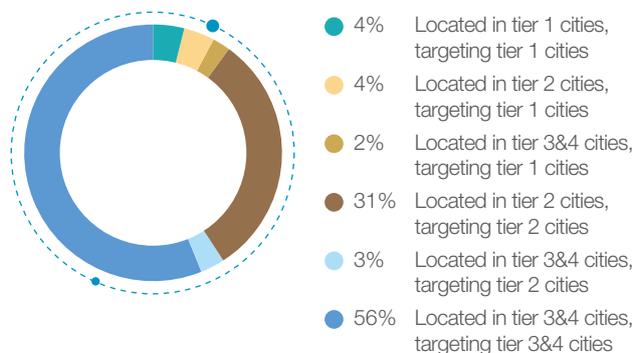


### Geographical breakdown of contracted sales in 2019 (By Attributable Value)

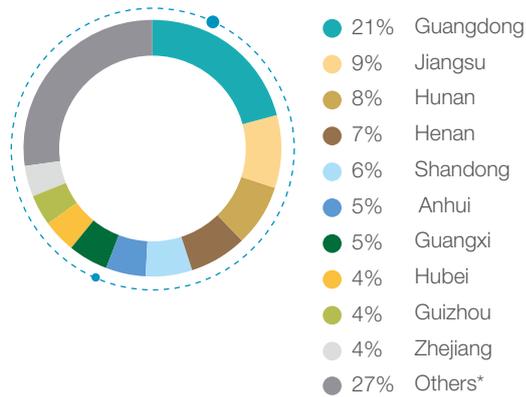


Note: Others\* include Shaanxi, Sichuan, Yunnan, Hebei, Jiangxi, Fujian, Chongqing, Hainan, Liaoning, Tianjin, Shanxi, Hong Kong, Gansu, Qinghai, Xinjiang, Malaysia, Ningxia, Shanghai, Beijing, Inner Mongolia, Australia, Jilin, Thailand, Indonesia, Tibet and Heilongjiang etc.

### Contracted sales breakdown in Mainland China by city type in 2019 (By Attributable Value)

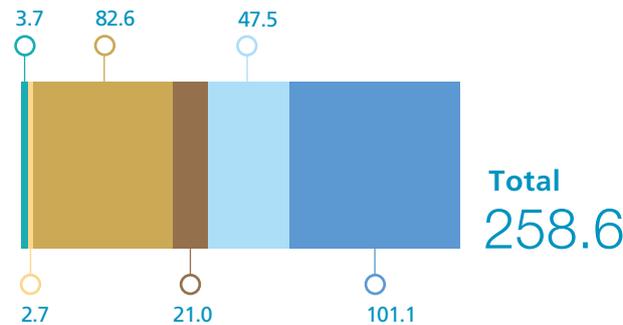


**Attributable landbank GFA breakdown by development stage in Mainland China** (million sq.m.)



Note: Others\* include Sichuan, Hebei, Shaanxi, Jiangxi, Fujian, Yunnan, Liaoning, Hainan, Chongqing, Shanxi, Inner Mongolia, Tianjin, Gansu, Qinghai, Xinjiang, Beijing, Ningxia, Shanghai, Jilin, Heilongjiang, Tibet.

**Landbank GFA breakdown by development stage in Mainland China** (million sq.m.)



- Completed and pre-sold pending delivery
- Completed but unsold
- Under construction with sales permit – sold
- Under construction with sales permit – unsold
- Under construction without sales permit
- Project acquired without construction permit

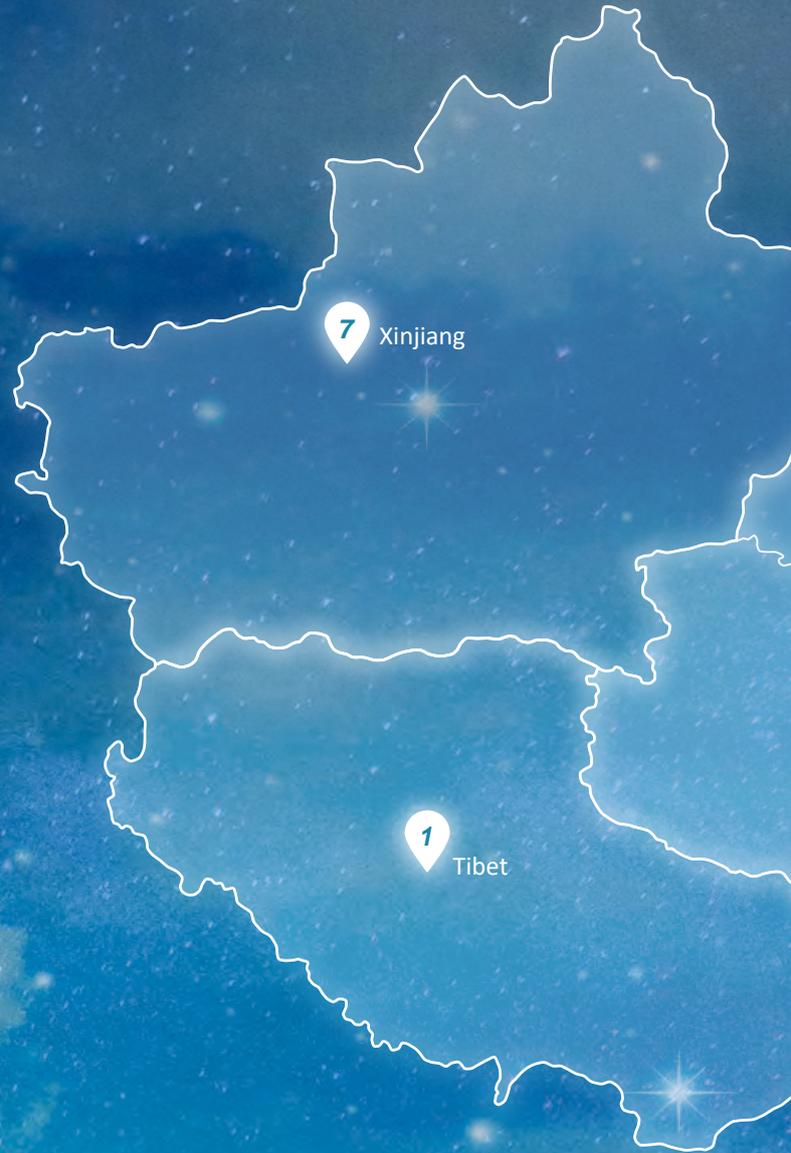
**Landbank – Mainland China**

As of 31 December 2019, the acquired attributable GFA in Mainland China together with its joint venture and associates was 258.56 million sq.m.. 79% of the landbank was located outside of Guangdong province. By development stage around 58% of the landbank was under construction, and 33% was presold.

# BUSINESS OVERVIEW

## Project Location

As of 31 December 2019, the Group operated 2,536 projects under different development stages, 2,512 of these projects were located in Mainland China and 24 were outside Mainland China.



As of 31 December 2019, the Group's

**2,512** projects  
in **Mainland China**  
were located as follows:



## BUSINESS OVERVIEW

Top 100 projects with the highest attributable contracted sales in 2019 in Mainland China<sup>(1)</sup>

Serial number	Project	City (District)	Aggregate saleable GFA for entire project sq.m.	Completed property developments <sup>(2)</sup>			
				Total completed saleable GFA sq.m.	Total saleable GFA sold and delivered sq.m.	Total saleable GFA pre-sold pending delivery sq.m.	
1	Asian Games Town (亞運城)	Guangzhou (Panyu)	1,060,312	458,430	453,252	4,946	
2	Country Garden Hill Lake City (碧桂園山湖城)	Qingyuan (Qingcheng)	1,976,912	1,148,828	1,137,537	969	
3	Country Garden – Phoenix City (碧桂園·鳳凰城)	Zhenjiang (Jurong)	6,689,278	3,526,397	3,503,067	8,288	
4	Lanzhou Country Garden (蘭州碧桂園)	Lanzhou (Chengguan)	5,592,363	2,116,671	2,098,860	9,488	
5	Yulin Country Garden (玉林碧桂園)	Yulin (Yuzhou)	1,205,034	513,138	510,602		
6	Country Garden – Jade Bay (碧桂園·翡翠灣)	Foshan (Nanhai)	530,818	402,503	402,338	165	
7	Changde Country Garden (常德碧桂園)	Changde (Wuling)	671,754	277,928	277,770		
8	Country Garden – Time City (碧桂園·時代城)	Suzhou (Wujiang)	230,852	83,358	83,051	103	
9	Country Garden – Haichang Tianlan (碧桂園·海昌天瀾)	Tianjin (Binhai New District)	303,085	127,469	125,626		
10	Country Garden – Phoenix Mountain (碧桂園·鳳凰山)	Heyuan (Jiangdong New District)	227,746	80,768	80,768		
11	Country Garden – City Garden (碧桂園·城邦花園)	Zhanjiang (Mazhang)	589,588	404,805	403,737	720	
12	Country Garden – Jade Hill (碧桂園·翡翠山)	Foshan (Sanshui)	440,614	328,322	314,356	13,966	
13	Country Garden – Longcheng Tianyue (碧桂園·龍城天悅)	Zhengzhou (Zhongyuan)	515,683	253,586	251,324	507	
14	Country Garden – Phoenix City (碧桂園·鳳凰城)	Zhongshan (South District)	757,996	104,354	92,186	1,505	
15	Shatian Country Garden (沙田碧桂園)	Dongguan (Shatian)	278,334	266,966	256,101	4,804	
16	Country Garden River and City (碧桂園江與城)	Qingyuan (Qingcheng)	278,477	155,075	154,506	321	
17	Country Garden – Fenghui City (碧桂園·豐匯城)	Maoming (Xinyi)	398,922	136,925	107,248	29,414	
18	Country Garden Purple Dragon Mansion (碧桂園紫龍府)	Chuzhou (Langya)	265,371	154,671	152,429	475	
19	Country Garden – Spring Breeze (碧桂園·十里春風)	Chuzhou (Nanqiao)	441,795	118,224	97,166	8,876	
20	Country Garden – Tianjiao Mansion (碧桂園·天驕公館)	Huizhou (Huicheng)	142,752				
21	Zhaotong Country Garden (昭通碧桂園)	Zhaotong (Zhaoyang)	231,129	54,979	54,979		
22	Country Garden Sea Legend (碧桂園海上傳奇)	Ningbo (Cixi)	511,321				
23	Country Garden – Park Palace (碧桂園·公園上城)	Huizhou (Dayawan)	486,547	305,862	300,189	610	

Completion date	Properties under development <sup>(3)</sup>				Properties for future development <sup>(4)</sup>		
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
	sq.m.	sq.m.			sq.m.		
27-Jun-19	409,624	209,301	27-Dec-13	4th Quarter,2022	192,258	4th Quarter,2020	2nd Quarter,2024
25-Dec-19	562,541	398,892	21-Sep-18	4th Quarter,2021	265,543	3rd Quarter,2020	4th Quarter,2022
20-Nov-19	637,683	209,581	25-Dec-18	4th Quarter,2022	2,525,197	3rd Quarter,2020	4th Quarter,2025
17-Oct-19	899,140	214,150	17-Apr-19	4th Quarter,2022	2,576,552	3rd Quarter,2020	4th Quarter,2025
30-Dec-19	396,686	163,285	12-Feb-18	4th Quarter,2022	295,209	4th Quarter,2020	3rd Quarter,2023
10-May-19	127,795	117,316	16-Nov-18	2nd Quarter,2021	520	2nd Quarter,2020	2nd Quarter,2021
14-Aug-19	341,981	150,139	21-Sep-16	3rd Quarter,2022	51,845	4th Quarter,2020	4th Quarter,2022
1-Apr-19	147,494	115,531	27-Dec-17	4th Quarter,2021			
14-May-19	175,616	167,529	27-Apr-18	1st Quarter,2021			
8-Apr-18	146,978	122,370	11-Sep-18	4th Quarter,2020			
30-Dec-19	184,783	147,072	6-Sep-18	1st Quarter,2022			
31-Jul-19	112,292	73,874	18-Sep-18	2nd Quarter,2021			
20-Sep-19	262,098	228,396	23-Mar-18	2nd Quarter,2022			
29-Jun-18	270,427	169,051	29-Nov-18	4th Quarter,2021	383,215	2nd Quarter,2020	3rd Quarter,2023
12-Jun-19	11,367	11,134	12-Oct-19	1st Quarter,2021			
8-Oct-19	122,634	66,064	3-Sep-18	3rd Quarter,2021	767	2nd Quarter,2020	3rd Quarter,2021
21-Jan-19	108,853	102,885	28-Jun-17	3rd Quarter,2021	153,143	1st Quarter,2020	2nd Quarter,2022
12-Dec-19	110,700	82,681	29-Nov-17	4th Quarter,2021			
23-Dec-19	167,669	112,924	29-Sep-17	4th Quarter,2021	155,902	2nd Quarter,2020	4th Quarter,2022
	142,752	121,407	7-Sep-18	2nd Quarter,2021			
8-Apr-19	176,150	171,032	10-Oct-18	1st Quarter,2021			
	426,146	199,841	29-Sep-18	4th Quarter,2022	85,174	4th Quarter,2020	4th Quarter,2022
13-Dec-18	180,685	114,868	9-Nov-18	4th Quarter,2022			

## BUSINESS OVERVIEW

Serial number	Project	City (District)	Aggregate saleable GFA for entire project sq.m.	Completed property developments <sup>(2)</sup>			
				Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
				sq.m.	sq.m.	sq.m.	sq.m.
24	Country Garden — Huyue Tianjing (碧桂園·湖悅天境)	Taizhou (Hailing)	149,998				
25	Country Garden — Jiuzhangtai (碧桂園·玖樟台)	Taizhou (Jiaojiang)	70,529				
26	Urumqi Country Garden (烏魯木齊碧桂園)	Urumqi (Midong)	357,262				
27	Zengcheng Country Garden Center (增城碧桂園中心)	Guangzhou (Zengcheng)	146,352				
28	Country Garden — Longteng Shijia (碧桂園·龍騰世家)	Kunming (Wuhua)	419,548				
29	Country Garden — Park No.1 (碧桂園·公園壹號)	Tangshan (Lubei)	104,862				
30	Country Garden — North City Image (碧桂園·北城映象)	Kunming (Panlong)	501,749				
31	Shaoguan Country Garden — Sun City (韶關碧桂園·太陽城)	Shaoguan (Xilian)	3,469,236	1,735,813	1,721,629		497
32	Nantong Linkin Park (南通林肯公園)	Nantong (Chongchuan)	92,265				
33	Country Garden — Future City (碧桂園·未來城)	Wenzhou (Jingkai)	353,490				
34	Country Garden — Daming Mansion (碧桂園·大名府)	Nantong (Qidong)	531,932	285,940	280,637		
35	Country Garden Chama Old Town (碧桂園·茶馬古鎮)	Guiyang (Qingzhen)	979,842	11,473	11,243		230
36	Country Garden — The Cullinan (碧桂園·天璽)	Urumqi (Xinshi)	162,037				
37	Country Garden Twin Star City (碧桂園雙子星城)	Foshan (Sanshui)	357,657				
38	Country Garden — Yunnan Image (碧桂園·雲南映象)	Kunming (Panlong)	475,415	117,476	113,137		3,868
39	Wenzhou Oujiangkou International New City (溫州甌江口國際新城)	Wenzhou (Oujiangkou)	180,570				
40	Country Garden — Peninsula 1 (碧桂園·半島1號)	Qingyuan (Qingcheng)	493,864	321,671	166,425		151,574
41	Country Garden — Yuchuan Mansion (碧桂園·御川府)	Xining (Chengbei)	429,664				
42	Country Garden — Xiyue (碧桂園·驛悅)	Anyang (Anyang)	365,870				
43	Country Garden — Phoenix City (碧桂園·鳳凰城)	Meizhou (Wuhua)	993,015	152,867	150,290		2,577
44	Country Garden — Cloud Land Apocalypse (碧桂園·雲地天啟)	Jining (Zoucheng)	243,263				

Completion date	Properties under development <sup>(4)</sup>				Properties for future development <sup>(4)</sup>		
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
	sq.m.	sq.m.			sq.m.		
	149,998	148,125	22-Jun-18	1st Quarter,2022			
	70,529	55,269	28-Jun-18	2nd Quarter,2021			
	345,461	273,217	11-Aug-18	2nd Quarter,2022	11,800	2nd Quarter,2020	3rd Quarter,2022
	101,678	40,245	6-Dec-18	2nd Quarter,2022	44,674	4th Quarter,2020	3rd Quarter,2022
	346,645	181,688	6-Dec-18	4th Quarter,2022	72,904	3rd Quarter,2020	4th Quarter,2022
	104,862	86,682	14-Sep-18	2nd Quarter,2022			
	214,928	192,601	17-Aug-18	1st Quarter,2022	286,821	2nd Quarter,2020	4th Quarter,2023
21-Nov-19	522,979	450,255	28-Jun-17	3rd Quarter,2021	1,210,444	3rd Quarter,2020	4th Quarter,2025
	92,265	90,383	13-Jun-18	3rd Quarter,2021			
	353,490	229,979	10-Jul-18	2nd Quarter,2022			
30-Dec-19	183,907	168,289	30-May-18	3rd Quarter,2021	62,085	2nd Quarter,2020	2nd Quarter,2022
29-Nov-19	497,839	343,610	27-Dec-17	3rd Quarter,2022	470,531	4th Quarter,2020	4th Quarter,2024
	162,037	121,575	19-Oct-18	2nd Quarter,2021			
	353,713	76,991	26-Nov-18	4th Quarter,2022	3,944	3rd Quarter,2020	4th Quarter,2022
18-Apr-19	352,162	207,059	14-Sep-18	2nd Quarter,2022	5,777	4th Quarter,2020	2nd Quarter,2022
	180,570	167,695	23-Dec-17	4th Quarter,2021			
19-Dec-19	140,368	73,946	27-Feb-19	4th Quarter,2021	31,825	3rd Quarter,2020	4th Quarter,2021
	419,378	246,451	25-Jul-18	4th Quarter,2022	10,286	3rd Quarter,2020	2nd Quarter,2023
	192,492	94,864	26-Jun-19	4th Quarter,2022	173,378	3rd Quarter,2020	4th Quarter,2023
11-Dec-19	372,338	216,988	26-Nov-18	2nd Quarter,2022	467,810	2nd Quarter,2020	4th Quarter,2023
	243,263	179,193	28-Aug-18	4th Quarter,2021			

## BUSINESS OVERVIEW

Serial number	Project	City (District)	Aggregate saleable GFA for entire project sq.m.	Completed property developments <sup>(2)</sup>			
				Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
				sq.m.	sq.m.	sq.m.	sq.m.
45	Country Garden — Twin Lake City (碧桂園·雙湖城)	Zhengzhou (Xinzheng)	110,899				
46	Country Garden — Guokong Tianyu (碧桂園·國控天譽)	Zhengzhou (Jinshui)	76,534				
47	Country Garden — Jade Bay (碧桂園·翡翠灣)	Xuzhou (Pizhou)	275,997				
48	Country Garden — Longcheng Mansion (碧桂園·龍城府)	Qiannan (Longli)	138,738				
49	Country Garden — Jin Tang (碧桂園·錦唐)	Xi'an (Chanba)	93,832	14,205	14,205		
50	Country Garden — Binjiang Yue (碧桂園·濱江悅)	Taizhou (Jiaojiang)	118,183				
51	Country Garden — Ten Miles Beach (including Bicui lake & Weigang Bay) (碧桂園·十里銀灘(含碧翠湖 維港灣))	Huizhou (Huidong)	4,631,123	3,521,383	3,517,975		
52	Country Garden — Haichang Tianlan (碧桂園·海昌天瀾)	Chengdu (Shuangliu)	528,746	309,086	289,136	6,831	
53	Country Garden Yinyi — City Impression (碧桂園銀億·大城印象)	Shenyang (Yuhong)	741,226	29,105	21,882	1,300	
54	Haikou Binjiang Coast (海口濱江海岸)	Haikou (Haidian Island)	103,161	12,569	5,390	1,805	
55	Country Garden — Guanlan Tianjing (碧桂園·觀瀾天境)	Taizhou (Hailing)	147,671				
56	Kunshan Art Gallery Orchid Garden (昆山藝薈蘭苑)	Suzhou (Kunshan)	44,141				
57	Country Garden — Beihai Sunshine (碧桂園·北海陽光)	Beihai (Haicheng)	542,957				
58	Country Garden Cambridgeshire (碧桂園·劍橋郡)	Haikou (Longhua)	379,058				
59	Country Garden — Yunding (碧桂園·雲頂)	Ningbo (Cixi)	90,419	90,419	77,976	1,698	
60	Country garden — Southwest Uptown (碧桂園·西南上城)	Guiyang (Guanshanhu)	1,340,844	103,683	87,767	11,517	
61	Country Garden — Runyang Valley (碧桂園·潤楊溪谷)	Huizhou (Huiyang)	821,820	207,662	200,979	1,446	
62	Xinhui Country Garden — Phase One to Nine (新會碧桂園 — 一至九期)	Jiangmen (Xinhui)	1,584,119	1,478,214	1,478,214		
63	Country Garden — Tianyue (碧桂園·天樾)	Liangshan (Xichang)	182,269				
64	Country Garden — Phoenix Palace (碧桂園·鳳凰台)	Taizhou (Jiangyan)	112,925				

Completion date	Properties under development <sup>(4)</sup>				Properties for future development <sup>(4)</sup>		
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
	sq.m.	sq.m.			sq.m.		
	110,899	102,176	28-Feb-19	3rd Quarter,2022			
	76,534	61,600	27-Jun-18	2nd Quarter,2021			
	266,170	144,272	23-Nov-18	2nd Quarter,2022	9,828	4th Quarter,2020	3rd Quarter,2022
	138,738	127,223	22-Jun-18	4th Quarter,2021			
28-Aug-09	79,626	79,559	16-Nov-18	1st Quarter,2021			
	118,183	87,786	19-Oct-18	3rd Quarter,2021			
31-Jan-18	884,948	279,701	24-May-18	2nd Quarter,2023	224,792	4th Quarter,2020	4th Quarter,2024
30-Jul-19	219,660	153,822	15-Jun-18	4th Quarter,2022			
26-Nov-19	264,694	179,336	26-Jun-18	4th Quarter,2022	447,426	2nd Quarter,2020	4th Quarter,2024
19-Dec-18	57,312	36,401	14-Dec-18	4th Quarter,2021	33,280	3rd Quarter,2020	2nd Quarter,2023
	147,671	85,565	1-Feb-19	2nd Quarter,2022			
	44,141	39,824	5-Dec-18	3rd Quarter,2021			
	333,756	131,447	11-Jan-19	4th Quarter,2022	209,201	3rd Quarter,2020	4th Quarter,2023
	328,567	287,552	12-Oct-18	4th Quarter,2022	50,492	2nd Quarter,2020	2nd Quarter,2023
24-Sep-19							
29-Oct-19	1,097,770	566,966	23-Feb-18	4th Quarter,2023	139,390	3rd Quarter,2020	4th Quarter,2023
22-Oct-19	173,479	133,803	31-May-18	4th Quarter,2021	440,679	2nd Quarter,2020	4th Quarter,2024
28-Mar-19	105,905	97,780	20-Mar-19	1st Quarter,2021			
	169,331	105,736	29-Sep-18	2nd Quarter,2022	12,938	2nd Quarter,2020	4th Quarter,2022
	112,925	108,886	29-Jun-18	3rd Quarter,2022			

## BUSINESS OVERVIEW

Serial number	Project	City (District)	Aggregate saleable GFA for entire project sq.m.	Completed property developments <sup>(2)</sup>			
				Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
				sq.m.	sq.m.	sq.m.	sq.m.
65	Country Garden — Spring Breeze (碧桂園·十里春風)	Huzhou (Wuxing)	219,169				
66	Fenhu Country Garden (汾湖碧桂園)	Suzhou (Wujiang)	141,047	141,047	102,678	1,647	
67	Country Garden — Shanghe Mansion (碧桂園·尚合府)	Hangzhou (Gongshu)	28,415				
68	Country Garden Dongjiang Phoenix Bay (碧桂園東江鳳凰灣)	Heyuan (Yuancheng)	413,796	338,660	250,169	88,420	
69	Country Garden — Xijiang Mansion (碧桂園·西江府)	Wuzhou (Changzhou)	297,259				
70	Zhongshan Sanxiang Country Garden Golf (中山三鄉碧桂園高爾夫)	Zhongshan (Sanxiang)	103,203	103,203	55,689	18,871	
71	Country Garden — Zishan Mansion (碧桂園·梓山府)	Yiyang (Gaoxin District)	625,130	97,211	95,962	1,248	
72	Country Garden — College Impression (碧桂園·大學印象)	Zhenjiang (Jurong)	458,774	314,697	271,899	39,809	
73	Country Garden Phoenix City (碧桂園鳳凰城)	Baoji (Gaoxin District)	954,681				
74	Country Garden — Park Palace (碧桂園·公園上城)	Haikou (Longhua)	150,470				
75	Country Garden — East Garden (碧桂園·東園)	Kunming (Guandu)	247,458				
76	Country Garden — Changnan Mansion (碧桂園·昌南府)	Jingdezhen (Zhushan)	272,882				
77	Penglai Country Garden (蓬萊碧桂園)	Yantai (Penglai)	606,397	250,547	250,547		
78	Country Garden — Huaifu Phoenix City (碧桂園·華附鳳凰城)	Shanwei (Haifeng)	348,952	136,044	7,222	128,735	
79	Country Garden Poly — Tianqi (碧桂園保利·天啟)	Zhongshan (Nanlang)	115,690	77,566	76,972		
80	Country Garden — Xi Yue (碧桂園·壹悅)	Guangzhou (Nansha)	124,967				
81	Country Garden Baoqing Mansion (碧桂園寶慶府)	Shaoyang (Shuangqing)	436,003				
82	Three Thousand City (三千邑)	Suzhou (Wujiang)	102,964	71,327	40,891	30,285	
83	Country Garden — Yinjiangnan (碧桂園·印江南)	Hangzhou (Xiaoshan)	32,913				
84	Country Garden Jade Mansion (碧桂園·翡翠郡)	Zhaoqing (Sihu)	657,661	68,012	67,385	536	

Completion date	Properties under development <sup>(4)</sup>				Properties for future development <sup>(4)</sup>		
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
	sq.m.	sq.m.			sq.m.		
	219,169	73,968	8-Aug-18	2nd Quarter,2022			
6-Sep-19							
	28,415	26,334	1-Jan-19	2nd Quarter,2021			
31-Dec-19	75,136	72,142	24-Oct-18	3rd Quarter,2021			
	234,487	140,972	12-Jul-18	2nd Quarter,2022	62,773	3rd Quarter,2020	4th Quarter,2022
17-Jun-19							
29-Sep-19	407,624	292,952	5-Jan-18	4th Quarter,2022	120,295	2nd Quarter,2020	4th Quarter,2023
28-Oct-19	99,550	8,635	22-Jul-16	4th Quarter,2021	44,528	3rd Quarter,2020	2nd Quarter,2022
	234,253	172,752	27-Jun-18	2nd Quarter,2022	720,428	2nd Quarter,2020	4th Quarter,2024
	150,470	58,548	25-Oct-19	4th Quarter,2021			
	153,103	94,453	17-Jan-19	2nd Quarter,2022	94,355	3rd Quarter,2020	4th Quarter,2022
	272,882	223,706	26-Mar-18	4th Quarter,2022			
22-Apr-19	355,850	297,294	9-Mar-18	3rd Quarter,2021			
26-Dec-19	196,071	92,604	28-Nov-18	4th Quarter,2021	16,837	3rd Quarter,2020	4th Quarter,2021
29-Sep-19	38,124	35,548	19-Jun-18	4th Quarter,2020			
	124,967	74,353	12-Jan-18	3rd Quarter,2020			
	321,073	299,674	22-Jan-18	2nd Quarter,2022	114,930	2nd Quarter,2020	3rd Quarter,2023
27-Sep-19	31,637	31,604	14-Mar-19	2nd Quarter,2021			
	32,913	32,115	29-Nov-18	4th Quarter,2020			
6-Sep-19	338,263	161,413	30-Oct-17	4th Quarter,2022	251,386	4th Quarter,2020	4th Quarter,2023

## BUSINESS OVERVIEW

Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Completed property developments <sup>(2)</sup>			
				Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
				sq.m.	sq.m.	sq.m.	sq.m.
85	Haikou Binhai International (海口濱海國際)	Haikou (Meilan)	229,851	35,763	13,990	6,550	
86	Country Garden — Phoenix City (碧桂園·鳳凰城)	Yancheng (Yandu)	415,730	79,674	77,450		
87	Country Garden — Tianluan Mountain (碧桂園·天鑾山)	Shanwei (Haifeng)	351,700				
88	Country Garden Lingnan Prosperity (碧桂園嶺南盛世)	Foshan (Chancheng)	212,779	114,922	113,617	760	
89	Country Garden — Shifu Mansion (碧桂園·仕府公館)	Chuzhou (Chengnan)	165,140	102,089	96,485	306	
90	Country Garden Monet's Lake (碧桂園莫奈的湖)	Tianjin (Wuqing)	213,074	121,295	81,131	7,577	
91	Country Garden — Jade Legend (碧桂園·翡翠傳奇)	Weinan (Linwei)	233,594	69,621	68,385	297	
92	Country Garden — Jade Park (碧桂園·翡翠公園)	Suzhou (Wujiang)	92,264				
93	Country Garden — Shengshi Mingmen (碧桂園·盛世名門)	Zhongshan (Torch District)	250,454				
94	Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	3,967,158	2,928,996	2,897,962	371	
95	Country Garden — S4 Crape Myrtle Tianyue (碧桂園·S4紫薇天悅)	Chuzhou (Langya)	189,786				
96	Country Garden — Jiulong Mansion (碧桂園·玖瓏府)	Wenzhou (Pingyang)	170,687				
97	Country Garden — Villa Shiliyuan (碧桂園·十里源墅)	Chengdu (Wenjiang)	65,947				
98	Country Garden — Yunjing (碧桂園·雲璟)	Qingyuan (Yingde)	409,735				
99	Country Garden — Phoenix City (碧桂園·鳳凰城)	Xuchang (Changge)	452,421				
100	Country Garden — Feili Huyue (碧桂園·翡麗湖樾)	Zibo (Huantai)	102,613				

## Note:

- (1) All the GFAs displayed in this section are attributable to the owners of the Company.
- (2) Based on the measurement reports from relevant government departments.
- (3) Based on the actual measurements by the project management department of the Group.
- (4) "GFA for future development" for each project is the GFA expected to be built.

Completion date	Properties under development <sup>(4)</sup>				Properties for future development <sup>(4)</sup>		
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
	sq.m.	sq.m.			sq.m.		
23-Dec-19	123,169	27,905	29-Mar-19	4th Quarter,2022	70,919	4th Quarter,2020	3rd Quarter,2024
12-Nov-19	182,147	68,890	29-Jun-18	2nd Quarter,2022	153,909	4th Quarter,2020	2nd Quarter,2023
	351,700	206,484	8-Jun-18	2nd Quarter,2022			
13-Aug-19	97,857	21,264	27-Jun-19	2nd Quarter,2022			
15-Nov-19	63,050	61,930	14-Sep-18	3rd Quarter,2020			
19-Dec-19	91,779	34,449	9-Aug-18	4th Quarter,2021			
20-Dec-19	163,974	100,054	21-Dec-18	2nd Quarter,2022			
	92,264	47,764	25-Sep-18	1st Quarter,2022			
	98,310	52,229	24-Apr-18	4th Quarter,2021	152,144	4th Quarter,2020	3rd Quarter,2023
15-Aug-19	424,580	140,033	24-Jan-19	4th Quarter,2022	613,582	4th Quarter,2020	4th Quarter,2024
	189,786	185,686	8-Feb-18	1st Quarter,2021			
	170,687	47,056	23-Sep-19	4th Quarter,2022			
	65,947	64,580	13-Nov-18	3rd Quarter,2021			
	172,946	122,784	18-Oct-18	2nd Quarter,2022	236,790	3rd Quarter,2020	4th Quarter,2023
	238,273	136,764	27-Sep-18	3rd Quarter,2022	214,149	4th Quarter,2020	4th Quarter,2023
	102,613	89,950	23-Oct-18	2nd Quarter,2022			

## BUSINESS OVERVIEW

Landbank GFA breakdown by location in Mainland China <sup>(1)</sup>

Province/Location	Aggregate saleable GFA sq.m.	Completed property developments <sup>(2)</sup>			Properties under development <sup>(3)</sup>		Properties for future development <sup>(4)</sup>
		Total completed saleable GFA sq.m.	Total saleable GFA sold and delivered sq.m.	Total saleable GFA pre-sold pending delivery sq.m.	Total saleable GFA under development sq.m.	Total saleable GFA pre-sold sq.m.	GFA for future development sq.m.
Guangdong	124,905,233	72,860,584	70,489,461	1,752,660	25,719,183	11,884,033	26,325,466
Jiangsu	42,873,591	21,404,406	20,758,585	325,884	12,894,844	6,985,661	8,574,342
Anhui	31,671,954	18,881,899	18,364,709	225,657	9,911,148	5,682,167	2,878,907
Hunan	28,947,573	9,177,941	8,693,457	370,124	11,865,531	7,308,259	7,904,100
Henan	21,039,199	3,277,016	3,194,033	10,241	12,002,855	6,942,955	5,759,327
Hubei	20,356,955	10,264,144	10,024,806	184,846	6,272,071	3,706,671	3,820,739
Shandong	19,251,038	3,624,823	3,521,330	16,670	9,741,961	5,560,486	5,884,254
Guangxi	17,882,186	5,082,200	4,997,982	54,894	9,394,725	5,184,602	3,405,261
Zhejiang	15,030,272	5,522,262	5,107,815	78,869	8,617,349	4,634,901	890,661
Guizhou	14,506,096	4,472,437	4,279,108	180,759	6,094,909	3,926,634	3,938,750
Sichuan	12,292,443	3,542,623	3,438,755	27,868	5,286,689	2,728,546	3,463,131
Liaoning	11,754,541	7,265,952	7,210,715	11,439	2,030,985	1,270,077	2,457,604
Hebei	10,792,308	2,836,553	2,738,355	46,201	4,738,955	2,316,000	3,216,799
Gansu	8,239,923	2,820,704	2,789,932	10,741	2,013,457	932,528	3,405,761
Fujian	8,156,543	4,097,407	3,953,652	77,704	3,174,714	1,841,865	884,423
Shaanxi	8,105,288	1,454,769	1,444,517	2,580	4,078,571	2,169,276	2,571,947
Jiangxi	7,210,630	2,354,740	2,298,837	43,305	3,498,509	2,224,815	1,357,381
Hainan	6,709,487	2,876,618	2,581,934	23,638	1,636,792	664,163	2,196,076
Yunan	5,708,376	743,809	725,498	4,614	2,611,522	1,614,393	2,353,045
Chongqing	5,669,003	2,475,610	2,364,703	52,641	1,740,374	1,018,451	1,453,019
Inner Mongolia	4,649,904	1,681,994	1,625,046	54,379	847,940	567,532	2,119,970
Tianjin	4,325,111	1,473,289	1,373,745	32,552	1,416,510	530,850	1,435,311
Shanxi	4,042,413	250,926	235,774	2,039	1,957,239	897,427	1,834,248
Xinjiang	2,181,402				875,678	641,181	1,305,724
Qinghai	1,355,707	173,148	169,285	2,787	933,173	637,547	249,386
Jilin	1,073,099	222,815	214,993		317,278	174,395	533,006
Shanghai	968,282	228,788	178,486	19,415	566,019	105,624	173,476
Beijing	900,093	41,615	24,831	16,784	295,671	72,210	562,808
Ningxia	860,093	309,510	258,744	21,415	441,500	294,095	109,083
Heilongjiang	555,301	442,127	429,644	167	58,355	20,762	54,820
Tibet	35,582				35,582	35,207	
Total	442,049,625	189,860,710	183,488,731	3,650,872	151,070,091	82,573,311	101,118,824

Note:

- (1) All the GFAs displayed in this section are attributable to the owners of the Company.
- (2) Based on the measurement reports from relevant government departments.
- (3) Based on the actual measurements by the project management department of the Group.
- (4) "GFA for future development" for each project is the GFA expected to be built.

## FINANCIAL SUMMARY

## Consolidated Results

	2015	2016	2017	2018	2019
	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue	113,223	153,087	226,900	379,079	<b>485,908</b>
Profit before income tax	14,833	21,391	46,522	79,563	<b>98,939</b>
Income tax expense	(5,121)	(7,728)	(17,770)	(31,021)	<b>(37,737)</b>
<b>Profit for the year</b>	<b>9,712</b>	<b>13,663</b>	<b>28,752</b>	<b>48,542</b>	<b>61,202</b>
<b>Profit attributable to:</b>					
Owners of the Company	9,277	11,517	26,064	34,618	<b>39,550</b>
Non-controlling interests	435	2,146	2,688	13,924	<b>21,652</b>
	9,712	13,663	28,752	48,542	<b>61,202</b>
<b>Earnings per share:</b>					
Basic (RMB Yuan)	0.43	0.52	1.23	1.61	<b>1.85</b>

## Consolidated Financial Position

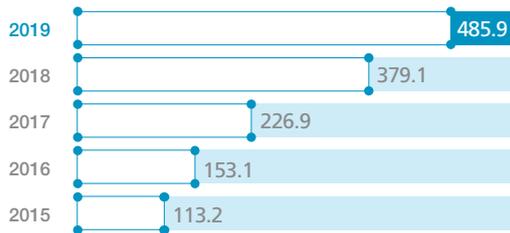
	2015	2016	2017	2018	2019
	RMB million				
<b>Non-current assets</b>	89,940	106,736	181,754	229,944	<b>275,635</b>
<b>Current assets</b>	272,016	484,836	867,915	1,399,750	<b>1,631,517</b>
<b>Current liabilities</b>	201,595	405,314	769,537	1,219,406	<b>1,398,752</b>
<b>Net current assets</b>	70,421	79,522	98,378	180,344	<b>232,765</b>
<b>Total assets less current liabilities</b>	160,361	186,258	280,132	410,288	<b>508,400</b>
<b>Non-current liabilities</b>	71,021	104,643	163,520	236,880	<b>289,792</b>
Equity attributable to owners of the Company	65,290	70,128	93,671	121,330	<b>151,939</b>
Non-controlling interests	24,050	11,487	22,941	52,078	<b>66,669</b>
<b>Total equity</b>	89,340	81,615	116,612	173,408	<b>218,608</b>
<b>Equity attributable to owners of the Company</b>					
– NBV per share (RMB Yuan)	2.89	3.25	4.40	5.61	<b>6.96</b>
<b>Net debt<sup>1</sup></b>	41,866	39,706	66,362	85,932	<b>101,255</b>
<b>Net gearing ratio (%)</b>	60.0	48.7	56.9	49.6	<b>46.3</b>

Note:

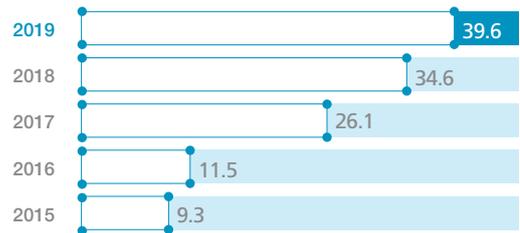
1. Net debt equals to total debt (representing bank and other borrowings, senior notes, corporate bonds and convertible bonds) net of available cash.

# FINANCIAL HIGHLIGHTS

Revenue (RMB billion)



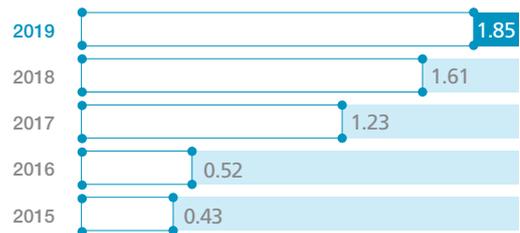
Profit attributable to owners of the Company (RMB billion)



Core net profit attributable to owners of the Company (RMB billion)



Basic earnings per share (RMB Yuan)



Equity attributable to owners of the Company (RMB billion)



Equity attributable to owners of the Company — NBV per share (RMB Yuan)



## MANAGEMENT DISCUSSION AND ANALYSIS



— Country Garden — Lijiang Palace, Guilin

## FINANCIAL REVIEW

### Revenue

The Group's revenue was primarily derived from two business segments as follows: Property development, and Construction. Revenue increased by 28.2% to approximately RMB485,908 million in 2019 from approximately RMB379,079 million in 2018. 97.8% of the Group's revenue was generated from the sales of properties (2018: 97.4%) and 2.2% from construction and other segments (2018: 2.6%).

Group's revenue  
increased by

**28.2%**

to approximately

RMB  
**485,908**  
million

## MANAGEMENT DISCUSSION AND ANALYSIS

**Property Development**

Revenue generated from property development maintained a growth as a result of the steady property contracted sales, and the timely delivery of property units benefit from the efficient project construction management system in 2019. Revenue generated from property development increased by 28.6% to approximately RMB475,012 million in 2019 from approximately RMB369,405 million in 2018. The recognised average selling price of property delivered was approximately RMB8,407 per sq.m. in 2019, decreasing from approximately RMB8,550 per sq.m. in 2018.

Revenue generated from property development increased by

**28.6%**

to approximately

RMB  
**475,012**  
million



— Country Garden — Yixihu, Tianjin

**Construction**

Construction revenue from external parties increased by 18.1% to approximately RMB6,219 million in 2019 from approximately RMB5,265 million in 2018, primarily due to increase in the construction volume and the number of construction projects.

**Others**

Others segment mainly includes property investment, hotel operation and others. Revenue from external parties of these segments increased by 6.1% to approximately RMB4,677 million in 2019 from approximately RMB4,409 million in 2018.

**Finance Income – Net**

The Group recorded net finance income of approximately RMB1,171 million in 2019 (2018: approximately RMB1,348 million).

In 2019, the Group recorded post-hedging net foreign exchange losses of approximately RMB1,200 million (2018: approximately RMB977 million), interest income of approximately RMB2,371 million (2018: approximately RMB2,445 million), interest expense of approximately RMB24,489 million (2018: approximately RMB19,129 million) of which 100% were capitalised on qualifying assets (2018: 100%), and no net loss on early redemption of senior notes and convertible bonds (2018: approximately RMB120 million).

**Profit and Core Net Profit Attributable to Owners of the Company**

Due to the increase in the revenue recognised from the sales of properties of the Group, the profit attributable to owners of the Company increased by approximately 14.2% to approximately RMB39,550 million in 2019, when compared with approximately RMB34,618 million in 2018.

Construction revenue from external parties increased by

18.1%

to approximately

RMB  
**6,219**  
million

Profit attributable to owners of the Company increased by

14.2%

to approximately

RMB  
**39,550**  
million

## MANAGEMENT DISCUSSION AND ANALYSIS

After deduction of the post-tax gains arising from changes in fair value of and transfer to investment properties, net exchange gains/losses on financing activities, net losses on early redemption of senior notes and convertible bonds and changes in fair value of derivative financial instruments, the core net profit attributable to owners of the Company in 2019 was approximately RMB40,124 million, representing an increase of approximately 17.6% when compared with approximately RMB34,125 million for the corresponding period in 2018.

### Liquidity, Financial and Capital Resources

As at 31 December 2019, the Group's available cash (equals to the sum of cash and cash equivalents and restricted cash) amounted to approximately RMB268,348 million (31 December 2018: approximately RMB242,543 million). As at 31 December 2019, 96.6% (31 December 2018: 95.7%) of the Group's cash and bank deposits was denominated in Renminbi and 3.4% (31 December 2018: 4.3%) was denominated in other currencies (mainly US dollars, HK dollars and Malaysian Ringgit).

As at 31 December 2019, the carrying amount of the restricted cash was approximately RMB19,363 million (31 December 2018: approximately RMB14,200 million). Pursuant to relevant regulations, certain project companies were required to deposit a portion of proceeds from pre-sales of properties into designated bank accounts. Before completion of the pre-sold properties, the proceeds deposited in the escrow accounts could only be used for the restricted purposes of purchasing construction materials and equipment, making interim construction payments and paying tax, with the prior approval of the relevant local authorities.

Core net profit attributable to owners of the Company increased by

**17.6%**  
to approximately

RMB  
**40,124**  
million

Group's available cash amounted to approximately

RMB  
**268,348**  
million

As at 31 December 2019, the net current assets of the Group were approximately RMB232,765 million (31 December 2018: approximately RMB180,344 million). The current ratio being current assets over current liabilities was approximately 1.2 as at 31 December 2019, increased from approximately 1.1 as at 31 December 2018.

As at 31 December 2019, the Group's bank and other borrowings, senior notes, corporate bonds and convertible bonds amounted to approximately RMB252,793 million, RMB64,893 million, RMB46,400 million and RMB5,517 million respectively (31 December 2018: approximately RMB231,683 million, RMB41,716 million, RMB41,908 million and RMB13,168 million respectively).

For bank and other borrowings, approximately RMB80,057 million, RMB170,089 million and RMB2,647 million will be repayable within 1 year, between 1 and 5 years and beyond 5 years respectively (31 December 2018: approximately RMB91,844 million, RMB133,063 million and RMB6,776 million respectively). As at 31 December 2019 and 31 December 2018, the majority of the bank and other borrowings were secured by certain properties, right-of-used assets, equipment and equity investment interests of the Group and/or guaranteed by the Group.

Net gearing ratio is measured by the net debt (representing bank and other borrowings, senior notes, corporate bonds and convertible bonds, net of available cash, which equals to the sum of cash and cash equivalents and restricted cash) over total equity. Net gearing ratio of the Group decreased from approximately 49.6% as at 31 December 2018 to approximately 46.3% as at 31 December 2019.

Net gearing ratio  
decreased to  
approximately

46.3%

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Key Risk Factors and Uncertainties**

The following lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

#### ***Risks Pertaining to the Property Market and Operation***

The Group's businesses and prospects are largely dependent on the performance of the property market in mainland China. The property market in mainland China is affected by a number of factors, including changes in social, political, economic and legal environment, as well as changes in the government's financial, economic, monetary, industrial and environmental conservation policies. The Group is also susceptible to changes in economic conditions, consumer confidence, consumption spending, and changes in consumption preferences. Therefore, the Group continues to implement its strategies to develop and strengthen penetration of different regional markets thereby reducing its dependence on specific markets. The Group's operation is subject to a number of risk factors distinctive to property development, property investment, and property related businesses. Default on the part of our buyers, tenants and strategic business partners, inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of operations. The outbreak of the Coronavirus (COVID-19) may also has negative influences on consumer confidence in the short term.

#### ***Interest Rate Risk***

The Group's bank and other borrowings mainly bear floating rates. As at 31 December 2019, the weighted average borrowing cost of the Group's total debt was 6.34%, which was increased by 23 basic points from that as at 31 December 2018. The Group has implemented certain interest rate management which includes, among others, close monitoring of interest rate movements, refinancing on existing banking facilities and entering into new banking facilities when good pricing opportunities arise.

#### ***Foreign Exchange Risk***

The Group's business is mainly denominated in Renminbi. Foreign exchange risk mainly arises from the outstanding foreign currency borrowings (mainly denominated in US dollars and HK dollars). Since 2015, the Group has adopted foreign currency hedging instruments to achieve better management over foreign exchange risk. The objective of the hedges is to minimise the volatility of the RMB cost of highly probable forecast repayments of debts. The Group's risk management policy is to partially hedge forecasted foreign currency cash flows, subject to availability of appropriate hedging instruments and cost of hedging. The Group uses a combination of foreign exchange forward contracts, foreign currency option contracts, foreign exchange structured derivatives and cross currency swaps to hedge its exposure to foreign exchange risk.

#### ***Guarantees***

As at 31 December 2019, the Group had guarantees in respect of mortgage facilities for certain buyers amounting to approximately RMB348,154 million (31 December 2018: approximately RMB319,239 million).

Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. The guarantees were to be discharged upon the earlier of: (i) issuance of the real estate ownership certificate which are generally available within three months after the buyers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the property buyers.

The Board considers that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty, therefore, no provision has been made in the financial statements for the guarantees.

In addition, as at 31 December 2019, the Group had provided guarantees amounting to approximately RMB73,239 million (31 December 2018: approximately RMB58,090 million) for certain borrowings of the joint ventures, associates and other related parties of the Group.

### Employees and Remuneration Policy

Human resource has always been the most valuable resource of the Group. As at 31 December 2019, the Group had approximately 101,784 full-time employees.

The remuneration package of the employees includes salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group believes that the salaries and benefits that the employees receive are competitive in comparison with market rates. The Group is subject to social insurance contribution plans or other pension schemes organised by the regional governments and is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing fund or to contribute regularly to other mandatory provident fund schemes on behalf of the employees. As at the date of this report, there were no significant labor disputes which adversely affect or are likely to have an adverse effect on the operations of the Group.

In order to adapt itself to the fast growing and ever changing market, the Group came up with the partnership scheme, aligning the interests of employees with that of the Group. Not only could this profit and loss sharing program help lower operational cost and increase profit and returns, but also make employees better understand the Company's culture of "home experience", and allow them to further develop together with the Group.

The Group has approved and/or adopted certain share option schemes and employee incentive schemes, details can be referred in the sections headed "Share Option Schemes" and "Employee Incentive Scheme" in "Report of the Directors" of this report.

### Forward Looking

In the year of 2020, the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") has caused a short-term impact on various industries. Under the effective control measure of Chinese government, the outbreak has been gradually controlled. So we believe consumer confidence will be gradually recovered and potential housing demand will not be reduced. However the construction and sales progress of the group may be exposed to short-term volatility because of the outbreak mentioned above. The group will be closely monitoring the level of its impact. The Group will continue to strengthen balance sheet and cash collection as a hedging strategy against potential uncertainty.

In the long run, it is expected that the government will continue to implement a long-term mechanism for real estate market for its steady and healthy development. At the same time, urbanization in China is far from over. The county and township dwellers' ongoing desire to improve their housing conditions makes a huge potential for property development in the country.

To embrace the challenges and opportunities brought by the change of the market, the Group will continue to adopt prudent financial policies and risk control measures, enhance the quality of the buildings and ensure safety, apply a more conservative and practical strategy on new land acquisition to ensure the marketability of future projects and optimize geographic diversification, strengthen its contracted sales and cash collection and apply strict cost control to strengthen operating cash flows and ensure investment return.

Meanwhile, catering to the new trend and market demand like artificial intelligence industry innovation, aging workforce problem in the construction industry and consumers' improved standard on food safety, the Group has constructed a corresponding investment portfolio, which covers the businesses of intelligent manufacturing, construction robots, modern agriculture and community retail. Besides, on the basis of steady operation, the Group will make flexible adjustments according to the market situation, focus on the continuous increase of profitability and all-rounded development. Looking forward, the Company will continue to actively explore the value of businesses and assets within the value chain of real estate, focus on the residential and related demands brought by urbanization, and establish an integrated platform covering the entire life span for our clients.

# GOVERNANCE





## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



**YEUNG Kwok Keung**  
楊國強

### Executive Director

**YEUNG Kwok Keung (楊國強)**, aged 65, was appointed as the Chairman and an executive Director in December 2006. Mr. YEUNG is also the chairman of the Nomination Committee, the Corporate Governance Committee and the Executive Committee, a member of the Remuneration Committee and a director of various members of the Group. Mr. YEUNG is responsible for the formulation of development strategies, investment planning and overall project planning as well as ensuring the Board functions properly with good corporate governance practice. From 1992 to 1997, Mr. YEUNG was the general manager of Shunde Sanhe Co., the real estate business in which Mr. YEUNG was engaged in before he founded the Group. From 1986 to 1997, Mr. YEUNG served as the general manager and the chairman of Beijiao Construction Co. and also served as the general manager of the Group from 1997 to 2003. He has been the Chairman since the Company was listed in 2007. Mr. YEUNG has over 42 years of experience in construction and over 28 years of experience in property development. Mr. YEUNG was awarded “China Charity Outstanding Contributions Person” and “Top Ten Contributions Persons to China Real Estate” in 2009, “China Real Estate Entrepreneur Charity Award” and “Person of China Real Estate” in 2010, “Individual under Non-collectively Own Category for Helping Poverty in Guangdong” in 2011, “2012 China Corporate Social Responsibility Award for Outstanding Entrepreneur” in 2012, “National Outstanding Individual for Poverty Relief” Honorable Mention in 2014, “2015 China Poverty Eradication Award” in 2015, as well as “China Charity Award-The Most Caring Contributing Individual” and “National Contribution Award for Poverty Relief” in 2016. Mr. YEUNG is a member of the 12th and 13th National Committee of the Chinese People’s Political Consultative Conference, the Honorary President of Guangdong Foundation for Poverty Alleviation and the Honorable Director of Tsinghua University. Mr. YEUNG is the father of Ms. YANG Huiyan, the Co-Chairman, an executive Director and a controlling Shareholder; the father of Ms. YANG Ziyang, an executive Director; the uncle of Mr. YANG Zhicheng, an executive Director; and the father-in-law of Mr. CHEN Chong, a non-executive Director.

**YANG Huiyan (楊惠妍)**, aged 38, was appointed as an executive Director in December 2006 and a Vice Chairman in March 2012 and was re-designated from a Vice Chairman to a Co-Chairman in December 2018. Ms. YANG is also a member of the Corporate Governance Committee, the Executive Committee and the Finance Committee and a director of various members of the Group. Ms. YANG graduated from Ohio State University with a bachelor degree in marketing and logistics and she also obtained an EMBA degree from Tsinghua University in 2019. Ms. YANG joined the Group in 2005 and served as the manager of the procurement department. Currently, she is primarily responsible for assisting Mr. YEUNG Kwok Keung, the Chairman, in the day-to-day work of the Group, and responsible for the Group's strategic investments and new business exploration based on the existing business, such as new retail business, contributing to the Company's sustainable development. Ms. YANG is a director of Concrete Win Limited, the substantial shareholder of the Company, which has an interest in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO. Ms. YANG was appointed as a director and the chairperson of the board of Bright Scholar Education Holdings Limited, a company whose shares are listed on The New York Stock Exchange, in February and April 2017 respectively, and as the chairman and a non-executive director of CG Services, a company whose shares are listed on the Stock Exchange, in March 2018. Ms. YANG was awarded "China Charity Award Special Contribution Award" in 2008 and "China Poverty Alleviation Award Contribution Award" in 2019. Ms. YANG is the daughter of Mr. YEUNG Kwok Keung, the Chairman and an executive Director; the sister of Ms. YANG Ziying, an executive Director; a cousin of Mr. YANG Zhicheng, an executive Director; and the wife of Mr. CHEN Chong, a non-executive Director.



**YANG Huiyan**  
楊惠妍

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



**MO Bin**  
莫斌

**MO Bin (莫斌)**, aged 53, was appointed as the President and an executive Director in July 2010. Mr. MO is also a member of the Remuneration Committee, the Corporate Governance Committee, the Executive Committee and the Finance Committee and a director of several members of the Group. Mr. MO graduated from Hengyang Institute of Technology (currently known as University of South China) with a bachelor degree in industrial and civil architecture. He obtained his postgraduate degree from Zhongnan University of Economics and Law and is a professor-grade senior engineer. Mr. MO is primarily responsible for the management of daily operation and general administration of the Group. Prior to joining the Group, Mr. MO was employed by an internationally competitive construction and property group in Mainland China, China Construction, in a number of senior positions since 1989, most recently as a director and general manager of China Construction Fifth Division. Mr. MO was appointed as a non-executive director of E-House (China) Enterprise Holdings Limited, a company whose shares are listed on the Stock Exchange, in March 2018. Mr. MO has over 30 years of extensive experience in property development, construction business, construction management, marketing, cost control and corporate management. Mr. MO won the 1st place of “Best CEO — Property (Combined)/(Buy-Side)/(Sell-Side)” at the “2019 All-Asia Executive Team” organised by financial magazine, Institutional Investor.



**YANG Ziying**  
楊子莹

**YANG Ziying (楊子莹)**, aged 32, was appointed as an executive Director in May 2011. Ms. YANG is also a member of the Executive Committee and the Finance Committee. Ms. YANG graduated from Ohio State University with a bachelor degree in psychology. Ms. YANG joined the Group in 2008 as an assistant to the Chairman. Currently, she is primarily responsible for overseeing the finance of the Group, including offshore and onshore financing. Prior to joining the Group, Ms. YANG worked in a renowned global investment bank. Ms. YANG is the daughter of Mr. YEUNG Kwok Keung, the Chairman and an executive Director; the sister of Ms. YANG Huiyan, the Co-Chairman, an executive Director and a controlling Shareholder; a cousin of Mr. YANG Zhicheng, an executive Director; and a sister-in-law of Mr. CHEN Chong, a non-executive Director.

**YANG Zhicheng (楊志成)**, aged 46, was appointed as an executive Director in December 2006, a regional president of the Group, a member of the Executive Committee and the Finance Committee. Mr. YANG is primarily responsible for the overall development and management of certain property development projects of the Group. Prior to joining the Group in 1997, Mr. YANG served as a project manager of Shunde Sanhe Co. and the general manager of Foshan Shunde Jun'an Country Garden Property Development Co., Ltd. After joining the Group, he served as the project general manager and was appointed as a vice President in November 2017. Mr. YANG was appointed as a non-executive director of CG Services, a company whose shares are listed on the Stock Exchange, in March 2018. Mr. YANG has approximately 26 years of experience in project development. Mr. YANG is a nephew of Mr. YEUNG Kwok Keung, the Chairman and an executive Director; a cousin of Ms. YANG Huiyan, the Co-Chairman, an executive Director and a controlling Shareholder; a cousin of Ms. YANG Ziyang, an executive Director; and a cousin-in-law of Mr. CHEN Chong, a non-executive Director.



**YANG Zhicheng**  
楊志成

**SONG Jun (宋軍)**, aged 52, was appointed as an executive Director in May 2013. Mr. SONG graduated from Chongqing College of Construction and Architecture (currently known as Chongqing University) with a bachelor degree in engineering and is a qualified PRC architect. Prior to joining the Group in 1994, Mr. SONG worked in Hunan Province Jishou City Construction Institute and Elite Architectural and was responsible for architectural design work. Since 1997, he served as a project manager and a general manager of Shunde Country Garden and Guangzhou Country Garden Company, and has been serving as vice President since 2005, and has been responsible for the management of property project development of the Group. Currently, Mr. SONG is responsible for the overall operation, management and sustainable development of property projects of the Group in certain regions. Mr. SONG has 23 years of experience in the management of property development.



**SONG Jun**  
宋軍

**SU Baiyuan (蘇柏垣)**, aged 54, was appointed as an executive Director in December 2013. Mr. SU graduated from Guangzhou Normal Institute (currently known as Guangzhou University) with a degree in geography and obtained a postgraduate degree in human geography from Sun Yat-Sen University. Prior to joining the Group in 2005, Mr. SU had over 10 years of experience in land planning and development as well as operational management. Mr. SU was a vice President until February 2013, and was primarily responsible for investment development and the overall management of certain property development projects of the Group. Mr. SU was reappointed as a vice President in November 2013. Currently, he is primarily responsible for overseas development and the management of certain overseas property development projects of the Group.



**SU Baiyuan**  
蘇柏垣

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



**CHEN Chong**  
陳翀

### Non-executive Director

**CHEN Chong (陳翀)**, aged 41, was appointed as a non-executive Director in December 2016. Mr. CHEN graduated from Tsinghua University with a bachelor of science in chemistry and obtained an EMBA degree in 2016. Mr. CHEN also obtained a master of science in biological sciences research from Royal Holloway and Bedford New College, University of London. In 2015, Mr. CHEN was appointed as the first president of the Overseas Study Youth Association of Guangdong Province. Mr. Chen is a member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference and the President of Guoqiang Foundation. Mr. CHEN is the son-in-law of Mr. YEUNG Kwok Keung, the Chairman and an executive Director; the husband of Ms. YANG Huiyan, the Co-Chairman, an executive Director and the controlling Shareholder; a brother-in-law of Ms. YANG Ziying, an executive Director; and a cousin-in-law of Mr. YANG Zhicheng, an executive Director.



**LAI Ming, Joseph**  
黎明

### Independent Non-executive Director

**LAI Ming, Joseph (黎明)**, aged 75, was appointed as an independent non-executive Director in December 2006 and is currently the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. LAI is a fellow member of the HKICPA, CPA Australia, CIMA and the Hong Kong Institute of Directors. Mr. LAI was one of the co-founders of the Hong Kong Branch of CIMA founded in 1973 and was its president in 1974/75 and 1979/80. He was the president of the HKICPA in 1986. Mr. LAI resigned as an independent non-executive director of Jolimark Holdings Limited on 21 May 2019 and retired as an independent non-executive director of Guangzhou R & F Properties Co., Ltd. on 19 May 2017, both of which are companies whose shares are listed on the Stock Exchange. Mr. LAI also holds directorships in several private companies engaging in property development in Canada. He is also an independent non-executive director of Nan Fung Group Holdings Limited.

**SHEK Lai Him, Abraham (石禮謙)** G.B.S., S.B.S., J.P., aged 74, was appointed as an independent non-executive Director in December 2006 and is currently a member of the Audit Committee and the Remuneration Committee. Mr. SHEK graduated from the University of Sydney and holds a bachelor of Arts degree and a diploma in Education. Mr. SHEK was appointed as a Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star and the Gold Bauhinia Star by the Government of the HKSAR in 2007 and 2013 respectively. Mr. SHEK is a member of the HKSAR Legislative Council representing the Real Estate and Construction Functional Constituency, a member of the Court of Hong Kong University of Science and Technology, a member of Court and Council of University of Hong Kong and a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption. Mr. SHEK is an independent non-executive director of Lifestyle International Holdings Limited, NWS Holdings Limited, Hop Hing Group Holdings Limited, SJM Holdings Limited, Paliburg Holdings Limited, Lai Fung Holdings Limited, Chuang's Consortium International Limited, China Resources Cement Holdings Limited, Cosmopolitan International Holdings Limited, Chuang's China Investments Limited and Goldin Financial Holdings Limited, the vice chairman and independent non-executive director of ITC Properties Group Limited, and independent non-executive director of Everbright Grand China Assets Limited with effect from 16 January 2018 and of CSI Properties Limited with effect from 20 July 2018, all of which are companies whose shares are listed on the Stock Exchange, and as a non-executive director of Helenbergh China Holdings Limited with effect from 21 September 2018, whose shares are under application of listing on the Stock Exchange, as well as a non-executive director of Mandatory Provident Fund Schemes Authority. Mr. SHEK is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both trusts are listed on the Stock Exchange. Mr. SHEK retired as the chairman and be appointed as honorary chairman of Chuang's China Investments Limited with effect from 29 April 2019. Mr. SHEK is an independent non-executive director of Far East Consortium International Limited with effect from 3 June 2019. Mr. SHEK ceased to be an independent non-executive director of MTR Corporation Limited with effect from 22 May 2019, of TUS International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited) with effect from 6 January 2017, of ITC Corporation Limited with effect from 28 March 2017, and of Midas International Holdings Limited with effect from 26 January 2018, all of which are companies whose shares are listed on the Stock Exchange, and of Dorsett Hospitality International Limited with effect from 11 March 2016, whose shares had been withdrawn from listing on the Stock Exchange since 16 October 2015 and a non-executive director of The Hong Kong Mortgage Corporation Limited since 25 April 2016.



**SHEK Lai Him, Abraham**  
石禮謙

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



**TONG Wui Tung**  
唐滙棟

**TONG Wui Tung (唐滙棟)**, aged 69, was appointed as an independent non-executive Director in December 2006. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. TONG has been practicing as a solicitor in Hong Kong for over 30 years and is a partner of the law firm, Messrs. Cheung, Tong & Rosa Solicitors. He is also a Notary Public and a China Appointed Attesting Officer, and is admitted as a solicitor in several other jurisdictions. Mr. TONG ceased to be a non-executive director of Yip's Chemical Holdings Limited with effect from 5 June 2018, a company whose shares are listed on the Stock Exchange.



**HUANG Hongyan**  
黃洪燕

**HUANG Hongyan (黃洪燕)**, aged 49, was appointed as an independent non-executive Director in December 2012. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. HUANG graduated from Toulouse Business School, Doctorate of Business Administration, and is also qualified as a Chinese certified public accountant, a Chinese certified tax agent, a Chinese certified public valuer, a certified internal auditor and a corporate accountant. Currently, Mr. HUANG serves as a general manager of Foshan Yestar Consulting Co., Ltd.. Mr. HUANG is an independent non-executive director of C&S Paper Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange.



**TO Yau Kwok**  
杜友國

**TO Yau Kwok (杜友國)**, aged 67, was appointed as an independent non-executive Director in June 2019. Mr. TO graduated from Jinan University majoring in economics and management in 1992. Since 1993, Mr. TO engaged in business activities in Mainland China such as property development, and had gained ample experience in areas such as property development, wholesale and retail, and machinery trade. Mr. TO is currently the honorary chairman of Foshan City Shunde District Xinlixin Business Development Limited (佛山市順德區新利新商業發展有限公司) and Foshan City Shunde District Renfu Car Maintenance Plant Limited (佛山市順德區仁孚汽車維修廠有限公司) respectively.

### Joint Company Secretary

**LEUNG Chong Shun (梁創順)**, aged 54, was appointed as the company secretary of the Company on 1 October 2016 and remained as the joint company secretary from March 2019. Mr. LEUNG graduated from the University of Hong Kong in November 1988 where he was awarded a bachelor degree of Laws with honors. He is qualified as solicitor in both Hong Kong and England and has been a practicing lawyer in Hong Kong since 1991.

**LUO Jie (羅杰)**, aged 40, was appointed as a joint company secretary of the Company in March 2019. Mr. LUO graduated from Sun Yat-sen University in June 2002 where he was awarded a bachelor of Laws degree. He graduated from The Chinese University of Hong Kong in 2008 where he was awarded a Juris Doctor degree, and obtained the Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong in 2009. He passed the National Judicial Examination of the PRC in 2005 and obtained the Legal Profession Qualification Certificate. He is qualified as a solicitor in Hong Kong since 2011. He joined the Company in May 2017 and was appointed as the joint company secretary in March 2019.

### Senior Management

**CHENG Guangyu (程光煜)**, aged 39, is an executive vice President. Mr. CHENG graduated from Tsinghua University with a bachelor's and doctoral degree in civil engineering in 2002 and 2007 respectively, and from Guanghua School of Management of Peking University with an EMBA degree in 2015. Mr. CHENG joined the Group in 2007 and has been responsible for overall operation management and sustainable development of property projects in certain regions under his supervision from 2012 to 2014. Since 2014, Mr. CHENG has been responsible for the overall sales and marketing management of the Group. Since 2018, Mr. CHENG has been responsible for the overall brand management of the Group. Since 2019, Mr. CHENG has been responsible of the overall investment planning of the Group. Currently, apart from the overall sales and marketing management, brand management and investment planning management of the Group, Mr. CHENG also oversees the Risk Control, Audit and Supervision Center and Commercial and Culture Tourism Group. Mr. CHENG has over 12 years of experience in management of property development.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**WU Bijun (伍碧君)**, aged 46, was appointed as a vice President and the Chief Financial Officer in April 2014 and April 2017 respectively. Ms. WU is also the chairman of the Finance Committee and the general manager of the finance centre of the Company. Ms. WU graduated from the Department of Public Finance and Taxation of Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) with a bachelor's degree of economics majoring in public finance in 1995, and obtained an EMBA degree from China Europe International Business School in 2015. She is qualified as a Chinese certified public accountant and a Chinese certified tax agent. Ms. WU is responsible for finance and capital management of the Group. Prior to joining the Group in 2005, Ms. WU worked at Hubei Branch of China Construction Bank and was responsible for accounting and auditing management. From 1999 to 2002, Ms. WU was the chief auditor of Guangdong Foshan Zhixin Certified Public Accountants Co., Ltd. and was responsible for reviewing the auditor's reports. From 2002 to 2005, Ms. WU worked at Shunde Finance Bureau and was responsible for the financial management of foreign investment enterprises. Ms. WU was appointed as a non-executive director of CG Services, a company whose shares are listed on the Stock Exchange, in March 2018. Since joining the Group in 2005, Ms. WU has been mainly responsible for the financial management of the Group. Ms. WU has 15 years of experience in the management of real estate financial resources and approximately 25 years of experience in financial management. Ms. WU won the 1st place of "Best CFO — Property (Combined)/(Sell-Side)" at the "2019 All-Asia Executive Team" organized by financial magazine, Institutional Investor.

**WANG Shaojun (王少军)**, aged 54, is a vice President. Mr. WANG graduated from Harbin Institute of Architecture and Engineering (currently known as Civil Engineering School of Harbin Institute of Technology) with a bachelor's degree in industrial and civil architectures and a master's degree in structural engineering and is a qualified PRC senior civil engineer. Prior to joining the Group in 2013, Mr. WANG worked in Dalian Wanda Commercial Properties Co., Ltd. as the general manager of its Guangzhou company and was responsible for property development; and worked in Fantasia Holdings Group Co., Limited as the executive vice president and was responsible for the management and operation of property development business. Mr. WANG has 27 years of experience in management of property development.

**PENG Zhibin (彭志斌)**, aged 46, is a vice President and was appointed as the president of Gansu region of the Group on 24 February 2020. Mr. PENG graduated from Hefei University of Technology with a bachelor's degree of civil engineering in 1996 and Wuhan University with a master's degree of business administration in 2003. In August 2014, Mr. PENG graduated from China Europe International Business School with EMBA. Prior to joining the Group in 2010, Mr. PENG worked in China Railway Siyuan Survey and Design Group Co., Ltd., as an engineer and the head of professional design. Mr. PENG worked in ZTE Corporation as a cadre management manager of human resources management center and the head of human resources (middle east region), etc. from 2003 to 2006; worked in Watson Wyatt Worldwide as a consultant and a project manager from 2006 to 2008; and worked in COFCO Property (Group) Co., Ltd. as a group vice president of human resources and a director of human resources (southern region) from 2008 to 2010. Mr. PENG joined the Group in June 2010 as an assistant to the President, was a director of human resources and the general manager of human resources management center. Mr. PENG has 18 years of experience in the human resources management.

**YANG Cuilong (楊翠瓏)**, aged 48, is a vice President. Ms. YANG graduated from South China University of Technology with a bachelor's degree of architecture and is a national first class registered architect in the PRC and a senior engineer. In 2019, Ms. YANG also obtained an EMBA degree from Tsinghua University School of Economics and Management. Prior to joining the Group in 2000, Ms. YANG worked in Elite Architectural as director of the architectural office from 1993 to 2000 and was responsible for architecture design. Since 2000, she served as the head of general office of the projects and an assistant to President, as well as the general manager for project tendering management department of the Group. She was appointed as the vice President and served as the general manager of the cost management centre of the Group since September 2014 and was responsible for the Group's construction cost, construction tendering and cost management. Since January 2019, Ms. YANG was appointed as the general manager of the design management centre of the Group and was responsible for the design system management. Since February 2020, Ms. YANG was re-appointed as the general manager of the cost management center of the Group. Ms. YANG has 9 years of experience in architectural design and management and 18 years of experience in operation management and construction cost management for real estate.

**YANG Lixing (楊麗興)**, aged 49, is a vice President. Ms. YANG graduated from South China University of Technology majoring in management. Ms. YANG joined the Group in 1992 and has been responsible for procurement management of the Group. Ms. YANG was appointed as the vice President in September 2014 as well as the general manager of the procurement center of the Company. Ms. YANG has 27 years of experience in the procurement management for real estate.

**HUANG Yuzang (黃宇葵)**, aged 44, is a vice President and was appointed as the president of Anhui region of the Group on 24 February 2020. Mr. HUANG graduated from Zhejiang University with a bachelor's degree in architecture and from Peking University with a master's degree in geography (city and urban planning). He is a first-class national registered architect. Prior to joining the Group, Mr. HUANG worked in Hong Kong Huayi Design Consultants (Shenzhen) Limited as the managing director and a design director. Mr. HUANG has 21 years of experience in architecture design with extensive practical experience in engineering and acquired dozens of awards both in Mainland China and overseas with his advanced design ideas. Mr. HUANG was recognised as "The First Top Ten Young Architect of Shenzhen", "The Ninth Chinese Architecture Academy Young Architect" and "New Real Estate Architect for the year of 2014". Mr. HUANG joined the Group in March 2015 and was responsible for the design system as the chief designer of the Group. Mr. HUANG was also appointed as the general manager of the cost management center of the Group in January 2019 and was responsible for the Group's construction cost, construction tendering and cost management.

**LI Jing (李靜)**, aged 40, is a vice President. Ms. LI graduated from Northwest University of Political Science and Law with a bachelor's degree in law and Sun Yat-sen University with a master's degree in public administration. Prior to joining the Group, she worked for the China Communist Youth League Guangdong Committee and the Guangzhou Municipal People's Procuratorate. Ms. LI joined the Group in October 2017 and currently serves as a vice President, director of the Group General Office, director of the Targeted Poverty Alleviation and Rural Revitalization Office and vice president of Guoqiang Foundation. Ms. LI is responsible for the Group's administrative affairs, charitable endeavors, targeted poverty alleviation programs and rural revitalization efforts.

# CORPORATE GOVERNANCE REPORT

The Group continues to improve its corporate governance practices, emphasizing the attainment and maintenance of a quality Board, sound risk management and internal controls, and high transparency and accountability to the Shareholders. The Board and the management are committed to the principles of good corporate governance consistent with prudent management and enhancement of shareholder value. The Board believes that good corporate governance will bring long-term benefits to the Shareholders and the Group.

## Corporate Governance Practices

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code in the manner as described in the Corporate Governance Report throughout the year ended 31 December 2019.

## Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the year ended 31 December 2019. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

## Strategic Planning

The Group has been committed to implementing a strategic management system which identifies and assesses potential opportunities and challenges, so as to formulate a long term development strategy and a planned course of action. The strategy management department of the Group is responsible for organizing strategy research and discussions. At the start of every year, senior management of the Group reviews and develops the medium to long term strategic planning of the Group as well as annual budget planning.

## Board of Directors

### Composition

As at 31 December 2019, the Board consists of seven executive Directors, namely, Mr. YEUNG Kwok Keung (Chairman), Ms. YANG Huiyan (Co-Chairman), Mr. MO Bin (President), Ms. YANG Ziyang, Mr. YANG Zhicheng, Mr. SONG Jun, and Mr. SU Baiyuan, one non-executive Director, namely, Mr. CHEN Chong and five independent non-executive Directors, namely, Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung, Mr. HUANG Hongyan and Mr. TO Yau Kwok. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and of the Company respectively.

Mr. YEUNG Kwok On resigned as independent non-executive Director and Mr. TO Yau Kwok was appointed as independent non-executive Director with effect from 1 June 2019. Mr. LIANG Guokun resigned as executive Director with effect from 18 October 2019.

Ms. YANG Huiyan and Ms. YANG Ziyang are the daughters of Mr. YEUNG Kwok Keung, Mr. CHEN Chong is the husband of Ms. YANG Huiyan and Mr. YANG Zhicheng is the nephew of Mr. YEUNG Kwok Keung. Save as disclosed above, none of the other Directors has or maintained any family relationship with any of the other Directors.

#### **Independent Non-executive Directors**

The independent non-executive Directors are of sufficient number and calibre for their views to carry weight. The functions of independent non-executive Directors include:

- bringing an independent view and judgment at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinizing the Company's performance and monitoring performance reporting.

The independent non-executive Directors have made a positive contribution to the development of the Company's strategies and policies through independent, constructive and informed comments. They benefit the Board and the Board committees by their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation at the meetings of the Board and the Board committees.

In addition to the regular Board meetings, the Chairman met with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2019.

Composition of the Board is disclosed, and the independent non-executive Directors are identified, in all corporate communications to the Shareholders.

#### **Confirmation of Independence**

The independence of the independent non-executive Directors has been assessed in accordance with the applicable Listing Rules. Each of the independent non-executive Directors has made an annual written confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the guidelines for assessing independence set out in rule 3.13 of the Listing Rules and are independent.

# CORPORATE GOVERNANCE REPORT

## Board Diversity Policy

The Board has adopted a board diversity policy effective as from 6 August 2013, and has reviewed and adopted two additions to the policy in relation to its objectives and scope effective as from 15 March 2016. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, skills, knowledge and length of service. The ultimate selection decision will be based on merit and contribution to the Board.

As at 31 December 2019, an analysis of the Board composition based on the range of diversity perspectives is set out as follows:

Number of Directors	Gender	Designation	Age Group	Years of Service	Skills and Knowledge
13	Female	Executive Director	≥ 60	≥ 5	Legal
12					Investment development management
11	Male	Non-executive Director	50–59	≥ 5	Administration and business management
10					Financial management
9		Independent non-executive Director	40–49	3–4	Development strategy and marketing management
8					Property development, construction and building construction management
7					
6		30–39	0–2		
5					
4					
3					
2					
1					

Each of the Board members possessed different skills and knowledge, including property development, construction and building construction management, development strategy and marketing management, financial management, administration and business management, investment development management and legal, etc.. The Board is characterized by significant diversity in terms of gender, age, designation, length of service, skills and knowledge.

#### **Roles and Functions of the Board and the Management**

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs. The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The management is delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group.

#### **Appointment, Continuation of Appointment and Re-election of Directors**

All executive Directors have entered into service contracts with the Company, the non-executive Director and all independent non-executive Directors have entered into letters of appointment with the Company with a specific term of two years setting out key terms and conditions of their appointments. All Directors are subject to retirement in accordance with the Articles of Association.

According to the Articles of Association, (i) any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting; (ii) any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election; and (iii) at each annual general meeting, one-third of the Directors for the time being (or, if their number is not 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 at an annual general meeting at least once every three years. As such, no Directors have a term of appointment longer than three years.

## CORPORATE GOVERNANCE REPORT

### **Board Meetings**

The Board holds at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged, if and when required. The date of each meeting is decided in advance to enable the Directors to attend the meeting in person. For those Directors who are not able to attend these meetings in person, participation by telephone conference is available.

Notice of at least 14 days shall be given for a regular Board meeting to give all Directors an opportunity to attend. The draft of the agenda of the Board meeting shall be sent together with the notice of the Board meeting to the Directors so as to allow the Directors to have sufficient time to propose matters for inclusion in the agenda. For all other Board meetings, reasonable notice will be given. To ensure that all Directors are properly informed about the matters to be discussed at each meeting, documents in relation to the meeting are sent to each Director at least three days prior to the meeting.

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution.

The joint company secretaries of the Company prepare detailed minutes of each meeting. After the meeting, draft and final versions of the minutes would be sent to the Directors for comment and records respectively as soon as practicable. Minutes of Board meetings and Board committees meetings are kept by the Listing Company Secretariat of the Company and are open for inspection by any Director on reasonable notice.

During the year ended 31 December 2019, the Directors have made active contribution to the affairs of the Group and six Board meetings were held to consider, among other things, various transactions contemplated by the Group and to review and approve the interim results and annual results of the Group. According to article 100(1) of the Articles of Association, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his close associates is materially interested.

### Attendance Record of Directors

The attendance record of Directors at the meetings of the Board, the Board committees and the Shareholders held during the year ended 31 December 2019 is set out below:

Directors	Number of meetings attended/Number of meetings held for the year ended 31 December 2019					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee	General Meetings
<b>Executive Directors</b>						
Mr. YEUNG Kwok Keung (Chairman)	6/6	N/A	1/1	4/4	3/3	2/2
Ms. YANG Huiyan (Co-Chairman)	6/6	N/A	N/A	N/A	3/3	0/2
Mr. MO Bin (President)	6/6	N/A	N/A	4/4	3/3	2/2
Ms. YANG Ziyang	6/6	N/A	N/A	N/A	N/A	0/2
Mr. YANG Zhicheng	6/6	N/A	N/A	N/A	N/A	0/2
Mr. SONG Jun	6/6	N/A	N/A	N/A	N/A	0/2
Mr. SU Baiyuan	6/6	N/A	N/A	N/A	N/A	0/2
Mr. LIANG Guokun <sup>Note 1</sup>	5/5	N/A	N/A	N/A	N/A	0/2
<b>Non-executive Director</b>						
Mr. CHEN Chong	6/6	N/A	N/A	N/A	N/A	0/2
<b>Independent non-executive Directors</b>						
Mr. LAI Ming, Joseph	6/6	3/3	1/1	4/4	N/A	2/2
Mr. SHEK Lai Him, Abraham	6/6	3/3	N/A	4/4	N/A	2/2
Mr. TONG Wui Tung	6/6	3/3	1/1	4/4	N/A	2/2
Mr. HUANG Hongyan	6/6	3/3	1/1	4/4	N/A	2/2
Mr. TO Yau Kwok <sup>Note 1</sup>	3/3	N/A	N/A	N/A	N/A	N/A
Mr. YEUNG Kwok On <sup>Note 1</sup>	1/3	N/A	N/A	N/A	N/A	0/2

Note 1: Mr. YEUNG Kwok On resigned as independent non-executive Director and Mr. TO Yau Kwok was appointed as independent non-executive Director with effect from 1 June 2019. Mr. LIANG Guokun resigned as executive Director with effect from 18 October 2019.

## CORPORATE GOVERNANCE REPORT

**Access to Information**

All Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including those changes to relevant rules and regulations and are able to make further enquiries when necessary. Sufficient explanation and information have been provided to the Board by the management to enable the Board to make an informed assessment of financial and other information put before it for approval. They also have unrestricted access to the advice and services of the joint company secretaries of the Company, who are responsible for providing the Directors with board papers and related materials. A monthly update which gives a balanced and concise assessment of the Company's performance, position and prospects in sufficient details is provided to all Directors to enable the Board as a whole and each Director to discharge his or her duty. The Board has also agreed that the Directors may seek independent professional advice in performing their Directors' duties at the Company's expense.

**Directors and Officers Liability Insurance**

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against the Directors and senior management arising out of corporate activities. The insurance coverage and amount are reviewed on an annual basis.

**Directors' Training and Professional Development**

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. Subsequently, the Directors will receive updates on the Listing Rules, legal and other regulatory requirements and the latest development of the Group's business and are encouraged to participate in continuous professional development to develop their knowledge and skills. During the year ended 31 December 2019, the Directors have participated in continuing professional development ("CPD"). All Directors have provided the Company with their records of training received for the year. A summary of their records of training is provided as follows:

<b>Directors</b>	<b>Types of CPD</b> <small>(Note 1)</small>	<b>Subject of CPD</b> <small>(Note 2)</small>
<b>Executive Directors</b>		
Mr. YEUNG Kwok Keung (Chairman)	1, 2	A, B
Ms. YANG Huiyan (Co-Chairman)	1, 2	A, B
Mr. MO Bin (President)	1, 2	A, B
Ms. YANG Ziyang	1, 2	A, B
Mr. YANG Zhicheng	1, 2	A, B
Mr. SONG Jun	1, 2	A, B
Mr. SU Baiyuan	1, 2	A, B

Directors	Types of CPD <small>(Note 1)</small>	Subject of CPD <small>(Note 2)</small>
<b>Non-executive Director</b>		
Mr. CHEN Chong	1, 2	A, B
<b>Independent non-executive Directors</b>		
Mr. LAI Ming, Joseph	1, 2	A, B
Mr. SHEK Lai Him, Abraham	1, 2	A, B
Mr. TONG Wui Tung	1, 2	A, B
Mr. HUANG Hongyan	1, 2	A, B
Mr. TO Yau Kwok	1, 2	A, B

Note 1:

- 1 Attending in-house briefings/trainings, seminars, conferences or forums
- 2 Reading newspapers, journals and updates

Note 2:

- A. Businesses related to the Company
- B. Laws, rules and regulations, accounting standards

### Chairman and President

The roles of the Chairman and the President are separated to reinforce independence, accountability and responsibility. Mr. YEUNG Kwok Keung, the Chairman, is responsible for the formulation of development strategies, investment decision making, overall project planning at the Group level, leading the Board and ensuring that the Board functions properly and effectively, whilst Mr. MO Bin, the President, is responsible for the management of the daily operation and general administration of the Group. Their respective responsibilities are clearly established and defined by the Board in writing.

In performing the role of Chairman, Mr. YEUNG Kwok Keung is responsible for, among other things:

- ensuring that good corporate governance practices and procedures are established;
- ensuring that all Directors are properly briefed on issues arising at Board meetings and that all Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- encouraging all Directors to make a full and active contribution to the Board's affair and to voice their concerns even with different views, allowing sufficient time for discussion of issues, ensuring that Board decisions fairly reflect the Board's consensus, and taking the lead to ensure that the Board acts in the best interests of the Group;

## CORPORATE GOVERNANCE REPORT

- ensuring that appropriate steps are taken to provide effective communication with the Shareholders and their views are communicated to the Board as a whole; and
- promoting a culture of openness and debate by facilitating the effective contribution of non-executive Director and independent non-executive Directors in particular and ensuring constructive relations among executive Directors, non-executive Director and independent non-executive Directors.

In performing the role of President, Mr. MO Bin is responsible for, among other things:

- organizing and managing the Group's business;
- leading the corporate team to implement the strategies and plans established by the Board; and
- coordinating overall daily business operations of the Group.

### Board Committees

The Board has established six committees with specific written terms of reference to oversee particular aspects of the Company's affairs.

#### Audit Committee

The Audit Committee was established in December 2006 with written terms of reference, which are posted on the websites of the Stock Exchange and of the Company respectively. All the members of the Audit Committee are independent non-executive Directors, namely Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung and Mr. HUANG Hongyan. Mr. LAI Ming, Joseph, who has appropriate professional accounting qualifications and financial management expertise as required under the Listing Rules, was appointed as the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the auditors of the Company.

The principal duties of the Audit Committee include, among other things: (i) being primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iii) developing and implementing a policy on engaging an external auditor to supply non-audit services; (iv) monitoring the integrity of the Company's financial statements and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, before submission of the financial statements and reports to the Board, and reviewing significant financial reporting judgments contained in them; (v) reviewing the Company's financial control, risk management and internal control systems; and (vi) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems.

The Audit Committee may seek any necessary information from employees within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2019, the Audit Committee held three meetings and has duly discharged the above duties. The attendance record of individual Directors at the Audit Committee meetings is set out on page 59 of this annual report.

### **Nomination Committee**

The Nomination Committee was established in March 2012 with written terms of reference, which are posted on the websites of the Stock Exchange and of the Company respectively. The Nomination Committee is chaired by an executive Director, Mr. YEUNG Kwok Keung and consists of three other members, who are independent non-executive Directors being Mr. LAI Ming, Joseph, Mr. TONG Wui Tung and Mr. HUANG Hongyan.

The principal duties of the Nomination Committee include, among other things: (i) reviewing the policy concerning diversity of board members and the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) developing and maintaining a policy for the nomination of board members which includes the nomination procedures and the process and criteria adopted by the Nomination Committee to identify, select and recommend candidates for directorship during the year and reviewing periodically the policy and the progress made towards achieving the objectives set in the policy; (iii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iv) assessing the independence of independent non-executive Directors; and (v) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

On 6 December 2018, the Nomination Committee and the Board respectively adopted the nomination policy of the Company:

#### **Objectives**

- The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as Directors at general meetings for appointment or re-appointment or appoint as Directors to fill casual vacancies or as an addition to the existing Board.
- The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.
- The Nomination Committee should ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

## CORPORATE GOVERNANCE REPORT

### **Selection Criteria**

- The factors to be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate include:
  - (i) reputation for integrity;
  - (ii) accomplishment and experience in different industries;
  - (iii) commitment in respect of available time and relevant interest;
  - (iv) independence;
  - (v) diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, qualifications, professional experience, skills, knowledge, independence and length of service;
  - (vi) for proposed independent non-executive directors who will be holding their seventh (or more) listed company directorship, whether the individuals would still be able to devote sufficient time to the board (including whether the individuals have extensive experience in corporate governance of listed companies, are familiar with the management of listed companies, have close and good communication with the management and other independent non-executive directors of the Company, can make the management decision of the Company work properly, are a chairman of the board or chief executive officer or full time executive director of other listed companies, the business activity of other listed companies in which the individuals hold directorship, etc.); and
  - (vii) other factors considered to be relevant by the Nomination Committee on a case by case basis, including the requirements and restrictions as stated in the Listing Rules.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

- Retiring Directors are eligible for nomination by the Nomination Committee and recommendation by the Board to stand for re-election at a general meeting.
- Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.
- The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

***Nomination Procedures***

- The secretary of the Nomination Committee or the joint company secretaries shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also identify candidates pursuant to the criteria set out above and put forward candidates who are not nominated by Board members.
- The Nomination Committee may use any process it deems appropriate to evaluate the candidates pursuant to the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references.
- For filling a casual vacancy and for addition to the existing Board, the Nomination Committee shall make recommendations for the Board's consideration, approval and appointment. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to the Shareholders.
- In case of election at a general meeting, until the issue of the Shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.
- In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to Shareholders by the Company. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations (including the Listing Rules), of the proposed candidates will be included in the circular to Shareholders. In addition, where a new Director is appointed or re-designated, the Company will announce the change as soon as practicable and include details of the relevant Director as required pursuant to the Listing Rules.
- The Shareholders may propose a person for election as a Director, details of which are set out in the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company. A Shareholder can serve a notice at the registered office, head office or the registration office (such place as the Board may from time to time determine to keep a branch register of members and where (except the Board otherwise directs) the transfer or other documents of title are to be lodged for registration and are to be registered) of the Company within the lodgement period of its intention to propose a resolution to elect certain person(s) as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the Shareholder circular. The particulars of the candidates so proposed will be sent to all Shareholders for information by a supplementary circular.

## CORPORATE GOVERNANCE REPORT

- A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the joint company secretaries.
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting. The ultimate responsibility for selection and appointment of Directors rest with the entire Board.

The Nomination Committee may seek any necessary information from employees within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2019, the Nomination Committee held one meeting and passed one resolution and has duly discharged the above duties. The attendance of individual Directors at the Nomination Committee meeting is set out on page 59 of this annual report.

### **Remuneration Committee**

The Remuneration Committee was established in December 2006 with written terms of reference, which are posted on the websites of the Stock Exchange and of the Company respectively. The Remuneration Committee is chaired by an independent non-executive Director, Mr. TONG Wui Tung and consists of five other members, of whom two are executive Directors being Mr. YEUNG Kwok Keung and Mr. MO Bin, and three are independent non-executive Directors being Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. HUANG Hongyan.

The principal duties of the Remuneration Committee include, among other things: (i) making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Director and senior management with reference to their performance and terms of the service contracts.

The Remuneration Committee may consult the Chairman or the President about its remuneration proposals for the other executive Directors and senior management, seek any necessary information from senior management within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2019, the Remuneration Committee held four meetings and passed one resolution and has duly discharged its duties, including but not limited to: (i) reviewing and approving the management's remuneration proposals; (ii) making recommendations to the Board on the appointment of an independent non-executive Director and his remuneration packages; and (iii) making recommendations to the Board on the grant of share options proposals. The attendance of individual Directors at the Remuneration Committee meetings is set out on page 59 of this annual report.

The remuneration of the members of the senior management (other than Directors) by band for the year ended 31 December 2019 is set out below:

<b>RMB</b>	<b>Number of members of senior management</b>
3,000,001 to 4,000,000	1
13,000,001 to 14,000,000	1
23,000,001 to 24,000,000	2
24,000,001 to 25,000,000	1
41,000,001 to 42,000,000	1
46,000,001 to 47,000,000	1
72,000,001 to 73,000,000	1

#### **Corporate Governance Committee**

The Corporate Governance Committee was established in March 2012 with written terms of reference. The members of the Corporate Governance Committee are all executive Directors, namely Mr. YEUNG Kwok Keung, Ms. YANG Huiyan and Mr. MO Bin. Mr. YEUNG Kwok Keung was appointed as the chairman of the Corporate Governance Committee.

The principal duties of the Corporate Governance Committee include, among other things: (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors; and (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Corporate Governance Committee may seek any necessary information from employees within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2019, the Corporate Governance Committee held three meetings and has duly discharged the above duties. The attendance of individual Directors at the Corporate Governance Committee meetings is set out on page 59 of this annual report.

## CORPORATE GOVERNANCE REPORT

### **Executive Committee**

The Executive Committee was established in June 2014 with written terms of reference. The existing members of the Executive Committee are all executive Directors, namely Mr. YEUNG Kwok Keung, Ms. YANG Huiyan, Mr. MO Bin, Ms. YANG Ziyang and Mr. YANG Zhicheng. Mr. YEUNG Kwok Keung was appointed as the chairman of the Executive Committee.

The principal duties of the Executive Committee include, among other things: (i) discussing and making decisions on matters relating to the management and operations of the Company including but not limited to corporate matters, financial/treasury planning and to form strategy; (ii) considering and making recommendations to the Board on acquisitions of or investments in business or projects; and (iii) reviewing and discussing any other matters as may from time to time, be delegated by the Board.

The Executive Committee may seek any necessary information from senior management within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2019, the Executive Committee has passed 10 resolutions (by way of written resolutions or by way of meetings) and has duly discharged the above duties.

### **Finance Committee**

The Finance Committee was established in August 2014 with written terms of reference. The existing members of Finance Committee consists of seven members, of whom four are executive Directors being Ms. YANG Huiyan, Mr. MO Bin, Ms. YANG Ziyang and Mr. YANG Zhicheng, one is the Chief Financial Officer being Ms. WU Bijun, and the two other members are senior management of the finance centre of the Company. Ms. WU Bijun was appointed as the chairman of the Finance Committee.

The principal duties of the Finance Committee include, among other things: (i) approving the opening and cancelling of bank/securities accounts in name of the Company ("Accounts") and the changing of authorized signatories of the Accounts and dealing with any other matters from time to time in relation to the Accounts; (ii) executing any matters in relation to buy-back of shares of the Company pursuant to the authorisation granted by the Board from time to time and the mandate given by the Shareholders; and (iii) executing any matters in relation to the employees' share incentive scheme pursuant to the authorisation granted by the Board from time to time (unless otherwise provided for under Chapter 17 of the Listing Rules).

The Finance Committee may seek any necessary information from senior management within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2019, the Finance Committee held 53 meetings and has duly discharged the above duties.

### Joint Company Secretaries

The Board announced the appointment of Mr. LUO Jie as a joint company secretary of the Company on 18 March 2019. Mr. LEUNG Chong Shun, the then company secretary of the Company, continued his role as the other joint company secretary. Mr. LEUNG Chong Shun is a practicing lawyer in Hong Kong, and is not a full time employee of the Company. Mr. LUO Jie is a full time employee of the Company. They are responsible for advising the Board on corporate governance and Hong Kong legal matters.

During the year ended 31 December 2019, the primary contact person of the Company with Mr. LEUNG Chong Shun is Mr. LUO Jie, the head of the Listing Company Secretariat of the Company. Mr. LEUNG Chong Shun and Mr. LUO Jie have confirmed that they have taken no less than 15 hours of relevant professional training during the year ended 31 December 2019.

### Risk Management and Internal Control Systems

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and the Shareholders' interests, as well as, with the Audit Committee and the Risk Management Internal Committee, reviewing the effectiveness of these systems. The Group's risk management and internal audit department is delegated with responsibility to ensure and maintain sound risk management and internal control systems by continuously reviewing and monitoring the operation of the risk management and internal control systems and procedures so as to manage rather than eliminate the risk of failure to achieve business objectives and ensure that they can provide reasonable and not absolute assurance against material misstatement or loss and to manage risks of failure in the Group's operational systems. In addition, the Company has engaged independent consultants to conduct review of the risk management and internal control systems of the Group.

### Risk Management and Internal Control

#### Objectives

The risk management and internal control systems are designed and implemented to achieve the following business objectives:

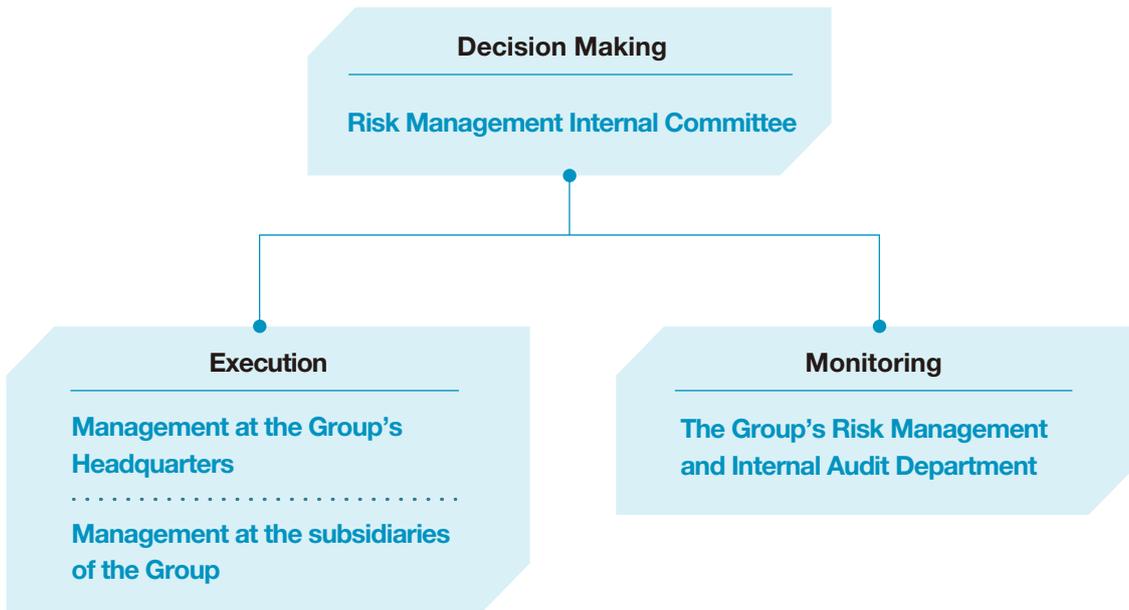
- evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving its strategic objectives
- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations

# CORPORATE GOVERNANCE REPORT

## **Group Risk Management Framework**

The Group’s risk management and internal control systems were developed by making reference to the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The Group’s risk management and internal control systems consist of eight interdependent integrated components. They jointly ensure the operation of the Group’s risk management and internal control systems. These components are internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring.

In order to enhance the effectiveness of the risk management and internal control systems, as well as to improve the level of management and risk response ability of the Group, the Board announced the establishment of the Risk Management Internal Committee on 13 May 2015. The Risk Management Internal Committee is authorized by the Audit Committee to deal with the Group’s risk management matters, including overseeing the effectiveness of the Group’s strategies and risk management system. On this basis, the Board established a risk management structure which consists of three levels, i.e. the Risk Management Internal Committee, risk management execution party and risk management monitoring party. The chart below shows the organization structure of the Group’s risk management framework.



The roles of the key parties in our risk management structure are outlined below:

***Risk Management Internal Committee (Decision Making)***

- Establish and update the Company's risk management policies
- Review the Company's risk appetite, risk management strategies and risk management framework, and report the review results to the Audit Committee and provide recommendations for improvement
- Set up risks identification, assessment and management procedures
- Oversee the implementation of risk management policies and compliance with relevant statutory rules and regulations
- Report any significant risk management issues to the Audit Committee and the suggested solutions
- Review the results of the stress-testing for the major risks and the assessment on the Company's capability to withstand the stressed conditions particularly in terms of profitability, capital adequacy and liquidity
- Perform other relevant duties as requested by the Audit Committee

***Management at the Group's Headquarters (Execution)***

Senior management (President and Vice Presidents) are responsible for group-level risk management:

- Responsible for the design and implementation of the overall risk management systems, including organizing and coordinating cross-functional risk management work, as well as providing professional advice to significant decisions which involve considerable risks
- Under the organization and coordination of senior management, the respective functional centers participate in cross-divisional and other relevant risk management activities

***Management at the subsidiaries of the Group (Execution)***

- Management as divided by areas, projects, subsidiaries and branches are responsible for risk management at the respective level
- Under the organization and coordination of the Risk Management Internal Committee of the Group, the management staff members who are responsible for risk management at subsidiary level carry out risk management activities at business level according to the risk management procedures

## CORPORATE GOVERNANCE REPORT

### ***The Group's Risk Management and Internal Audit Department (Monitoring)***

- Monitor, review and evaluate the operation of risk management by the Group and its subsidiaries

During the year ended 31 December 2019, the Risk Management and Internal Audit Department assisted the Risk Management Internal Committee to coordinate an enterprise risk assessment, identify and score top ten risks at Group level, assess existing risk management measures and management action plans. Assessment results have been properly reported to the Audit Committee.

### ***Review of the Risk Management and Internal Control Systems***

Management has formulated remedial action plans to address the gaps and weakness identified during internal control self-assessment, internal control reviews and internal audits, covering 12 business areas and more than 30 key business processes. The Group's risk management and internal audit department has conducted follow-up reviews periodically to ensure remedial actions are taken on a timely basis, and has reported the results of the follow-up reviews to the Audit Committee.

The Board, in conjunction with the Audit Committee and the Risk Management Internal Committee, annually assessed and reviewed the effectiveness of the Group's risk management and internal control systems and procedures covering all material controls, including financial, operational and compliance control and considered the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financing reporting function, and their training programmes and budget. The risk management and internal control systems were considered effective and adequate.

During the year ended 31 December 2019, the Audit Committee and the Risk Management Internal Committee have reviewed reports from the Group's risk management and internal audit department and independent consultants with their findings and recommendations for improvement. The external auditors have also reported any observations they identified in the course of their work to the Group, and are satisfied that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

During the year ended 31 December 2019, the Group has implemented procedures and internal controls for the handling and dissemination of inside information. In particular, the Group:

- has conducted its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012;
- has established its own disclosure obligation procedures, which set out the procedures and controls for the assessment of potential inside information and the handling and dissemination of inside information. The procedures have been communicated to the senior management and staff of the Company, and their implementation was monitored by the Company; and

- has made broad, non-exclusive disclosure of information to the public through channels such as financial reports, public announcements and its website.

### Whistleblower Policy

The Group has established a whistleblower policy since 2008. Whistleblowing channels are published in all workplace. The policy is to facilitate employees, partners and customers to report complaints and internal malpractices to the Supervision Department of the Company, who will review, investigate and follow up these complaints. Once cases are verified, investigation results will be announced within the Company as warnings.

### Auditor's Remuneration

For the year ended 31 December 2019, the remuneration paid/payable to the auditor of the Company is set out as follows:

Service rendered	RMB million
<b>Audit service for 2019:</b>	
— Annual audit services of the Company	13.8
— Others	6.8
<b>Non-audit services in relation to:</b>	
— Issue of corporate bonds	4.8
— Accounting and strategy advisory services	0.3
— Others	9.9

### Directors' Responsibility on the Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2019, which were prepared in accordance with statutory requirements and applicable accounting standards. The Board aims to present a balanced, clear and understandable assessment of the Group's position and prospects in annual reports, interim reports and other financial disclosures required by the Listing Rules.

The reporting responsibility of the external auditor of the Company on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 116 to 121 of this annual report.

## CORPORATE GOVERNANCE REPORT

### Communication with Shareholders

The Board adopted a shareholders' communication policy reflecting the current practices of the Company for communication with its Shareholders, which has been posted on the website of the Company. The general meeting of the Company provides a platform for Shareholders to exchange views with the Board.

### Dividend Policy

The Board adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate liquidity for its working capital requirements and for further growth and shall comply with the Articles of Association and all applicable laws and regulations. The Board shall have regard to the following factors of the Group when considering the declaration and payment of dividends:

- past financial results;
- past and forecasted cash flows;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of Shareholders;
- any restrictions on payment of dividends (including contractual restrictions, i.e. from financing-related agreements); and
- any other factors that the Board may consider relevant.

The Company does not have any pre-determined dividend payout ratio. The Board will continually review, revise and update the dividend policy from time to time. If the Board decides to recommend, declare or pay dividends, the form, frequency and amount will depend upon the situation and applicable factors at the relevant time.

The dividend policy does not constitute a legally binding commitment that the Company will distribute any specific amount of dividends, nor will it in any way hold the Company liable to declare dividends at any time or from time to time.

### Shareholders' Right

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company can make a written requisition to the Board or the joint company secretaries of the Company to require an extraordinary general meeting to be convened pursuant to article 58 of the Articles of Association. The written requisition must state the objects of the meeting, and must be signed by the relevant Shareholder(s) and deposited at the registered office of the Company at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, in addition to the principal place of business in Hong Kong at Suite 1702, 17/F., Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

If within 21 days of the deposit of the requisition, the Board fails to proceed to convene an extraordinary general meeting, the relevant Shareholder(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the relevant Shareholder(s) as a result of the failure of the Board to convene a meeting shall be reimbursed to the relevant Shareholder(s) by the Company.

There are no provisions under the Articles of Association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Board or the joint company secretaries of the Company at the principal place of business in Hong Kong or by email to [ir@countrygarden.com.cn](mailto:ir@countrygarden.com.cn).

## CORPORATE GOVERNANCE REPORT

### Constitutional Documents

During the year ended 31 December 2019, other than the amendment to the Articles of Association passed at the annual general meeting on 16 May 2019, there was no change in the Company's constitutional documents.

### Investor Relations

As a listed company, the Group respects voices from the Shareholders and the capital market. The Group is constantly committed to enhancing the information transparency and strengthening the level of corporate governance so as to strive for greater value for the Shareholders.

The Group formulated a systematic platform for information disclosure and communication. The Group facilitates communication through various channels such as internet networks, site visits and meetings, and timely responses to the demand from the Shareholders and investors. For the year ended 31 December 2019, the Group further optimized its monthly newsletters and results presentations in order to provide further details which improved the quality of information disclosure; the Group continued its close communication with investors by organizing annual and interim results meetings with analysts and media, reverse roadshows, exchanging ideas with senior management, investor open days, and participating in roadshows held by various financial institutions in Asia-Pacific and Europe regions. In the communication process, the Group timely introduced to investors its operating results, development strategy and business updates that enhanced investors' understanding of and confidence in the Group. Meanwhile, the dedicated team of the Group timely summarized and analyzed information of the capital market, and gave feedback to the management in a systematic manner.

The way of communication between the Group and the capital market is recognised by the capital market. During the year, Mr. MO Bin, the President of the Group, and Ms. WU Bijun, the Chief Financial Officer of the Group, was respectively awarded the "Best CEO" and the "Best CFO" in the "2019 all-Asia executive team" poll by Institutional Investors. The dedicated team of the Group was awarded the "Best IR Professionals".

Besides, the Group's efforts in information disclosure are well recognised as well. The Group's 2018 Annual Report won the below 7 awards within the year:

Award	Organizer
33rd International ARC Awards — Silver Winner — Traditional Annual Report: Real Estate Development/SVC: Residential Properties	MerComm, Inc
33rd International ARC Awards — Bronze Winner— Cover Photo/Design: Real Estate Development/SVC: Residential Properties	MerComm, Inc
33rd International ARC Awards — Honors — Illustrations: Real Estate Development/SVC: Residential Properties	MerComm, Inc
LACP 2018 Vision Awards — Silver Award	League of American Communications Professionals LLC (LACP)
LACP 2018 Vision Awards — Outstanding Production Values	League of American Communications Professionals LLC (LACP)
LACP 2018 Vision Awards — Top 80 Chinese Reports of 2018	League of American Communications Professionals LLC (LACP)
LACP 2018 Vision Awards — Technical Achievement Award	League of American Communications Professionals LLC (LACP)

Going forward, the dedicated investor relations team will, by way of calls, emails, online interaction platform, meetings, and site visits etc., continue its interaction with investors, listen to opinions from the market, convey information of the Group and protect the long-term trust between investors and the Group.

## CORPORATE GOVERNANCE REPORT

## Major Events

Date	Events	Location
7 Jan	19th UBS Greater China Conference	Shanghai
9 Jan	DBS Pulse of Asia Conference 2019	Singapore
14 Jan	Deutsche Bank dbAccess China Conference 2019	Shenzhen
15 Jan	BNP Paribas Asia Pacific Financials & Property Conference 2019	Hong Kong
25 Jan	Analyst and Media Luncheon	Hong Kong
18 Mar	Announcement of 2018 Annual Results <ul style="list-style-type: none"> <li>• Press Conference</li> <li>• Investor Presentation</li> </ul>	Hong Kong
19 Mar–28 Mar	Post Results Roadshow	Hong Kong, Beijing, Shanghai, Singapore
17 Apr	Huatai HK Equity Property Corporate Day 2019	Hong Kong
23 Apr	Industrial Securities Overseas Investment Conference 2019	Shenzhen
24 Apr	Guosen Securities Investment Conference 2019	Shanghai
25 Apr	Haitong Securities Strategy Summit 2019	Hangzhou
7 May	15th BOCI Investors Conference	Beijing
8 May	Hua Chuang Securities Interim Investment Conference 2019	Shanghai
8 May	J.P. Morgan Global China Summit 2019	Beijing
16 May	Guotai Junan International Investment Forum	Shanghai
21 May	Deutsche Bank 10th Annual dbAccess Asia Conference	Singapore
23 May	UBS HK/China Property Conference 2019	Hong Kong
29 May	Morgan Stanley 5th Annual China Summit	Beijing
4 Jun	Haitong International 2019 China/HK Property Day	Hong Kong
19 Jun	Everbright Securities Interim Investment Conference 2019	Shenzhen
21 Jun	2 <sup>nd</sup> half of 2019 CICC Investment Strategy Conference	Shanghai
22 Aug	Announcement of 2019 Interim Results <ul style="list-style-type: none"> <li>• Press Conference</li> <li>• Investor Presentation</li> </ul>	Hong Kong

<b>Date</b>	<b>Events</b>	<b>Location</b>
23 Aug–24 Sep	Post Interim Results Roadshow	Hong Kong, Beijing, Shanghai, Singapore, London
12 Sep	CLSA Investor's Forum 2019	Hong Kong
23 Oct	Nomura China Property Corporate Day	Hong Kong
30 Oct	Haitong Securities Strategy Summit 2019	Shanghai
5 Nov	Goldman Sachs China Conference 2019	Shenzhen
6 Nov	CICC Investment Forum (Beijing) 2019	Beijing
12 Nov	Hua Chuang Securities Annual Investment Conference 2020	Shenzhen
18 Nov–19 Nov	Overseas Creditors Roadshow	Singapore
19 Nov	CMBI Property Day 2019	Hong Kong
21 Nov	Morgan Stanley 18th Annual Asia Pacific Summit	Singapore
22 Nov	CITIC Securities Capital Market Annual Conference 2020	Shenzhen
29 Nov	Country Garden Investor Open Day 2019	Foshan, Shaoguan
11 Dec	Everbright Securities Annual Investment Conference 2020	Shanghai
13 Dec	Guosen Securities Annual Investment Conference 2020	Shanghai

# REPORT OF THE DIRECTORS

The Board is pleased to present the audited consolidated financial statements of the Group for the year ended 31 December 2019.

## Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in property development, construction, property investment, hotel operation, robot and agricultural businesses.

An analysis of the Group's revenue and operating results for the year ended 31 December 2019 by principal activities is set out in note 6 to the consolidated financial statements of the Group.

## Results

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement and the consolidated statement of comprehensive income of the Group on pages 124 to 125 of this annual report.

## Business Review

The business review of the Group for the year ended 31 December 2019 is set out as below:

	Section(s) in this Annual Report	Page No. of this Annual Report
a. Fair review of the Company's business	Management Discussion and Analysis	35 to 41
b. Description of the principal risks and uncertainties the Company is facing	Management Discussion and Analysis	35 to 41
c. Particulars of important events affecting the Company that have occurred since the year ended 31 December 2019	Management Discussion and Analysis	35 to 41
d. Indication of likely future development of the Company's business	Chairman Statement and Management Discussion and Analysis	12 to 17 and 35 to 41
e. Analysis using financial key performance indicators	Financial Summary, Financial Highlights and Management Discussion and Analysis	33, 34 and 35 to 41

	<b>Section(s) in this Annual Report</b>	<b>Page No. of this Annual Report</b>
f. Discussion on the Company's environmental policies and performance	<p>Country Garden has always strived to operate environmentally, make efficient use of resources and foster a green living environment in property projects that we develop. Minimising adverse impact of construction and development as well as promoting green buildings and green offices are some of our most important environmental responsibilities.</p> <p>We stringently comply with legislations related to environmental protection in markets that we operate in, and take location specific environmental conditions into concern whenever we develop a project, to minimise our impact on the natural environment.</p> <p>Further information about the Company's environmental policies and performance is described in the "Country Garden Sustainability Report 2019" (a standalone report)</p>	Not applicable
g. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depend	Management Discussion and Analysis and Report of the Directors	35 to 41 and 80 to 113
h. Discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Company	Corporate Governance Report and Report of the Directors	54 to 79 and 80 to 113

## REPORT OF THE DIRECTORS

### Final Dividend

The Board recommended the payment of a final dividend of RMB34.25 cents (2018 final dividend: RMB30.32 cents) per Share for the year ended 31 December 2019 to the Eligible Shareholders, with the Eligible Shareholders being given an option to elect to receive the final dividend all in new Shares or partly in new Shares and partly in cash or all in cash (the “Scrip Dividend Scheme”). The total dividends for the year would be RMB57.12 cents per Share (2018 total dividends: RMB48.84 cents).

The proposed final dividend shall be declared in RMB and shall be distributed in HKD. The final dividend to be distributed in HKD will be converted from RMB at the average central parity rate of RMB to HKD as announced by the People’s Bank of China for the period from Monday, 25 May 2020 to Friday, 29 May 2020.

The Scrip Dividend Scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new Shares to be issued pursuant thereto.

A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or around Tuesday, 7 July 2020. It is expected that the final dividend warrants and certificates for the new Shares (in case the Eligible Shareholders have elected to receive part or all their final dividend in the form of new Shares) will be dispatched to the Eligible Shareholders on or around Wednesday, 12 August 2020.

### Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year ended 31 December 2019 are set out in note 7 to the consolidated financial statements of the Group.

### Borrowings

Details of the borrowings during the year ended 31 December 2019 are set out in note 26 to the consolidated financial statements of the Group.

### Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 27 to the consolidated financial statements of the Group.

## Convertible Bonds and Written Call Options

### (a) Redemption and Adjustment to Conversion Price of Convertible Bonds

On 16 January 2018 (after trading hours), the Company, Smart Insight International Limited (the “Issuer”, a wholly-owned subsidiary of the Company) and Goldman Sachs (Asia) L.L.C. (the “Sole Bookrunner”) entered into the bonds subscription agreement (the “2019 Bonds Subscription Agreement”), pursuant to which the Sole Bookrunner agreed to subscribe for the zero coupon secured guaranteed convertible bonds due 2019 (the “2019 Convertible Bonds”) to be issued by the Issuer in the aggregate principal amount of HKD15,600 million. According to the announcements of the Company dated 29 May 2018, 25 June 2018 and 18 September 2018, the 2019 Convertible Bonds might be converted into Shares at the last modified conversion price of HKD18.29 per Share (the “2019 Conversion Price”) during the conversion period under the terms of the 2019 Convertible Bonds. The 2019 Convertible Bonds were guaranteed by the Company, and were jointly and severally guaranteed by certain subsidiaries of the Company. The 2019 Convertible Bonds also had the benefit of certain securities on the collateral. Assuming full conversion of the 2019 Convertible Bonds at the 2019 Conversion Price, the 2019 Convertible Bonds would be convertible into 852,925,095 Shares, representing approximately 3.93% of the issued share capital of the Company as at 19 September 2018 (the date of the last adjustment to the 2019 Conversion Price) and approximately 3.78% of the then issued share capital of the Company as enlarged by the issue of the conversion Shares.

The conditions set out in the 2019 Bonds Subscription Agreement have been fulfilled. On 30 January 2018, the Issuer issued the 2019 Convertible Bonds in the aggregate principal amount of HKD15,600 million to the Sole Bookrunner. The new Shares that may fall to be issued upon the conversion of the 2019 Convertible Bonds would be issued under the general mandate granted at the 2017 AGM subject to the limit of up to 20% of the total number of Shares in issue as at the date of the 2017 AGM (i.e. 4,268,124,356 Shares, representing 20% of 21,340,621,782 Shares in issue as at the date of the 2017 AGM). The 2019 Convertible Bonds were listed on SGX.

The net proceeds from the issue of the 2019 Convertible Bonds was approximately HKD15,491 million. The Company applied the net proceeds for the repayment of debts of the Group and/or as general working capital purpose as intended. Please refer to the announcements of the Company dated 16 January 2018 and 17 January 2018 for further details.

During 2018, the Issuer had conducted a partial repurchase of the 2019 Convertible Bonds (the “Partial Repurchase”) and had received commitments from holders of the 2019 Convertible Bonds to sell approximately HKD6,054 million in aggregate principal amount of the 2019 Convertible Bonds to the Company via J.P. Morgan Securities plc and Goldman Sachs (Asia) L.L.C. as joint dealer managers. Following settlement of the Partial Repurchase, the 2019 Convertible Bonds partially repurchased had been cancelled. Also, the Company had repurchased HKD396 million of the 2019 Convertible Bonds from SGX during 2018.

## REPORT OF THE DIRECTORS

As announced by the Company on 29 January 2019, upon the maturity of all of the outstanding 2019 Convertible Bonds on 27 January 2019, the Company had redeemed all of the outstanding 2019 Convertible Bonds (including HKD396 million of the 2019 Convertible Bonds repurchased by the Company from SGX during 2018). Following such redemption, the Company does not have any outstanding 2019 Convertible Bonds and the 2019 Convertible Bonds were delisted from SGX. No new Shares were issued under the 2019 Convertible Bonds.

Concurrent with the Partial Repurchase, the Issuer has carried out the issue of the new secured guaranteed convertible bonds and on 21 November 2018 entered into an agreement (the “2023 Bonds Subscription Agreement”) with the Company, J.P. Morgan Securities plc, Goldman Sachs (Asia) L.L.C and The Hongkong and Shanghai Banking Corporation Limited (the “Joint Lead Managers”) under which the Joint Lead Managers agreed to subscribe for the 4.50% secured guaranteed convertible bonds due 2023 to be issued by the Issuer in the aggregate principal amount of HKD7,830 million (the “2023 Convertible Bonds”). The 2023 Convertible Bonds may be converted into Shares at the initial conversion price of HKD12.5840 per Share during the conversion period under the terms of the 2023 Convertible Bonds. The 2023 Convertible Bonds are guaranteed by the Company, and are jointly and severally guaranteed by certain existing subsidiaries of the Company (the “Subsidiary Guarantors”). The 2023 Convertible Bonds also have the benefit of certain security interests on the capital stock of the Subsidiary Guarantors.

Based on the adjustment provisions stipulated under the terms and conditions of the 2023 Convertible Bonds, as a result of the payment of a final dividend by the Company for the year ended 31 December 2018 and an interim dividend by the Company for the six months ended 30 June 2019, the conversion price of the 2023 Convertible Bonds had been adjusted to the last modified conversion price of HKD11.90 per Share (the “2023 Conversion Price”) with effect from 12 September 2019. Assuming full conversion of the 2023 Convertible Bonds at the 2023 Conversion Price, the 2023 Convertible Bonds would be convertible into 657,983,193 Shares, representing approximately 3.04% of the issued share capital of the Company as at 12 September 2019 and approximately 2.95% of the then issued share capital of the Company as enlarged by the issue of the conversion Shares.

The conditions set out in the 2023 Bonds Subscription Agreement have been fulfilled. On 5 December 2018, the Issuer issued the 2023 Convertible Bonds in the principal amount of HKD7,830 million. The new Shares that may fall to be issued upon the conversion of the 2023 Convertible Bonds will be issued under the general mandate granted at the 2018 AGM subject to the limit of up to 20% of the total number of Shares in issue as at the date of the 2018 AGM (i.e. 4,348,186,628 Shares, representing 20% of 21,740,933,140 Shares in issue as at the date of the 2018 AGM). The 2023 Convertible Bonds are listed on SGX.

The net proceeds from the issue of the 2023 Convertible Bonds was approximately HKD7,725 million. During the year ended 31 December 2019, the Company applied the net proceeds of approximately HKD6,054 million for the Partial Repurchase and the remainder was used for refinancing offshore indebtedness and there was no material change or delay in the use of proceeds according to the intentions previously disclosed by the Company. As at 31 December 2019, no conversion rights under the 2023 Convertible Bonds were exercised and no Shares were issued under the 2023 Convertible Bonds.

**(b) Approval of the Written Call Options and Adjustment to Strike Price of Written Call Options**

On 21 November 2018, the Issuer entered into the purchased call options and the written call options with J.P. Morgan Securities plc and Goldman Sachs International or their respective affiliates (collectively, the “Option Counterparties”) as follows:

- (i) call option transaction(s) involving the sale of call option(s) by the Option Counterparties to the Issuer with a strike price equal to the 2023 Conversion Price (the “Purchased Call Options”); and
- (ii) call option transaction(s) involving the sale of call option(s) by the Issuer to the Option Counterparties with the initial strike price of HKD17.908 (the “Written Call Options”).

The Purchased Call Options and Written Call Options are expected generally to reduce or offset the potential dilution upon conversion of the 2023 Convertible Bonds and/or offset any cash payments the Issuer is required to make in excess of the principal amount of the converted 2023 Convertible Bonds, as the case may be. The Purchased Call Options and Written Call Options will cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2023 Convertible Bonds, the equivalent number of Shares underlying the 2023 Convertible Bonds.

The Purchased Call Options will be settled in cash only.

The Written Call Options had been approved by the Shareholders at the 2019 EGM in accordance with Rule 15.02 of the Listing Rules. The Written Call Options will be settled physically, under the specific mandate to issue Shares under the Written Call Options as approved by the Shareholders at the 2019 EGM.

Based on the adjustment provisions stipulated under the terms and conditions of the Written Call Options, as a result of the payment of a final dividend by the Company for the year ended 31 December 2018 and an interim dividend by the Company for the six months ended 30 June 2019, the strike price of the Written Call Options had been adjusted to the last modified strike price of HKD16.94 per Written Call Option with effect from 12 September 2019. The maximum number of Shares that may be issued upon physical settlement of the Written Call Options is 657,535,970 Shares, representing approximately 3.04% of the issued share capital of the Company as at 12 September 2019 and approximately 2.95% of the then issued share capital of the Company as enlarged by the issue of the Shares upon exercise of all of the Written Call Options.

## REPORT OF THE DIRECTORS

Please refer to the announcements of the Company dated 21 November 2018, 22 November 2018, 12 December 2018, 24 May 2019, 3 June 2019 and 12 September 2019, and the circular of the Company dated 11 April 2019 for further details.

### Senior Notes and Corporate Bonds Issued

During the year ended 31 December 2019, the Company has issued senior notes and corporate bonds as follows:

#### (a) Senior Notes

- (i) On 25 January 2019, the Company issued USD550 million 7.125% senior notes due 2022 and additional USD450 million 8.000% senior notes due 2024, which additional USD450 million 8.000% senior notes due 2024 are consolidated and form a single series with the USD550 million 8.000% senior notes due 2024 issued by the Company on 27 September 2018. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue would be used for refinancing existing offshore indebtedness.

All the senior notes are listed on SGX.

- (ii) On 8 April 2019, the Company issued USD550 million 6.50% senior notes due 2024 and USD950 million 7.25% senior notes due 2026. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue would be used for refinancing existing offshore indebtedness.

All the senior notes are listed on SGX.

- (iii) On 18 July 2019, the Company issued additional USD400 million 7.25% senior notes due 2026, which are consolidated and form a single series with the USD950 million 7.25% senior notes due 2026 issued by the Company on 8 April 2019. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue would be used for refinancing existing offshore indebtedness.

The senior notes are listed on SGX.

- (iv) On 17 September 2019, the Company issued USD500 million 6.15% senior notes due 2025. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue would be used for refinancing existing medium to long term offshore indebtedness, which will become due within one year.

The senior notes are listed on SGX.

**(b) Corporate Bonds**

As at 31 December 2019, certain subsidiaries of the Group issued corporate bonds at an aggregate par value of RMB11,780 million. The Group received net proceeds of RMB11,743 million in aggregate, which would be used for refinancing certain of the Group's existing indebtedness and for general working capital purposes.

Details of the senior notes and corporate bonds issued during the year ended 31 December 2019 are set out in notes 23 and 24 to the consolidated financial statements of the Group, which form part of the disclosure in this report of the Directors.

**Equity Linked Agreements**

Save as disclosed in the sections headed "Convertible Bonds and Written Call Options", "Share Option Schemes" and "Employee Incentive Scheme", no equity linked agreements were entered into during or subsisted at the end of the year ended 31 December 2019.

**Directors' Right to Acquire Shares or Debentures**

For the short period from 29 July to 20 September 2019, CG Services had been a fellow subsidiary of the Company. Immediately before CG Services ceased to be a fellow subsidiary of the Company, by virtue of the rules of the share option scheme of CG Services, Mr. MO Bin had interest in share options to subscribe for a total number of 38,892,000 shares in CG Services.

Save as disclosed above and in the section headed "Connected Transactions" and "Share Option Schemes", at no time during the year ended 31 December 2019 was the Company, any of its subsidiaries, fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

**Distributable Reserves**

As at 31 December 2019, the distributable reserve of the Company amounted to approximately RMB7,890 million (2018: approximately RMB10,923 million).

Details of the movements in reserves during the year ended 31 December 2019 are set out in note 45 to the consolidated financial statements of the Group.

**Donations**

The total donations made by the Group during the year ended 31 December 2019 amounted to approximately RMB1,431 million (2018: approximately RMB1,369 million).

## REPORT OF THE DIRECTORS

### **Permitted Indemnity Provision**

The Articles of Association provide that every Director is entitled to be indemnified out of the assets of the Company against all losses and damages which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Group has taken out and maintained directors' liability insurance for the year ended 31 December 2019, which provides appropriate cover for the Directors.

The permitted indemnity provision was in force during the year ended 31 December 2019 for the benefit of the Directors.

### **Financial Summary**

A financial summary of the Group is set out on page 33 of this annual report.

### **Major Customers and Suppliers**

For the year ended 31 December 2019, revenue attributable to the largest customer of the Group amounted to approximately 0.15% of the total revenue of the year and the five largest customers of the Group accounted for less than 30% of the Group's revenue of the year.

For the year ended 31 December 2019, purchases attributable to the largest supplier of the Group amounted to approximately 1.78% of the total purchases in the year and the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

### **Directors' and Shareholders' Interests in Suppliers and Customers of the Group**

The Directors, their close associates and the Shareholders (who to the knowledge of the Directors own more than 5% of the issued shares of the Company) did not have any interests in the five largest customers and suppliers of the Group for the year ended 31 December 2019.

### **Management Contracts**

No contracts other than employment contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

## Directors and Directors' Service Contracts

The Directors during the year ended 31 December 2019 and up to the date of this annual report are:

### Executive Directors

Mr. YEUNG Kwok Keung (Chairman)  
Ms. YANG Huiyan (Co-Chairman)  
Mr. MO Bin (President)  
Ms. YANG Ziyang  
Mr. YANG Zhicheng  
Mr. SONG Jun  
Mr. SU Baiyuan  
Mr. LIANG Guokun (resigned on 18 October 2019)

### Non-executive Director

Mr. CHEN Chong

### Independent non-executive Directors

Mr. LAI Ming, Joseph  
Mr. SHEK Lai Him, Abraham  
Mr. TONG Wui Tung  
Mr. HUANG Hongyan  
Mr. TO Yau Kwok (appointed on 1 June 2019)  
Mr. YEUNG Kwok On (resigned on 1 June 2019)

In accordance with article 84 of the Articles of Association, Mr. YANG Zhicheng, Mr. SU Baiyuan, Mr. CHEN Chong and Mr. LAI Ming, Joseph shall retire from office by rotation and, being eligible, offer themselves for re-election at the 2020 AGM.

In accordance with article 83(3) of the Articles of Association, Mr. TO Yau Kwok shall hold office only until the next following general meeting of the Company and, being eligible, offer himself for re-election at the 2020 AGM.

No Director proposed for re-election at the 2020 AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

## REPORT OF THE DIRECTORS

### Changes to Information in Respect of Directors

In accordance with rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) during the year ended 31 December 2019 and up to the date of this report are set out below:

Directors' Information	Appointment (effective)	Cessation (effective)
Mr. LAI Ming, Joseph		
<ul style="list-style-type: none"> <li>• Jolimark Holdings Limited (Stock Code: 2028)</li> <li style="padding-left: 20px;">– Independent non-executive director</li> </ul>	–	21 May 2019
Mr. SHEK Lai Him, Abraham		
<ul style="list-style-type: none"> <li>• Chuang's China Investments Limited (Stock Code: 298)</li> <li style="padding-left: 20px;">– Chairman</li> <li style="padding-left: 20px;">– Honorary chairman</li> </ul>	– 29 April 2019	29 April 2019 –
<ul style="list-style-type: none"> <li>• MTR Corporation Limited (Stock Code: 66)</li> <li style="padding-left: 20px;">– Independent non-executive director</li> </ul>	–	22 May 2019
<ul style="list-style-type: none"> <li>• Far East Consortium International Limited (Stock Code: 35)</li> <li style="padding-left: 20px;">– Independent non-executive director</li> </ul>	3 June 2019	–
Mr. HUANG Hongyan		
<ul style="list-style-type: none"> <li>• Guangdong Transtek Medical Electronics Co., Ltd. (Stock Code: 300562)</li> <li style="padding-left: 20px;">– Independent director</li> </ul>	–	21 February 2019

### Directors' and Senior Management's Emoluments and Five Highest Paid Individuals

Details of the remuneration of the Directors and senior management, together with those of the five highest paid individuals of the Group for the year ended 31 December 2019 are set out in note 47 and note 33 to the consolidated financial statements of the Group.

The emolument payable to the Directors (including salary and other benefits) are recommended by the Remuneration Committee of the Company for the Board's approval, having regard to the Group's results, Directors' performance, duties, etc.

### Directors' Interests in Contracts of Significance

Save as disclosed under the paragraph headed “Connected Transactions and Continuing Connected Transactions”, no transactions, arrangements or contracts of significance in relation to the Company’s business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director or his or her connected entities had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2019.

### Directors' and Their Associates' Interests in Competing Business

Mr. YEUNG Kwok Keung (being Director), Ms. YANG Meirong (Mr. YEUNG Kwok Keung’s associate) and Ms. ZHOU Shuting (Mr. YEUNG Kwok Keung’s associate) respectively and indirectly owned 52%, 45.18% and 0.42% interest in each of Qingyuan CG and Qingyuan Country Cultural Development Co., Ltd.. The sole director and supervisor of both companies are Ms. ZHOU Shuting and Ms. YANG Meirong respectively. Qingyuan CG is the developer of the Qingyuan Holiday Islands project situated in Qingyuan which offers various types of products including villas, townhouses and low-rise apartments, while Qingyuan Country Cultural Development Co., Ltd. operates the Qingyuan Cultural Park located in Shijiao Town, Qingcheng District in Qingyuan. Since Qingyuan CG and Qingyuan Country Cultural Development Co., Ltd. mainly conduct property development business, both companies have business which may compete with the Group’s business. Throughout the year ended 31 December 2019, the Company carried on its business independently of, and at arm’s length from the business of these two companies. Save as disclosed above, as at 31 December 2019, none of the Directors and their associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### Connected Transactions and Continuing Connected Transactions

Details of connected transaction and continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed below.

#### (1) Connected Transactions

- (a) As disclosed in the Company’s announcement dated 29 March 2019 (“Connected Transaction Announcement 1”), on 28 March 2019, the Company, Subsidiary Guarantors and Subsidiary Guarantor Pledgors (as defined in the Connected Transaction Announcement 1) entered into a purchase agreement dated 28 March 2019 with Morgan Stanley & Co. International plc, Goldman Sachs (Asia) L.L.C., BNP Paribas, The Hongkong and Shanghai Banking Corporation Limited and Industrial and Commercial Bank of China (Asia) Limited in connection with the issue by the Company of the USD550 million 6.50% senior notes due 2024 (the “2024 Notes”) and the USD950 million 7.25% senior notes due 2026 (the “2026 Notes”) (the “First Notes Issue”). Pursuant to the First Notes Issue, Fine Nation Group Limited (“Fine Nation”) has purchased the 2026 Notes in an aggregate amount of USD300 million, and Mr. MO Bin has purchased the 2024 Notes in an aggregate amount of USD4 million. The purchases are being undertaken by Fine Nation and Mr. MO Bin as part of the First Notes Issue and will enable the Company to raise fund. The terms of the purchase are the same as other investors in the First Notes Issue.

## REPORT OF THE DIRECTORS

Fine Nation is directly wholly-owned by Mr. YEUNG Kwok Keung, the Chairman and executive Director. Fine Nation is hence an associate of Mr. YEUNG Kwok Keung and thus a connected person of the Company. Accordingly, the purchase of the 2026 Notes by Fine Nation constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Mr. MO Bin is the President and executive Director and thus a connected person of the Company. Accordingly, the purchase of the 2024 Notes by Mr. MO Bin constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the connected transaction are set out in the Connected Transaction Announcement 1.

- (b) As disclosed in the Company's announcement dated 11 September 2019 ("Connected Transaction Announcement 2"), on 10 September 2019, the Company, Subsidiary Guarantors and Subsidiary Guarantor Pledgors (as defined in the Connected Transaction Announcement 2) entered into a purchase agreement dated 10 September 2019 with Morgan Stanley & Co. International plc, Goldman Sachs (Asia) L.L.C. and BNP Paribas in connection with the issue by the Company of the USD500 million 6.15% senior notes due 2025 (the "2025 Notes") (the "Second Notes Issue"). Pursuant to the Second Notes Issue, Fine Nation has purchased the 2025 Notes in an aggregate amount of USD80 million, and Mr. MO Bin has purchased the 2025 Notes in an aggregate amount of USD10 million. The purchases are being undertaken by Fine Nation and Mr. MO Bin as part of the Second Notes Issue and will enable the Company to raise fund. The terms of the purchase are the same as other investors in the Second Notes Issue.

Fine Nation is directly wholly-owned by Mr. YEUNG Kwok Keung, the Chairman and executive Director. Fine Nation is hence an associate of Mr. YEUNG Kwok Keung and thus a connected person of the Company. Accordingly, the purchase of the 2025 Notes by Fine Nation constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Mr. MO Bin is the President and executive Director and thus a connected person of the Company. Accordingly, the purchase of the 2025 Notes by Mr. MO Bin constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the connected transaction are set out in the Connected Transaction Announcement 2.

## (2) Continuing Connected Transactions

The following continuing connected transactions were recorded during the year ended 31 December 2019. During the year ended 31 December 2019, the Company has entered into certain transactions which constitute continuing connected transactions (as defined in the Listing Rules) of the Company. Pursuant to the disclosure requirements in the annual report under rule 14A.49 of the Listing Rules, details of these transactions are set out below:

### (a) *Agreements of Continuing Connected Transactions*

#### (i) *Design Services Agreement*

Pursuant to the design services further supplemental agreement dated 22 August 2017 and the 2018 Design Services Supplemental Agreement dated 21 March 2018 entered into between Shunde Country Garden and Elite Architectural, Elite Architectural agreed to continue to provide survey work, property design and interior design services to the Group on terms no less favourable than those available to independent third parties for three years commencing from 1 January 2017 to 31 December 2019 which later extended for a further term of one year commencing on 1 January 2020 by virtue of the 2018 Design Services Supplemental Agreement and subject to the revised annual caps of not exceeding RMB3,000 million, RMB6,500 million, RMB8,000 million and RMB9,600 million for each of the four years ended 31 December 2017, 2018, 2019 and 2020 respectively. For the year ended 31 December 2019, the total amount of survey work, property design and interior design services charged by Elite Architectural amounted to RMB3,175 million.

Shunde Country Garden is a wholly-owned subsidiary of the Company, and Ms. YANG Meirong (Mr. YEUNG Kwok Keung's associate) indirectly owned 94.13% interest in Elite Architectural. Mr. YEUNG Kwok Keung is the Chairman of the Board of the Company and an executive Director, and Elite Architectural is therefore a majority controlled company indirectly held by the associate of Mr. YEUNG Kwok Keung. Elite Architectural is therefore a connected person of the Company under the Listing Rules. Transactions contemplated under the 2018 Design Services Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

#### (ii) *Construction Services Agreement*

Pursuant to the 2017 Construction Services Agreement entered into between Giant Leap and Qingyuan CG on 30 December 2016, Giant Leap agreed to provide construction services to Qingyuan CG on terms no less favourable than those offered by independent third parties for three years commencing from 1 January 2017 and subject to the annual caps of not exceeding RMB200 million for each of the three years ended 31 December 2017, 2018 and 2019 respectively.

## REPORT OF THE DIRECTORS

The 2017 Construction Services Agreement has been renewed by the parties thereto on 20 December 2019 for three years commencing from 1 January 2020 to 31 December 2022. The continuing connected transaction contemplated under the said renewal agreement is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules as de minimis transaction.

For the year ended 31 December 2019, the value of construction services provided by Giant Leap is RMB8 million.

Giant Leap is a wholly-owned subsidiary of the Company, and Mr. YEUNG Kwok Keung (being Director), Ms. YANG Meirong (Mr. YEUNG Kwok Keung's associate) and Ms. ZHOU Shuting (Mr. YEUNG Kwok Keung's associate) respectively and indirectly owned 52%, 45.18% and 0.42% interest in Qingyuan CG. Mr. YEUNG Kwok Keung is the Chairman of the Board of the Company, and an executive Director and Qingyuan CG is an associate of Mr. YEUNG Kwok Keung. Qingyuan CG is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2017 Construction Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(iii) *Property Management Services Framework Agreement*

As disclosed in the Company's announcement dated 19 March 2018, the Company proposed to spin-off and separately list CG Services, engaging in the property management business of the Group, on the main board of the Stock Exchange by way of introduction (the "Spin-off"). CG Services has been listed on the main board of the Stock Exchange on 19 June 2018. Following the completion of the Spin-off, CG Services has become a 30%-controlled company indirectly held by Ms. YANG Huiyan, the Co-Chairman, an executive Director and the controlling Shareholder. As such, CG Services is an associate of Ms. YANG Huiyan and thus a connected person of the Company.

On 1 June 2018, the Company entered into a property management services framework agreement with CG Services, which sets out the terms of the property management services to be provided by CG Services and its subsidiaries (collectively, the "CG Services Group") to the Company and its subsidiaries immediately after the Spin-off (collectively, the "Remaining CGH Group" or the "Group"), in respect of the unsold property units and the sold property units prior to the agreed delivery date set out in the relevant property purchase contract for projects developed by the Remaining CGH Group and managed by CG Services Group, for a term commencing on 19 June 2018 until 31 December 2020 (the "Property Management Services Framework Agreement"). The annual caps of transactions contemplated under the

Property Management Services Framework Agreement are respectively RMB290 million, RMB355 million and RMB478 million for each of the three years ending 31 December 2020. For the year ended 31 December 2019, the value of the property management services provided by the CG Services Group to the Remaining CGH Group is RMB286 million.

Since CG Services is a connected person of the Company, transactions between the Remaining CGH Group and CG Services Group therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(iv) *Consultancy and Other Services Framework Agreement*

On 1 June 2018, the Company entered into a consultancy and other services framework agreement with CG Services, which sets out the terms of the consultancy and other services to be provided by CG Services Group to the Remaining CGH Group, such as consultancy services to the on-site sales office of the Remaining CGH Group and cleaning services for the properties developed by the Remaining CGH Group before delivery to homeowners, for a term commencing on 19 June 2018 until 31 December 2020 (the “Consultancy and Other Services Framework Agreement”). The annual caps of transactions contemplated under the Consultancy and Other Services Framework Agreement are respectively RMB396 million, RMB601 million and RMB882 million for each of the three years ending 31 December 2020.

In view of the business development of the Group, the Board anticipated that the existing annual caps would not be sufficient for the transaction amounts expected to be incurred for the term of the Consultancy and Other Services Framework Agreement. On 18 September 2018, the Company entered into the Consultancy and Other Services Supplemental Agreement with CG Services, pursuant to which the existing annual caps have been revised from RMB396 million to RMB633 million for the year ending 31 December 2018, from RMB601 million to RMB898 million for the year ending 31 December 2019, and from RMB882 million to RMB1,007 million for the year ending 31 December 2020. For the year ended 31 December 2019, the value of the consultancy and other services provided by the CG Services Group to the Remaining CGH Group was RMB819 million.

Since CG Services is a connected person of the Company (see above), transactions between the Remaining CGH Group and CG Services Group therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## REPORT OF THE DIRECTORS

(v) *Sales and Leasing Agency Services Framework Agreement*

On 18 September 2018, the Company entered into a sales and leasing agency services framework agreement with CG Services, which sets out the principal terms for the provision of sales and leasing agency services in respect of unsold parking spaces of the Group and provision of sales agency services in respect of unsold property units of the Group, by the CG Services Group to the Group for a term commencing on 18 September 2018 until 31 December 2020 (the “Sales and Leasing Agency Services Framework Agreement”). The annual caps of transactions contemplated under the Sales and Leasing Agency Services Framework Agreement are RMB120 million, RMB380 million and RMB450 million respectively for each of the three years ending 31 December 2020. For the year ended 31 December 2019, the value of the sales and leasing agency services in respect of unsold parking spaces of the Group and the sales agency services in respect of unsold property units of the Group provided by the CG Services Group to the Group is RMB185 million.

Since CG Services is a connected person of the Company (see above), transactions between the Remaining CGH Group and CG Services Group therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The above continuing connected transactions are all subject to the reporting, annual review and announcement requirements but exempted from independent Shareholders’ approval requirement under the Listing Rules.

(b) ***Annual Review of Continuing Connected Transactions***

Pursuant to rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms or better, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purpose of rule 14A.56 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions:

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the cap.

(c) **Others**

The connected transactions and continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year ended 31 December 2019 is disclosed in note 44 to the financial statements.

Certain items under note 44(a) to the financial statements also constitute connected or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected or continuing connected transactions.

## Share Option Schemes

(a) **2007 Share Option Scheme**

On 20 March 2007, the 2007 Share Option Scheme was approved and adopted by the then Shareholders for a period of 10 years commencing on the adoption date. The 2007 Share Option Scheme has expired on 19 March 2017. A summary of the principal terms of the 2007 Share Option Scheme is set out as follows:

(i) ***Purpose of the 2007 Share Option Scheme***

The purpose of the 2007 Share Option Scheme is to provide incentives to the participants.

(ii) ***Eligible Participants***

The participants of the 2007 Share Option Scheme are employees of the Company and its subsidiaries including the executive Directors and non-executive Directors.

## REPORT OF THE DIRECTORS

**(iii) Grant of Options**

The Board shall be entitled at any time, within 10 years after the date of adoption of the 2007 Share Option Scheme, to make an offer of the grant of an option to any participant. Following the date of expiry of the 2007 Share Option Scheme, no subsequent options may be granted under the 2007 Share Option Scheme.

**(iv) Payment on Acceptance of Option Offer**

HKD1.00 is payable by the participant to the Company on acceptance of the option offer as consideration for the grant within 28 days from the date upon which the option offer is made.

**(v) Subscription Price of Shares**

The subscription price of an option to subscribe for Shares granted pursuant to the 2007 Share Option Scheme shall be the highest of:

- the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option offer is made to a participant, which must be a business day;
- the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option offer is made; and
- the nominal value of a Share.

**(vi) Maximum Number of Shares Available for Subscription**

The total number of Shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the global offering and the capitalization issue of the Company. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2007 Share Option Scheme must not exceed 30% of the issued share capital of the Company from time to time. As at 19 March 2017 (the date of expiry of the 2007 Share Option Scheme), a total of 1,636,000,000 Shares (including options to subscribe for 14,061,871 Shares that have been granted but not yet lapsed or exercised as at that date) (representing 7.66% of the issued share capital of the Company as at 19 March 2017) were available for issue under the 2007 Share Option Scheme. 7,998,660 options granted under the 2007 Share Option Scheme remained outstanding as at 31 December 2019, the number of Shares issued upon exercise of all these options representing 0.04% of the issued share capital of the Company as at 31 December 2019.

**(vii) Maximum Entitlement of Shares of each Participant**

- The total number of Shares issued and to be issued upon exercise of all options granted under the 2007 Share Option Scheme and any other share option schemes of the Company to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- Where Shares issued and to be issued upon exercise of all options already granted and to be granted under the 2007 Share Option Scheme and any other share option scheme of the Company (including options exercised, cancelled and outstanding) to a participant who is a substantial Shareholder or an independent non-executive Director, or any of his or her associate in the 12-month period up to and including the date of grant, (1) representing in aggregate more than 0.1% of the total number of Shares in issue; and (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HKD5,000,000, the proposed grant of option must be approved by the Shareholders by poll in general meeting.

**(viii) Option Period**

The exercise period of any option granted under the 2007 Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. The Board has the authority to determine the minimum period for which an option must be held before it can be exercised.

## REPORT OF THE DIRECTORS

During the year ended 31 December 2019, details of movements in the share options under the 2007 Share Option Scheme are as follows:

Category and name of grantees	Outstanding at 1 January 2019	Options to subscribe for Shares				Outstanding at 31 December 2019	Exercise price per Share HKD	Date of grant	Exercisable period
		Granted during the year <sup>1</sup>	Exercised during the year	Cancelled during the year	Lapsed during the year				
<b>Directors</b>									
Mr. YANG Zhicheng	1,515,933	-	-	-	-	1,515,933	4.773	13.12.2013	13.12.2018-12.12.2023
	1,509,074	-	-	-	-	1,509,074	3.332	16.03.2016	16.03.2021-15.03.2026
	525,597	-	-	-	-	525,597	3.106	11.05.2016	11.05.2021-10.05.2026
	449,031	-	-	-	-	449,031	3.740	19.08.2016	19.08.2021-18.08.2026
Mr. SONG Jun	736,487	-	-	-	-	736,487	3.332	16.03.2016	16.03.2021-15.03.2026
	1,074,264	-	-	-	-	1,074,264	3.106	11.05.2016	11.05.2021-10.05.2026
	816,050	-	-	-	-	816,050	3.740	19.08.2016	19.08.2021-18.08.2026
Sub-total	6,626,436	-	-	-	-	6,626,436			
<b>Employees of the Group</b>	2,331,945	-	1,146,063 <sup>2</sup>	-	-	1,185,882	4.773	13.12.2013	13.12.2018-12.12.2023
Sub-total	2,331,945	-	1,146,063	-	-	1,185,882			
<b>Other Participants</b>	968,146	-	968,146 <sup>3</sup>	-	-	-	4.773	13.12.2013	13.12.2018-12.12.2023
	186,342	-	-	-	-	186,342	3.332	16.03.2016	16.03.2021-15.03.2026
Sub-total	1,154,488	-	968,146	-	-	186,342			
<b>Total</b>	10,112,869	-	2,114,209	-	-	7,998,660			

## Notes:

1. During the year ended 31 December 2019, no share options were granted by the Company in accordance with the terms of the 2007 Share Option Scheme.
2. The weighted average closing price of these Shares immediately before 15 January 2019, 4 March 2019 and 11 June 2019 (the date on which the relevant share options were exercised) was HKD9.594.
3. The weighted average closing price of these Shares immediately before 15 January 2019 (the date on which the relevant share options were exercised) was HKD9.080.

**(b) 2017 Share Option Scheme**

In view of the expiry of the 2007 Share Option Scheme on 19 March 2017, the 2017 Share Option Scheme was approved and adopted by the Shareholders at the annual general meeting of the Company held on 18 May 2017 for the period of 10 years commencing on the adoption date and ending 17 May 2027. A summary of the principal terms of the 2017 Share Option Scheme is set out as follows:

**(i) Purpose of the 2017 Share Option Scheme**

The purpose is to provide the people and the parties working for the interests of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with incentives to work better for the interest of the Group and/or rewards for their contribution and support to the Group.

**(ii) Eligible Participants**

The following persons are eligible to participate in the 2017 Share Option Scheme:

- any executive or non-executive directors of each member of the Group and their associates; and
- any full-time employees of each member of the Group.

**(iii) Grant of Options**

The Board shall be entitled at any time and from time to time, within 10 years after the date of adoption of the 2017 Share Option Scheme, to make an offer of the grant of an option to any participant.

**(iv) Payment on Acceptance of Option Offer**

HKD1.00 is payable by the participant to the Company on acceptance of the option offer as consideration for the grant within 28 days from the date upon which the option offer is made.

## REPORT OF THE DIRECTORS

(v) **Subscription Price of Shares**

The subscription price of an option to subscribe for Shares granted pursuant to the 2017 Share Option Scheme shall be at least the highest of:

- the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day;
- the price being the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and
- the nominal or par value of a Share on the date of grant.

(vi) **Maximum Number of Shares Available for Subscription**

- The total number of Shares which may be issued upon exercise of all options to be granted under the 2017 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the adoption date (the "Original Scheme Limit"), unless the Company obtains an approval from its Shareholders pursuant to the scheme rules of the 2017 Share Option Scheme.
- The Company may seek approval of its Shareholders in general meeting for refreshing the Original Scheme Limit.
- The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2017 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time.
- As at the date of this report, a total number of 2,105,363,052 Shares (including options to subscribe for 9,406,083 Shares that have been granted but not yet lapsed or exercised) (representing 9.63% of the issued share capital of the Company as at the date of this report) were available for issue under the 2017 Share Option Scheme.

**(vii) Maximum Entitlement of Shares of each Participant**

- Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all options granted under the 2017 Share Option Scheme or any other share option schemes of the Company to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- Where any proposed grant of options would result in Shares issued and to be issued upon exercise of all options already granted and to be granted under the 2017 Share Option Scheme and any other share option scheme of the Company (including options exercised, cancelled and outstanding) to a participant who is a substantial Shareholder or an independent non-executive Director, or their respective associates in the 12-month period up to and including the date of grant, (1) representing in aggregate more than 0.1% of the total number of Shares in issue; and (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HKD5,000,000, the proposed grant of option must be approved by the Shareholders by poll in general meeting.

**(viii) Option Period**

The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be longer than 10 years from the date of grant, but subject to the provisions for early termination thereof under the 2017 Share Option Scheme. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised. Unless otherwise determined by the Board and specified in the offer letter at the time of the grant, there is neither any performance target that needs to be achieved by the grantee before an option can be exercised nor any minimum period for which an option must be held before the option can be exercised.

## REPORT OF THE DIRECTORS

During the year ended 31 December 2019, details of movements in the share options under the 2017 Share Option Scheme are as follows:

Category and name of grantees	Outstanding at 1 January 2019	Granted during the year <sup>1</sup>	Options to subscribe for Shares			Outstanding at 31 December 2019	Exercise price per Share HKD	Date of grant <sup>2</sup>	Exercisable period
			Exercised during the year	Cancelled during the year	Lapsed during the year				
<b>Directors</b>									
Mr. MO Bin	6,517,965	-	-	6,517,965	-	16.720	18.05.2018	18.05.2018-17.05.2028	
	-	12,356,027	12,356,027 <sup>3</sup>	-	-	12.044	25.03.2019	25.03.2019-24.03.2029	
	-	9,825,134	-	-	9,825,134	11.092	05.12.2019	05.12.2019-04.12.2029	
Mr. YANG Zhicheng	484,454	-	-	-	484,454	8.250	22.05.2017	22.05.2022-21.05.2027	
	495,084	-	-	-	495,084	10.100	24.08.2017	24.08.2022-23.08.2027	
	205,255	-	-	-	205,255	12.980	08.12.2017	08.12.2022-07.12.2027	
	434,145	-	-	-	434,145	9.654	06.12.2018	06.12.2023-05.12.2028	
	-	348,158	-	-	348,158	12.044	25.03.2019	25.03.2024-24.03.2029	
	-	429,995	-	-	429,995	12.408	09.05.2019	09.05.2024-08.05.2029	
	-	744,899	-	-	744,899	9.834	23.08.2019	23.08.2024-22.08.2029	
	-	432,848	-	-	432,848	11.092	05.12.2019	05.12.2024-04.12.2029	
Mr. SONG Jun	1,157,991	-	-	-	1,157,991	8.250	22.05.2017	22.05.2022-21.05.2027	
	483,325	-	-	-	483,325	10.100	24.08.2017	24.08.2022-23.08.2027	
	454,562	-	-	-	454,562	12.980	08.12.2017	08.12.2022-07.12.2027	
	421,667	-	-	-	421,667	16.460	21.03.2018	21.03.2023-20.03.2028	
	258,092	-	-	-	258,092	16.280	10.05.2018	10.05.2023-09.05.2028	
	202,300	-	-	-	202,300	12.240	22.08.2018	22.08.2023-21.08.2028	
	185,762	-	-	-	185,762	9.654	06.12.2018	06.12.2023-05.12.2028	
	-	66,723	-	-	66,723	12.044	25.03.2019	25.03.2024-24.03.2029	
	-	294,537	-	-	294,537	9.834	23.08.2019	23.08.2024-22.08.2029	
	-	206,292	-	-	206,292	11.092	05.12.2019	05.12.2024-04.12.2029	
Mr. SU Baiyuan	1,135,435	-	-	-	1,135,435	8.250	22.05.2017	22.05.2022-21.05.2027	
	526,868	-	-	-	526,868	16.460	21.03.2018	21.03.2023-20.03.2028	
	-	320,165	-	-	320,165	12.408	09.05.2019	09.05.2024-08.05.2029	
Sub-total	12,962,905	25,024,778	12,356,027	6,517,965	-	19,113,691			
<b>Other Participants</b>	117,526	-	-	-	-	117,526	8.250	22.05.2022-21.05.2027	
Sub-total	117,526	-	-	-	-	117,526			
<b>Total</b>	13,080,431	25,024,778	12,356,027	6,517,965	-	19,231,217			

## Notes:

1. During the year ended 31 December 2019, share options of 25,024,778 Shares with a fair value on the grant date of approximately RMB253,000,000 were granted to eligible persons in accordance with the terms of the 2017 Share Option Scheme.
2. The closing price of the Shares immediately before the date of grant of 25 March 2019, 9 May 2019, 23 August 2019 and 5 December 2019 was HKD12.20, HKD12.06, HKD9.90 and HKD10.98 respectively.
3. The weighted average closing price of these Shares immediately before 26 March 2019 (the date on which the relevant share options were exercised) was HKD12.00.
4. The total value of the share options granted under the 2017 Share Option Scheme are not fully recognised in the financial statements of the Company until they are vested. The Directors consider that it is not appropriate to disclose the value of the share options granted to the participants during the year, since any valuation of such share options would be subject to a number of assumptions that would be subjective and uncertain.

### Employee Incentive Scheme

The trust deed in respect of the Employee Incentive Scheme for rewarding the contribution of the senior management and employees of the Group which excludes any connected persons of the Company, together with the scheme rules, were approved by the Board officially. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance their performance and efficiency. The trustee of the Employee Incentive Scheme is Power Great Enterprises Limited ("Power Great"), a wholly-owned subsidiary of the Company. During the year ended 31 December 2019, Power Great had been distributed fractional entitlements of a total of 317 Shares under the scrip dividend scheme in relation to the 2019 interim dividend of the Company, but had not acquired any Shares by other way in accordance with the Employee Incentive Scheme. As at 31 December 2019, share awards for 152,433,711 Shares were granted under the Employee Incentive Scheme subject to completion of registration and transfer procedures pursuant to the Employee Incentive Scheme. As at 31 December 2019, the cumulative total number of the Shares held by Power Great under the Employee Incentive Scheme was 293,187,105 Shares (including Shares which had been granted to the relevant employees with the registration and transfer procedures yet to be completed) (31 December 2018: 293,186,788 Shares). Details of the employee share schemes (including the Employee Incentive Scheme) during the year are set out in note 28 to the consolidated financial statements of the Group.

The Board will continue monitoring the Employee Incentive Scheme for motivating the senior management and employees of the Group and consider when it may be appropriate and/or desirable to modify or replace the Employee Incentive Scheme with and/or adopt any other incentive scheme.

## REPORT OF THE DIRECTORS

**Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures**

The Directors and chief executive of the Company who held office at 31 December 2019 had the following interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

**Long positions in the Shares, underlying Shares and debentures of the Company**

Name of Directors	Capacity	Number of Shares held	Number of underlying Shares held	Total	Percentage of total issued Shares as at 31 December 2019	Amount of debentures held
Mr. YEUNG Kwok Keung	Interest of controlled corporation	-	-	-	-	USD 461,000,000 <sup>1</sup>
Ms. YANG Huiyan	Interest of controlled corporation	12,600,868,919 <sup>2</sup>	-	12,600,868,919	57.68%	-
Mr. MO Bin	Beneficial owner	34,063,027	9,825,134 <sup>4</sup>	43,888,161	0.20%	USD 16,000,000
Ms. YANG Ziyang	Interest of controlled corporation	-	-	-	-	USD 5,000,000 <sup>3</sup>
Mr. YANG Zhicheng	Beneficial owner	-	7,574,473 <sup>4</sup>	7,574,473	0.03%	-
Mr. SONG Jun	Beneficial owner	-	6,358,052 <sup>4</sup>	6,358,052	0.02%	-
Mr. LIANG Guokun <sup>5</sup>	Interest of spouse	4,161,936 <sup>6</sup>	-	4,161,936	0.01%	-
Mr. SU Baiyuan	Beneficial owner	446,778	1,982,468 <sup>4</sup>	2,429,246	-	-
	Interest of spouse	429,922 <sup>7</sup>	-	429,922	-	-
				2,859,168	0.01%	
Mr. CHEN Chong	Interest of spouse	12,600,868,919 <sup>8</sup>	-	12,600,868,919	57.68%	-
Mr. LAI Ming, Joseph	Beneficial owner	1,034,806	-	1,034,806	0.01%	-
Mr. SHEK Lai Him, Abraham	Beneficial owner	1,060,155	-	1,060,155	0.01%	-
Mr. TONG Wui Tung	Beneficial owner	1,014,786	-	1,014,786	0.01%	-

## Notes:

- The amount of debentures represents the debentures held by Fine Nation Group Limited in which Mr. YEUNG Kwok Keung beneficially owns the entire issued share capital.
- These Shares represent Shares held by Concrete Win Limited in which Ms. YANG Huiyan beneficially owns the entire issued share capital.
- The amount of debentures represents the debentures held by Shiny Dragon Assets Limited in which Ms. YANG Ziyang beneficially owns the entire issued share capital.
- The relevant interests are unlisted physically settled options granted pursuant to the Share Option Schemes. Upon exercise of the share options in accordance with the Share Option Schemes, ordinary shares of HKD0.10 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the "Share Option Schemes" of this report.
- Mr. LIANG Guokun resigned as executive Director with effect from 18 October 2019.

6. These Shares represent Shares held by Ms. MA Minhua who is the spouse of Mr. LIANG Guokun, a former executive Director.
7. These Shares represent Shares held by Ms. LIU Qing who is the spouse of Mr. SU Baiyuan.
8. These Shares represent Shares held by Ms. YANG Huiyan who is the spouse of Mr. CHEN Chong.

Save as disclosed above, during the year ended 31 December 2019, none of Directors, their spouse or children under the age of 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

### Interests and Short Positions of Shareholders Disclosable Under the SFO

As at 31 December 2019, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons, other than the Directors and chief executive of the Company, had long positions of 5% or more in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

#### Long positions in the Shares

Name of Shareholders	Capacity	Number of ordinary Shares held	Percentage of total issued Shares as at 31 December 2019
Concrete Win Limited	Beneficial owner	12,600,868,919 <sup>1</sup>	57.68%
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled corporation	1,951,053,750 <sup>2</sup>	8.93% <sup>2</sup>
Ping An Life Insurance Company of China, Ltd.	Beneficial owner	1,947,066,000 <sup>2, 3</sup>	8.91% <sup>2, 3</sup>

#### Notes:

- \* As at 31 December 2019, the total number of the issued Shares is 21,844,661,996 Shares.
1. These Shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. YANG Huiyan.
  2. Ping An Insurance (Group) Company of China, Ltd. is a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the main board of the Stock Exchange (Stock Code: 2318) and the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601318). Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in the 1,951,053,750 Shares (held and managed by its indirectly wholly owned subsidiary, Ping An of China Asset Management (Hong Kong) Co. Ltd. as investment manager), of which 1,947,066,000 Shares were beneficially owned by its 99.51% owned subsidiary, Ping An Life Insurance Company of China, Ltd.. Disclosure of the number of ordinary Shares held is made pursuant to the last Disclosure of Interests notice as of 31 December 2019 (date of relevant event: 14 February 2018).
  3. These Shares are beneficially owned by Ping An Life Insurance Company of China, Ltd.. Disclosure of the number of ordinary Shares held is made pursuant to the last Disclosure of Interests notice as of 31 December 2019 (date of relevant event: 14 February 2018).

## REPORT OF THE DIRECTORS

Save as disclosed above, the Company has not been notified by any other person (other than the Directors and chief executive of the Company) who had an interest or short positions of 5% or more in the Shares and underlying Shares for the year ended 31 December 2019 which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

#### Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2019, the Company bought back a total of 36,385,000 Shares on the Stock Exchange. All the Shares bought back were subsequently cancelled by the Company. Details of those transactions are as follows:

Month of buy-back	Number of Shares bought back	Price Per Share		
		Highest	Lowest	Aggregate price
		<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
January	–	–	–	–
February	–	–	–	–
March	–	–	–	–
April	–	–	–	–
May	–	–	–	–
June	–	–	–	–
July	–	–	–	–
August	32,000,000	10.24	9.29	311,266,900
September	4,385,000	10.20	9.77	43,186,627
October	–	–	–	–
November	–	–	–	–
December	–	–	–	–

The Company adheres to the strategies of going above and beyond with prudence, improving quality and controlling speed, and determining production according to sales to ensure an orderly operation. Currently, the Company has strong operating cash flows, and all of the Company's financing arrangements progress as usual and our operations are sound. Based on the above, as the Board considers that the current trading price of the Shares does not reflect their intrinsic value and the current financial position of the Company is solid and healthy, the Board believes that the Share buy-back and the subsequent cancellation of the repurchased Shares could enhance the value of the Shares, thereby improving the returns to the shareholders of the Company. In addition, the Board believes that the Share buy-back reflects the Company's confidence in the long-term prospects of its own business, and it would ultimately benefit the Company and is in the interests of the Company and Shareholders as a whole.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 December 2019. For details of purchase, sale or redemption by the Company or any of its subsidiaries of its other listed securities during the year ended 31 December 2019, please refer to the notes 23 and 25 to the “Notes to the Consolidated Financial Statements” and the paragraphs of “Convertible Bonds and Written Call Options” and “Senior Notes and Corporate Bonds Issued” of this report.

### Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the law of the Cayman Islands, being the jurisdiction in which the Company was incorporated, under which the Company would be obliged to offer new Shares on a pro-rata basis to the existing Shareholders.

### Disclosure under Rule 13.18 of the Listing Rules

On 8 December 2016, the Company, as the borrower, entered into a facility agreement (the “2016 Facility Agreement”) with, Bank of China (Hong Kong) Limited, China Construction Bank (Asia) Corporation Limited, Agricultural Bank of China Limited Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Chong Hing Bank Limited, Hang Seng Bank Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, China Everbright Bank Co., Ltd. Hong Kong Branch, Wing Lung Bank, Limited, Malayan Banking Berhad, Tai Fung Bank Limited and Nanyang Commercial Bank, Limited as original lenders (the “2016 Original Lenders”), Bank of China (Hong Kong) Limited as the facility agent, pursuant to which the 2016 Original Lenders have agreed to make available a dual tranche transferable term loan facilities denominated in HKD and USD in the amount of HKD3,790 million and USD1,014 million, representing an aggregate amount equivalent to approximately USD1.5 billion (the “2016 Loans”) to the Company for a term of four years commencing from the date of the 2016 Facility Agreement. The 2016 Loans obtained under the 2016 Facility Agreement shall be applied by the Company for its general corporate purposes (including repayment and/or prepayment of any other financial indebtedness owed by the Company or any member of the Group), including any bridging loan or pre-funding finance arrangement in relation to the 2016 Loans. Pursuant to the terms of the 2016 Facility Agreement, among others, the Company has undertaken to ensure that each of Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, directly or indirectly, must (i) individually or collectively remain the largest beneficial owner of the entire issued share capital of the Company; (ii) in aggregate, remain the beneficial owners of not less than 40% of the entire issued share capital of the Company; and (iii) retain control of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the 2016 Facility Agreement.

On 17 October 2017, the Company, as the borrower, entered into a facility agreement (the “2017 First Facility Agreement”) with, inter alia, various banks and financial institutions as lenders (the “2017 First Facility Lenders”), China Construction Bank Corporation, Hong Kong Branch, as the facility agent, pursuant to which the 2017 First Facility Lenders have agreed to make available a dual tranche transferable term loan facility denominated in HKD and USD in an amount of HKD2,454 million and USD945 million (increased from USD935 million to USD945 million with effect from 17 January 2018

## REPORT OF THE DIRECTORS

as allowed by the terms of the 2017 First Facility Agreement), respectively (collectively, the “2017 First Loans”) to the Company for a term of four years commencing from the date of the 2017 First Facility Agreement. The 2017 First Loans obtained under the 2017 First Facility Agreement shall be applied by the Company for financing the general corporate purposes of the Group. Pursuant to the terms of the 2017 First Facility Agreement, among others, (i) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall be the largest beneficial owner of the entire issued share capital of the Company; (ii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall beneficially own at least 40% of the entire issued share capital of the Company; (iii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung shall have control over the Company; and (iv) either Mr. YEUNG Kwok Keung or Ms. YANG Huiyan shall be the chairperson of the Board. Failure to comply with any of the above requirements will constitute a prepayment event under the 2017 First Facility Agreement.

On 27 December 2017, the Company, as the borrower, entered into a facility agreement (the “2017 Second Facility Agreement”) with BNP Paribas as the original lender (the “2017 Second Facility Original Lender”), pursuant to which the 2017 Second Facility Original Lender has agreed to make available a term loan facility in an amount of HKD1,781 million (the “2017 Second Facility”) to the Company for a term of 36 months commencing from the date of the 2017 Second Facility Agreement. The 2017 Second Facility obtained under the 2017 Second Facility Agreement shall be applied by the Company towards the finance or refinance of (i) the acquisition by Country Garden (Hong Kong) Development Company Limited (“CG Hong Kong”), a wholly-owned subsidiary of the Company, of 12.35% interests of a company incorporated under the laws of the Cayman Islands (the “Target Company”); and (ii) the subscription of 4.21% interests of the Target Company by CG Hong Kong. Pursuant to the terms of the 2017 Second Facility Agreement, among others, (i) the Company shall own the entire issued share capital in CG Hong Kong; (ii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall be the largest beneficial owner of the entire issued share capital of the Company, whether directly or indirectly; (iii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall beneficially own at least 40% of the entire issued share capital of the Company; (iv) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung shall have control over the Company; and (v) either Mr. YEUNG Kwok Keung or Ms. YANG Huiyan shall be the chairperson of the Board. Failure to comply with any of the above requirements will constitute a prepayment event under the 2017 Second Facility Agreement.

On 28 December 2018, the Company, as the borrower, entered into a facility agreement (the “2018 Facility Agreement”) with, inter alia, various banks and financial institutions as lenders (the “2018 Lenders”), Industrial and Commercial Bank of China (Asia) Limited as the facility agent and The Hongkong and Shanghai Banking Corporation Limited and Industrial and Commercial Bank of China (Asia) Limited as the mandated lead arrangers and bookrunners and coordinators, pursuant to which the 2018 Lenders have agreed to make available a dual tranche transferable term loan facility denominated in HKD and USD in an amount of HKD3,970 million (increased from HKD3,470 million to HKD3,970 million with effect from 19 March 2019 as allowed by the term of the 2018 Facility Agreement) and USD560.5 million (increased from USD486 million to USD560.5 million with effect from 15 January 2019 as allowed by the term of the 2018 Facility Agreement), respectively (collectively, the “2018 Loans”) to the Company for terms of 36 months commencing from the date of the 2018 Facility Agreement for the Tranche A1 Facility (as defined in the 2018 Facility Agreement) and Tranche A2

Facility (as defined in the 2018 Facility Agreement) and 24 months commencing from the date of the 2018 Facility Agreement for the Tranche B1 Facility (as defined in the 2018 Facility Agreement) and Tranche B2 Facility (as defined in the 2018 Facility Agreement). The 2018 Loans to be obtained under the 2018 Facility Agreement shall be applied by the Company for refinancing any existing indebtedness of the Group. Pursuant to the terms of the 2018 Facility Agreement, among others, (i) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall be the largest beneficial owner of the entire issued share capital of the Company; (ii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall beneficially own at least 40% of the entire issued share capital of the Company; (iii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung shall have control over the Company; and (iv) either Mr. YEUNG Kwok Keung or Ms. YANG Huiyan shall be the chairperson of the Board. Failure to comply with any of the above requirements will constitute a prepayment event under the 2018 Facility Agreement.

On 23 July 2019, the Company, as the borrower, entered into a facility agreement (the “2019 Facility Agreement”) with various financial institutions as the original lenders (the “2019 Original Lenders”), Bank of China (Hong Kong) Limited as the facility agent (the “2019 Facility Agent”), pursuant to which the 2019 Original Lenders have agreed to make available a dual tranche transferrable term loan facilities with a greenshoe option denominated in HKD and USD in an amount of HKD4,300 million and USD826 million (increased from USD626 million to USD826 million with effect from 23 October 2019 as allowed by the term of the 2019 Facility Agreement), respectively (collectively, the “2019 Loans”) to the Company for a term of 48 months commencing from the date of the 2019 Facility Agreement. The 2019 Loans to be obtained under the 2019 Facility Agreement shall be applied by the Company for refinancing any other existing offshore financial indebtedness owed by the Company or any member of the Group and financing costs and expenses to be incurred under the 2019 Facility Agreement. Pursuant to the terms of the 2019 Facility Agreement, among others, (i) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall be the largest beneficial owner of the entire issued share capital of the Company; (ii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall beneficially own at least 40% of the entire issued share capital of the Company; (iii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung shall have control over the Company; and (iv) either Mr. YEUNG Kwok Keung or Ms. YANG Huiyan shall be the chairperson of the Board. Failure to comply with any of the above requirements will constitute a prepayment event under the 2019 Facility Agreement.

### Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

### Sufficiency of Public Float

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer’s listed securities to be maintained. This normally means that (i) at least 25% of the issuer’s total number of issued shares must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total amount of securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer’s total number of issued shares.

## REPORT OF THE DIRECTORS

However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares for issuers having an expected market capitalization at the time of listing of not less than HKD50 million.

The Group has applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange exercised its discretion under rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% (assuming the over-allotment option is not exercised) or such higher percentage of 16.87%, which represents the issued share capital as would have been held by the public in the event that the whole or a part of the over-allotment option had been exercised (the over-allotment option was exercised by the Company, which had an expected market capitalization at the time of listing of over HKD10,000 million), on the basis that the Stock Exchange was satisfied that the number of Shares concerned and the extent of their distribution will enable the market to operate properly with the lower percentage, and on the condition that the Company would make appropriate disclosure of the lower prescribed percentage of public float in the prospectus of the Company issued on 3 April 2007 and confirm the sufficiency of public float in its successive annual reports after listing. At the time of listing of the Company on 20 April 2007, the market capitalization of the Company exceeded HKD10,000 million.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules.

### **Auditor**

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuing year is to be proposed at the 2020 AGM.

### **Professional Tax Advice Recommended**

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

### Closure of Register of Members

For the purposes of determining the Shareholders' eligibility to attend, speak and vote at the 2020 AGM, and the Eligible Shareholders' entitlement to the proposed final dividend, the register of members of the Company ("Register of Members") will be closed as appropriate as set out below:

**(i) For determining the Shareholders' eligibility to attend, speak and vote at the 2020 AGM:**

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Thursday, 14 May 2020
Record Date	Thursday, 14 May 2020
Closure of the Register of Members	Friday, 15 May 2020 to Thursday, 21 May 2020 (both days inclusive)

**(ii) Subject to the passing of the final dividend proposal agenda at the 2020 AGM, for determining the Eligible Shareholders' entitlement to the proposed final dividend:**

Ex-dividend date	Monday, 1 June 2020
Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Tuesday, 2 June 2020
Closure of the Register of Members	Wednesday, 3 June 2020 to Thursday, 4 June 2020 (both days inclusive)
Record Date	Thursday, 4 June 2020

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

For and on behalf of the Board

**YEUNG Kwok Keung**

*Chairman*

Hong Kong, 27 March 2020



# FINANCIAL STATEMENTS



# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**To the Shareholders of Country Garden Holdings Company Limited**  
(incorporated in the Cayman Islands with limited liability)

## Opinion

### What we have audited

The consolidated financial statements of Country Garden Holdings Company Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 122 to 257, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- 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 cash flow statement 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 (“HKSA”) 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.

### 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.

.....  
PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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

- Recognition of revenue from sales of properties over time
- Assessment of net realisable value of properties under development and completed properties held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Recognition of revenue from sales of properties over time</b></p> <p>Refer to note 5 ‘Critical accounting estimates and judgements’ and note 6 ‘Revenue and segment information’ to the consolidated financial statements.</p> <p>Revenue from sales of properties is recognised over time when the Group’s performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2019, revenue of the Group from sales of properties was RMB475,012 million, of which RMB96,562 million was recognised on the over time basis.</p> <p>For all property sales, the Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management’s judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without.</p>	<p>To address this key audit matter, we performed audit procedures as follows:</p> <p>In assessing the appropriateness of management’s judgements as to whether the Group has the enforceable right to payment in those sales contracts where revenue is recognised over time, we have:</p> <ul style="list-style-type: none"> <li>(i) Understood and evaluated management’s procedures in identifying sales contracts with or without right to payment.</li> <li>(ii) Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms.</li> <li>(iii) Obtained and reviewed the opinion of the Group’s legal counsel, in particular, the legal counsel’s interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment.</li> <li>(iv) Assessed the competence, experience and objectivity of the legal counsel engaged by the management.</li> </ul> <p>In respect of the completeness of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have:</p> <ul style="list-style-type: none"> <li>(i) Compared the actual costs of completed projects to management’s prior estimations to assess the accuracy of management’s historical cost estimation and reliability and appropriateness of the cost estimation methodology.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sale contract. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.</p>	<ul style="list-style-type: none"> <li>(ii) Understood, evaluated and tested the internal controls over the generation of cost data of the project and property unit.</li> <li>(iii) Assessed the reasonableness of the basis for cost allocation and checked the accuracy of the cost allocation among property units.</li> <li>(iv) Assessed the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas.</li> <li>(v) Compared the estimated total development costs of the project and property unit under development to the budget approved by management.</li> <li>(vi) Tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers.</li> </ul>
<p>Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.</p>	<p>We found that the significant judgements and estimations used in determining whether the Group has the enforceable right to payment, the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end were supportable by available evidence.</p>

**Key Audit Matter****Assessment of net realisable value of properties under development and completed properties held for sale**

Refer to note 5 'Critical accounting estimates and judgements', note 9 'Properties under development' and note 12 'Completed properties held for sale' to the consolidated financial statements.

The properties under development ("PUD") and completed properties held for sale ("PHS") of the Group amounted to RMB944,450 million and RMB45,781 million respectively as at 31 December 2019, which in total accounted for approximately 52% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV").

Determination of NRV of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and, for PUD, the costs to completion. Given the significant balance of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.

**How our audit addressed the Key Audit Matter**

We obtained management's NRV assessment on PUD and PHS and performed audit procedures as follows:

- (i) Compared the relevant PUD and PHS balances as at 31 December 2019, on a sample basis, against the result of management's NRV assessment made in the prior year to assess, with hindsight, the accuracy of management's historical NRV assessment and reliability and appropriateness of the NRV assessment methodology.
- (ii) Tested management's key estimates, on a sample basis, for:
  - Selling price which is estimated based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location.
  - Variable selling expenses which are estimated based on certain percentage of selling price. We compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent years.
  - Estimated costs to completion for PUD. We reconciled the estimated costs to completion to the budget approved by management and examined the construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group.

We found the key estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.

# INDEPENDENT AUDITOR'S REPORT

## 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 Audit Committee 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.

The Audit Committee is 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 HKSAAs 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 HKSAAs, we exercise professional judgment 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lam Sung Wan.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 27 March 2020

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2019 RMB million	2018 RMB million
<b>Non-current assets</b>			
Property, plant and equipment	7	24,240	23,421
Investment properties	8	12,923	16,435
Intangible assets		745	670
Land use rights	3	–	2,496
Right-of-use assets	3	4,447	–
Properties under development	9	134,150	107,812
Investments in joint ventures	10(b)	34,954	27,891
Investments in associates	10(c)	17,159	18,768
Financial assets at fair value through other comprehensive income	11	3,282	1,796
Derivative financial instruments	22	2,648	992
Trade and other receivables	14	14,056	10,962
Deferred income tax assets	30	27,031	18,701
		<b>275,635</b>	229,944
<b>Current assets</b>			
Properties under development	9	810,300	626,937
Completed properties held for sale	12	45,781	44,338
Inventories	13	11,781	8,822
Trade and other receivables	14	438,195	426,397
Contract assets and contract acquisition costs	15	24,020	17,094
Prepaid income tax		24,712	21,350
Restricted cash	16	19,363	14,200
Cash and cash equivalents	17	248,985	228,343
Financial assets at fair value through profit or loss	18	7,933	12,019
Derivative financial instruments	22	447	250
		<b>1,631,517</b>	1,399,750
<b>Current liabilities</b>			
Contract liabilities	20	646,996	562,800
Trade and other payables	19	594,548	498,821
Receipts under securitisation arrangements	21	279	794
Current income tax liabilities		40,367	30,783
Senior notes	23	7,343	2,238
Corporate bonds	24	28,850	23,964
Convertible bonds	25	22	8,051
Bank and other borrowings	26	80,057	91,844
Lease liabilities	3	258	–
Derivative financial instruments	22	32	111
		<b>1,398,752</b>	1,219,406
<b>Net current assets</b>		<b>232,765</b>	180,344
<b>Total assets less current liabilities</b>		<b>508,400</b>	410,288

	Note	As at 31 December	
		2019 RMB million	2018 RMB million
<b>Non-current liabilities</b>			
Senior notes	23	57,550	39,478
Corporate bonds	24	17,550	17,944
Convertible bonds	25	5,495	5,117
Bank and other borrowings	26	172,736	139,839
Lease liabilities	3	651	–
Deferred government grants		215	249
Deferred income tax liabilities	30	32,763	32,224
Derivative financial instruments	22	2,832	2,029
		<b>289,792</b>	236,880
<b>Equity attributable to owners of the Company</b>			
Share capital and premium	27	29,751	27,881
Other reserves	29	12,472	8,247
Retained earnings	29	109,716	85,202
		<b>151,939</b>	121,330
<b>Non-controlling interests</b>		<b>66,669</b>	52,078
<b>Total equity</b>		<b>218,608</b>	173,408
<b>Total equity and non-current liabilities</b>		<b>508,400</b>	410,288

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 122 to 257 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

**MO Bin**  
Director

**YANG Ziyang**  
Director

# CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2019 RMB million	2018 RMB million
<b>Revenue</b>	6	<b>485,908</b>	379,079
Cost of sales	32	<b>(359,271)</b>	(276,603)
<b>Gross profit</b>		<b>126,637</b>	102,476
Other income and gains — net	31	<b>3,288</b>	4,344
Gains arising from changes in fair value of and transfer to investment properties	8	<b>126</b>	1,732
Selling and marketing costs	32	<b>(16,365)</b>	(12,533)
Administrative expenses	32	<b>(17,538)</b>	(16,601)
Research and development expenses	32	<b>(1,973)</b>	(1,224)
Net impairment losses on financial and contract assets	4(a)(iii)	<b>(1,515)</b>	(1,176)
<b>Operating profit</b>		<b>92,660</b>	77,018
Finance income	34	<b>2,371</b>	2,445
Finance costs	34	<b>(1,200)</b>	(1,097)
Finance income — net	34	<b>1,171</b>	1,348
Share of results of joint ventures and associates	10(b), 10(c)	<b>5,108</b>	1,197
<b>Profit before income tax</b>		<b>98,939</b>	79,563
Income tax expenses	35	<b>(37,737)</b>	(31,021)
<b>Profit for the year</b>		<b>61,202</b>	48,542
<b>Profit attributable to:</b>			
— Owners of the Company		<b>39,550</b>	34,618
— Non-controlling interests		<b>21,652</b>	13,924
		<b>61,202</b>	48,542
<b>Earnings per share attributable to owners of the Company (expressed in RMB yuan per share)</b>			
Basic	38	<b>1.85</b>	1.61
Diluted	38	<b>1.79</b>	1.55

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2019 RMB million	2018 RMB million
<b>Profit for the year</b>		<b>61,202</b>	48,542
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss:			
– Change in fair value of financial assets at fair value through other comprehensive income	29	<b>195</b>	107
– Revaluation gains on properties upon transfer from right-of-use assets		<b>91</b>	–
Items that may be reclassified to profit or loss:			
– Deferred (losses)/gains on cash flow hedges	22(e)	<b>(36)</b>	35
– Deferred gains/(costs) of hedging	22(e)	<b>487</b>	(1,099)
– Currency translation differences		<b>(565)</b>	(67)
<b>Total other comprehensive income/(loss) for the year, net of tax</b>		<b>172</b>	(1,024)
<b>Total comprehensive income for the year</b>		<b>61,374</b>	47,518
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		<b>39,749</b>	33,619
– Non-controlling interests		<b>21,625</b>	13,899
		<b>61,374</b>	47,518

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests RMB million	Total equity RMB million
	Share capital and premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million		
<b>Balance at 1 January 2019</b>	27,881	8,247	85,202	121,330	52,078	173,408
<b>Comprehensive income</b>						
Profit for the year	-	-	39,550	39,550	21,652	61,202
Other comprehensive income	-	166	33	199	(27)	172
<b>Total comprehensive income for the year</b>	-	166	39,583	39,749	21,625	61,374
<b>Transactions with owners in their capacity as owners</b>						
Capital injections from non-controlling interests	-	-	-	-	1,413	1,413
Transfer to statutory reserve	-	3,863	(3,863)	-	-	-
Issue of shares as a result of scrip dividend (notes 27, 36 and 37(d))	2,048	-	(2,048)	-	-	-
Buy-back of shares (note 27(a))	(322)	-	-	(322)	-	(322)
Cash dividends	-	-	(9,468)	(9,468)	(2,598)	(12,066)
Employee share schemes						
– Value of employee services (note 28)	-	336	-	336	-	336
– Issue of shares pursuant to share option scheme (notes 27 and 29)	144	(9)	-	135	-	135
Redemption of convertible bonds upon maturity	-	(220)	220	-	-	-
Non-controlling interests arising from business combinations (note 43)	-	-	-	-	1,739	1,739
Disposals of subsidiaries (note 42)	-	(90)	90	-	(6,765)	(6,765)
Changes in ownership interests in subsidiaries without change of control (note 41)	-	179	-	179	(823)	(644)
<b>Total transactions with owners</b>	1,870	4,059	(15,069)	(9,140)	(7,034)	(16,174)
<b>Balance at 31 December 2019</b>	29,751	12,472	109,716	151,939	66,669	218,608

	Attributable to owners of the Company				Non-controlling interests RMB million	Total equity RMB million
	Share capital and premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million		
<b>Balance at 1 January 2018</b>	24,461	5,943	63,267	93,671	22,941	116,612
<b>Comprehensive income</b>						
Profit for the year	-	-	34,618	34,618	13,924	48,542
Other comprehensive income	-	(999)	-	(999)	(25)	(1,024)
<b>Total comprehensive income for the year</b>	-	(999)	34,618	33,619	13,899	47,518
<b>Transactions with owners in their capacity as owners</b>						
Capital injections from non-controlling interests	-	-	-	-	6,237	6,237
Transfer to statutory reserve	-	2,022	(2,022)	-	-	-
Issue of shares as a result of placing	6,330	-	-	6,330	-	6,330
Issue of shares as a result of scrip dividend	9	-	-	9	-	9
Buy-back of shares	(2,965)	-	-	(2,965)	-	(2,965)
Dividends	-	-	(9,441)	(9,441)	-	(9,441)
Distribution in specie	-	(490)	(1,275)	(1,765)	(25)	(1,790)
Employee share schemes (note 28)						
– Value of employee services	-	354	-	354	-	354
– Issue of shares pursuant to share option scheme	46	(33)	-	13	-	13
Equity component of convertible bonds issued	-	375	-	375	-	375
Early redemption of convertible bonds	-	(155)	55	(100)	-	(100)
Non-controlling interests arising from business combinations	-	-	-	-	9,522	9,522
Disposals of subsidiaries	-	-	-	-	(497)	(497)
Changes in ownership interests in subsidiaries without change of control	-	(127)	-	(127)	1	(126)
<b>Total transactions with owners</b>	3,420	1,946	(12,683)	(7,317)	15,238	7,921
<b>Other transaction</b>						
Issue of written call options	-	1,357	-	1,357	-	1,357
<b>Balance at 31 December 2018</b>	27,881	8,247	85,202	121,330	52,078	173,408

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

# CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2019 RMB million	2018 RMB million
<b>Cash flows from operating activities</b>			
Cash generated from operations	37(a)	79,036	83,147
Income tax paid		(41,041)	(35,698)
Interest paid		(23,329)	(18,068)
<b>Net cash generated from operating activities</b>		<b>14,666</b>	<b>29,381</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on acquisitions of subsidiaries	43	(972)	(2,434)
Proceeds from disposals of property, plant and equipment	37(b)	450	152
Net cash outflow on disposals of subsidiaries	42	(6,600)	(448)
Purchases of property, plant and equipment	7	(2,693)	(3,230)
Payments for investment properties	8	(341)	(139)
Purchases of intangible assets and land use rights		(135)	(427)
Purchases of right-of-use assets		(1,274)	–
Payments related to investments in joint ventures		(3,533)	(6,641)
Payments related to investments in associates		(1,333)	(6,550)
Deposits related to equity transactions		(8,514)	(10,366)
Loans advanced to related and third parties		–	(30)
Repayments from loans to third parties		680	2,780
Payments for financial assets at fair value through other comprehensive income	11	(1,462)	(158)
Proceeds from disposals of financial assets at fair value through other comprehensive income	11	236	–
Payments for financial assets at fair value through profit or loss		(22,342)	(12,156)
Proceeds from disposals of financial assets at fair value through profit or loss		26,363	24,918
Dividend income from financial assets at fair value through other comprehensive income		8	15
Interest received	34	2,371	2,445
<b>Net cash used in investing activities</b>		<b>(19,091)</b>	<b>(12,269)</b>

	Note	Year ended 31 December	
		2019 RMB million	2018 RMB million
<b>Cash flows from financing activities</b>			
Capital injections from non-controlling interests		<b>1,413</b>	6,237
Buy-back of shares	27(a)	<b>(322)</b>	(2,965)
Net proceeds used in transactions with non-controlling interests	41	<b>(644)</b>	(126)
Issue of shares as a result of placing		–	6,330
Issue of shares pursuant to share option scheme		<b>135</b>	13
Net cash distributed in respect of distribution in specie		–	(3,085)
Issue of senior notes	23	<b>23,081</b>	16,324
Redemption and repayment of senior notes	23	<b>(1,723)</b>	(8,406)
Issue of corporate bonds	24	<b>11,743</b>	5,732
Repayment of corporate bonds	24	<b>(7,650)</b>	(14,534)
Issue of convertible bonds		–	19,322
Redemption of convertible bonds	25	<b>(7,869)</b>	(5,686)
Issue of written call options		–	472
Payments for purchased call options		–	(864)
Settlement of derivative financial instruments		<b>(213)</b>	(382)
Repayments of receipts under securitisation arrangements		<b>(551)</b>	(1,011)
Principal elements of lease payments		<b>(252)</b>	–
Dividends paid to owners of the Company		<b>(9,468)</b>	(9,432)
Dividends paid to non-controlling interests		<b>(942)</b>	–
Proceeds from bank and other borrowings	37(c)	<b>112,046</b>	108,918
Repayments of bank and other borrowings	37(c)	<b>(93,527)</b>	(43,025)
<b>Net cash generated from financing activities</b>		<b>25,257</b>	73,832
<b>Net increase in cash and cash equivalents</b>		<b>20,832</b>	90,944
Cash and cash equivalents at the beginning of the year		<b>228,343</b>	137,084
Exchange (losses)/gains on cash and cash equivalents		<b>(190)</b>	315
<b>Cash and cash equivalents at the end of the year</b>	17	<b>248,985</b>	228,343

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General information

Country Garden Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, construction, property investment and hotel operation.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2020.

## 2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

(i) **Compliance with Hong Kong Financial Reporting Standards (“HKFRS”) and the Hong Kong Companies Ordinance**

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRS and requirements under the Hong Kong Companies Ordinance Cap. 622.

(ii) **Historical cost convention**

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (“FVTPL”), financial assets at fair value through other comprehensive income (“FVOCI”), derivative financial instruments and investment properties, which are carried at fair value.

(iii) **New and amended standards and interpretation adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

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HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Annual improvements to HKFRS standards 2015–2017 cycle	
Amendments to HKAS 19	Plan amendment, curtailment or settlement
HK (IFRIC) 23	Uncertainty over income tax treatment

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## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

#### (iii) New and amended standards and interpretation adopted by the Group (Continued)

Except for HKFRS 16, the adoption of these amendments and interpretation to existing standards did not have any impact on the amounts recognised in prior periods and current period, and are not expected to significantly affect future periods. Impact of the adoption of HKFRS 16 is disclosed in note 3.

#### (iv) New, revised and amended standards not yet adopted

Certain new and revised standards, amendments to existing standards have been published that are not effective in current year and have not been early adopted by the Group.

		<b>Effective for the financial year beginning on or after</b>
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Revised Conceptual Framework for Financial Reporting		1 January 2020
Amendments to HKAS 39, HKFRS 9 and HKFRS 7	Interest rate benchmark reform	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new and revised standards, amendments and interpretations to existing standards are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for HKFRS 17. The Group will assess the impact of HKFRS 17 on the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (Continued)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

A subsidiary is an entity (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.

(i) *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 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 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 profit or loss.

## 2 Summary of significant accounting policies *(Continued)*

### 2.2 Subsidiaries *(Continued)*

#### 2.2.1 Consolidation *(Continued)*

(i) *Business combinations (Continued)*

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

(ii) *Changes in ownership interests in subsidiaries without change of control*

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

(iii) *Disposals 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRS.

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies *(Continued)*

### 2.3 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. 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. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- Goodwill relating to an associate is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.
- Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

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 profit or loss, 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 results of an associate' in profit or loss.

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 profit or loss.

## 2 Summary of significant accounting policies *(Continued)*

### 2.4 Joint arrangements

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. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- Goodwill relating to a joint venture is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.
- Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

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. 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests 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.

### 2.5 Segment reporting

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (Continued)

### 2.6 Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB which is the Company's functional currency and the Group's presentation currency.

#### (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 profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within 'finance income — net'. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income — net', except when capitalised on the basis set out in note 2.26. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other income and gains — net'.

#### (iii) *Group companies*

The results and financial positions of all 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 for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

## 2 Summary of significant accounting policies (Continued)

### 2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial 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, as follows:

Buildings	20–40 years
Machinery	5–10 years
Transportation equipment	5–10 years
Furniture, fitting and equipment	5–8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (note 2.11).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains — net' in the consolidated income statement.

### 2.8 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (Continued)

### 2.8 Investment properties (Continued)

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 the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If an item of owner-occupied property 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 treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

### 2.9 Intangible assets

#### (i) 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)

### 2.9 Intangible assets (Continued)

#### (ii) Computer software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

#### (iii) Research and development expenses

Research and development expenditures that do not meet the capitalised criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### 2.10 Leases

The Group leases various properties. These property lease agreements do not impose any covenants, but leased properties may not be used as security for borrowing purposes.

Until 31 December 2018, leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee 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, long-term 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.

Contracts may contain both lease and non-lease components. The Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (Continued)

### 2.10 Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual 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.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and low-value assets leases 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)

### 2.10 Leases (Continued)

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 8). 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.

### 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.12 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 ("OCI"), 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 OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (Continued)

### 2.12 Financial assets (Continued)

#### (ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated income statement.

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

#### *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 profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **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 FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other income and gains — net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statement within 'other income and gains — net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

## 2 Summary of significant accounting policies (Continued)

### 2.12 Financial assets (Continued)

#### (ii) Recognition and measurement (Continued)

##### *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 OCI, 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 FVTPL are recognised in 'other income and gains — net' in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

### 2.13 Impairment of financial assets and contract assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(a)(iii) details how the Group determines whether there has been a significant increase in credit risk.

For contract assets and all trade and other receivables (excluding deposits for acquisitions of companies, prepayment and loans to third parties), the Group applies the simplified approach permitted by HKFRS 9 — Financial instruments ("HKFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 2.14 Derivative financial instruments and hedging activities

Derivatives 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 accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. Otherwise, the change of fair value is recognised immediately in profit or loss within 'other income and gains — net'.

The Group designates some of their derivatives as hedges of foreign exchange and interest rate risks associated with the cash flows of their foreign currency borrowings (cash flow hedges). The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies *(Continued)*

### 2.14 Derivative financial instruments and hedging activities *(Continued)*

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within 'finance income/(costs) – net'.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned time value at the date of designation of the option as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned forward element at the date of designation of the forward contract as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When a financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the currency basis spread at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

## 2 Summary of significant accounting policies *(Continued)*

### 2.14 Derivative financial instruments and hedging activities *(Continued)*

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

### 2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

### 2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets 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 when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies *(Continued)*

### 2.17 Completed properties held for sale

Completed properties remaining unsold at year end 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 sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

### 2.18 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.19 Trade and other receivables

Trade receivables are amounts due from buyers 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.

### 2.20 Contract assets and contract liabilities

Upon entering into a contract with a buyer, the Group obtains rights to receive consideration from the buyer and assumes performance obligations to transfer goods or provide services to the buyer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a buyer as contract acquisition cost within contract assets if the Group expects to recover those costs.

### 2.21 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

## 2 Summary of significant accounting policies *(Continued)*

### 2.22 Share capital

Ordinary shares are classified as equity.

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

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

### 2.23 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 construction of hotel properties are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets when they are completed and ready for use.

### 2.24 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. Trade payables 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 the effective interest method.

### 2.25 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.

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 end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (Continued)

### 2.26 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease 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 adjustments to interest costs include the interest rate differences 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 is 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.

### 2.27 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

## 2 Summary of significant accounting policies (Continued)

### 2.28 Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements 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 using the effective interest method.

Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method.

### 2.29 Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bonds. The remaining of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity or derivative liability according to the conversion feature embedded. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry. The derivative liability component of a convertible bond is measured at fair value with changes in fair value recognised in profit or loss.

### 2.30 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in 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 date of statement of financial position in the countries where the Company and its subsidiaries 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (Continued)

### 2.30 Current and deferred income tax (Continued)

#### (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 financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 tax rates (and laws) that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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 associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements 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)

### 2.31 Employee benefits

#### (i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

#### (ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonus and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2.32 Share-based payments

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

- including any market performance conditions (for example, an entity's share price);
- 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
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies *(Continued)*

### 2.32 Share-based payments *(Continued)*

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of equity instruments over its equity instruments to the employees of subsidiaries in the Group is 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 investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments 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.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

### 2.33 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 probable 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 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)*

### 2.34 Revenue recognition

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

#### ***Revenue from contracts with customers***

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

- provides all of the benefits received and consumed simultaneously by the buyer; or
- creates and enhances an asset that the buyer 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 buyer obtains control of the asset.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

#### ***(i) Sales of properties and rendering of construction services***

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise revenue from sales of property is recognised at point in time.

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 construction (excluding land cost and borrowing cost) costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (Continued)

### 2.34 Revenue recognition (Continued)

#### (i) Sales of properties and rendering of construction services (Continued)

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the buyer 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.

For rendering of construction services, usually there is only one single performance in a contract, the Group's performance creates or enhances an asset or work in progress that the buyer 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.

#### (ii) Hotel operation

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

#### Revenue from other sources

##### Rental income

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

### 2.35 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 2.36 Dividend income

Dividend income is recognised when the right to receive payment is established.

## 2 Summary of significant accounting policies (Continued)

### 2.37 Dividend distribution

Dividend distribution to the Company's shareholders 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 Company's shareholders or directors of the Company, where appropriate.

### 2.38 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property buyers and financial guarantee contracts provided to its related parties as insurance contracts.

## 3 Change in accounting policies

As indicated in note 2.1(iii) above, the Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. 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 2.10.

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 of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.5%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Change in accounting policies (Continued)****(a) Practical expedients applied**

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using 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) – Int 4 “Determining whether an Arrangement contains a Lease”.

**(b) Measurement of lease liabilities**

	<b>RMB million</b>
Operating lease commitments disclosed as at 31 December 2018	<b>317</b>
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	<b>269</b>
Less: short-term leases not recognised as a liability	<b>(25)</b>
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>244</b>

### 3 Change in accounting policies (Continued)

#### (b) Measurement of lease liabilities (Continued)

The recognised lease liabilities relate to the following types of liabilities:

	31 December 2019 RMB million	1 January 2019 RMB million
Current lease liabilities	258	75
Non-current lease liabilities	651	169
<b>Total lease liabilities</b>	<b>909</b>	244

#### (c) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liabilities, 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 recognised right-of-use assets relate to the following types of assets:

	31 December 2019 RMB million	1 January 2019 RMB million
Leased properties	746	244
Land use rights (reclassified from the financial statement line item "land use rights")	3,701	2,496
<b>Total right-of-use assets</b>	<b>4,447</b>	2,740

The land use rights are held for self-use. The land use rights located in Mainland China, amounting to RMB2,914 million (2018: RMB1,745 million) are held on leases of between 10 to 50 years.

As at 31 December 2019, right-of-use assets with net book value of RMB1,611 million (2018: RMB1,557 million) were pledged as collateral for the Group's bank and other borrowings (note 26).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Change in accounting policies** *(Continued)***(c) Measurement of right-of-use assets** *(Continued)*

The following table presents the changes of right-of-use assets for the year ended 31 December 2019:

	RMB million
Balance at 31 December 2018	–
Adjustment on adoption of HKFRS 16	2,740
Opening net book amount as at 1 January 2019, as restated	2,740
Additions	2,039
Depreciation	(332)
Closing net book amount as at 31 December 2019	4,447

**(d) Amounts recognised in the consolidated income statement**

The consolidated income statement shows the following amounts relating to leases:

	2019 RMB million
<b>Depreciation charge of right-of-use assets</b>	
Leased properties	(263)
Land use rights	(69)
	(332)
<b>Interest expense (included in finance cost)</b>	(63)
<b>Expense relating to short-term leases and low-value assets leases (included in cost of sales, selling and marketing costs and administrative expenses)</b>	(209)

The total cash outflow for leases in 2019 was RMB1,798 million.

### 3 Change in accounting policies *(Continued)*

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

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increased by RMB2,740 million;
- lease liabilities – increased by RMB244 million;
- land use rights – decrease by RMB2,496 million.

There was no net impact on retained earnings on 1 January 2019.

#### (f) 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

The Group conducts its operations mainly in the PRC and is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (mainly including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and debt financing to fund its operations. The Group has alternative plans (refer to note 4(a)(iv)) to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

#### (a) Financial risk factors

##### (i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of its assets is denominated in RMB. The majority of its non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD") and United States Dollar ("USD"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

The Group applies various types of derivative financial instruments (foreign exchange forward contracts, foreign currency option contracts, cross currency swaps and foreign exchange structured derivatives contracts) to mitigate exposures arising from the fluctuations in foreign currencies of debts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4 Financial risk management** *(Continued)***(a) Financial risk factors** *(Continued)***(i) Foreign exchange risk** *(Continued)*

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. The main sources of hedge ineffectiveness are considered to be the effects of mismatch in timing and currency pair. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the structure of the hedging activities, no significant ineffectiveness is expected at inception.

The aggregated carrying amount of the foreign currency denominated monetary assets and monetary liabilities of group companies at the respective dates of statement of financial position are as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
<b>Assets</b>		
HKD	<b>242</b>	826
USD	<b>2,626</b>	3,138
Other currencies	<b>314</b>	651
	<b>3,182</b>	4,615
<b>Liabilities</b>		
HKD	<b>14,070</b>	7,889
USD	<b>88,920</b>	63,352
Other currencies	<b>4,737</b>	4,653
	<b>107,727</b>	75,894

#### 4 Financial risk management (Continued)

##### (a) Financial risk factors (Continued)

###### (i) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 5% 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 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effects on profit before tax for the year without taking into account the hedging effects would be as follows:

	Change of profit before tax – increase/(decrease)	
	2019 RMB million	2018 RMB million
RMB against HKD:		
Strengthened by 5%	691	353
Weakened by 5%	(691)	(353)
RMB against USD:		
Strengthened by 5%	4,315	3,011
Weakened by 5%	(4,315)	(3,011)

###### (ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing bank deposits, senior notes, corporate bonds, convertible bonds, receipts under securitisation arrangements, bank and other borrowings and lease liabilities. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, corporate bonds, convertible bonds and receipts under securitisation arrangements issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration including refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each scenario, the same interest rate shift is used for all currencies. The scenarios are run only for financial liabilities that represent the major interest-bearing positions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4 Financial risk management** *(Continued)***(a) Financial risk factors** *(Continued)***(ii) Cash flow and fair value interest rate risk** *(Continued)*

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

The exposure of the Group's total borrowings and lease liabilities (notes 3, 23, 24, 25 and 26) to interest rate changes and the contractual maturity dates of the total borrowings at the end of the year are as follows:

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Variable rate borrowings	<b>215,175</b>	197,259
Other borrowings and lease liabilities – maturity dates:		
1 year or less	<b>48,792</b>	53,460
1–2 years	<b>36,348</b>	24,644
2–5 years	<b>49,197</b>	41,996
Over 5 years	<b>21,000</b>	11,116
	<b>370,512</b>	328,475

As at 31 December 2019, borrowings of the Group which were bearing at floating rates amounted to approximately RMB215,175 million (2018: RMB197,259 million). As at 31 December 2019, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately RMB1,076 million (2018: RMB986 million).

**(iii) Credit risk**

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets, derivative financial assets and cash deposits with banks.

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

#### 4 Financial risk management *(Continued)*

##### (a) Financial risk factors *(Continued)*

##### (iii) Credit risk *(Continued)*

To manage this risk, bank deposits and derivative financial instruments are mainly placed or entered with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to buyers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For properties that are still under construction and the buyers choose to pay by bank mortgage, the Group typically provides guarantees to banks in connection with the buyers' borrowing of mortgage loans to finance their purchases of the properties. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and buyers.

The Group has arranged bank financing for certain buyers of property units and provided guarantees to secure obligations of such buyers for repayments. Detailed disclosure of these guarantees is made in note 39. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

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

The Group considers the probability of default upon initial recognition of, a financial 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 forward-looking information. In particular, 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;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4 Financial risk management** *(Continued)***(a) Financial risk factors** *(Continued)***(iii) Credit risk** *(Continued)*

- 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; and
- 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.

*i. Loans to third parties*

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings. The ratings for the third parties are B as compared with the market ratings of similar companies by certain credit rating agencies.

A summary of the assumptions underlying the Group's expected credit loss model is as follows:

<b>Category</b>	<b>Group definition of category</b>	<b>Basis for recognition of expected credit loss provision</b>
Performing	Buyers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

#### 4 Financial risk management (Continued)

##### (a) Financial risk factors (Continued)

##### (iii) Credit risk (Continued)

##### i. Loans to third parties (Continued)

As at 31 December 2019 and 2018, the internal credit rating of loans to third parties were performing. The Group required certain third parties to provide guarantees or pledge collaterals as securities against the loans.

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2019, the Group provided for credit losses against loans to third parties as follows:

Company internal credit rating	External credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	B	1%~12%	12 months expected losses	Gross carrying amount

No significant change to estimation techniques or assumptions was made during the year.

As at 31 December 2019, the gross carrying amount of loans to third parties was RMB16 million (2018: RMB696 million). After deducting impairment provision of RMB2 million (2018: RMB9 million), the maximum exposure to loss was RMB14 million (2018: RMB687 million). The Group made no write-off of loans to third parties during the year (2018: nil).

##### ii. Trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets

The Group applies the 12 months expected losses approach to provide for expected credit losses prescribed by HKFRS 9, and the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties), and adjusts for forward looking macroeconomic data.

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

Expected loss rate of contract assets is assessed to be 0.1% (2018: 0.1%). As at 31 December 2019, the loss allowance provision for contract assets was not material.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 Financial risk management (Continued)

## (a) Financial risk factors (Continued)

## (iii) Credit risk (Continued)

- ii. Trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets (Continued)

As at 31 December 2019, the loss allowance provision was determined as follows.

## 2019

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB million)	36,019	2,205	1,810	40,034
Loss allowance provision (RMB million)	36	44	91	171

Other receivables (excluding deposits for acquisitions for companies, prepayments and loans to third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB million)	254,736	22,648	13,746	6,005	3,132	300,267
Loss allowance provision (RMB million)	255	226	1,375	901	626	3,383

## 2018

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB million)	38,153	1,329	1,242	40,724
Loss allowance provision (RMB million)	38	27	62	127

Other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB million)	225,187	15,162	9,178	2,040	1,520	253,087
Loss allowance provision (RMB million)	225	152	918	306	304	1,905

#### 4 Financial risk management (Continued)

##### (a) Financial risk factors (Continued)

##### (iii) Credit risk (Continued)

- ii. Trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets (Continued)

As at 31 December 2019, the loss allowance provision for trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB million	Other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) RMB million	Total RMB million
Loss allowance as at 1 January 2018	110	719	829
Provision for loss allowance recognised in profit or loss during the year	17	1,186	1,203
Loss allowance as at 31 December 2018 and 1 January 2019	127	1,905	2,032
Provision for loss allowance recognised in profit or loss during the year	44	1,478	1,522
Loss allowance as at 31 December 2019	<b>171</b>	<b>3,383</b>	<b>3,554</b>

As at 31 December 2019, the gross carrying amount of trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) was RMB340,301 million (2018: RMB293,811 million) and the maximum exposure to loss was RMB336,747 million (2018: RMB291,779 million). The Group made no write-off of trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets during the year (2018: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4 Financial risk management** *(Continued)***(a) Financial risk factors** *(Continued)***(iv) Liquidity risk**

Management aims at maintaining sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2020. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2020 include: (1) construction payments match receipt of the relevant proceeds from pre-sales; (2) available project loan facility is expected to be no less than that of 2019; and (3) no breach of debt covenants is anticipated in 2020, as the management will closely monitor the compliance status of the covenants for all borrowings.

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 reducing the amount of acquisition of land, adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group will base on its assessment of the relevant future costs and benefits to pursue such options as appropriate. The directors of the Company consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of the statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest, if applicable.

#### 4 Financial risk management (Continued)

##### (a) Financial risk factors (Continued)

##### (iv) Liquidity risk (Continued)

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
<b>At 31 December 2019</b>					
Senior notes	10,198	9,649	38,672	22,569	81,088
Bank and other borrowings	96,261	132,663	51,777	2,817	283,518
Corporate bonds	29,781	12,856	6,244	–	48,881
Convertible bonds	316	316	7,330	–	7,962
Receipts under securitisation arrangements	286	–	–	–	286
Trade and other payables (excluding other taxes payable and salaries payable)	532,772	–	–	–	532,772
Derivative financial instruments	32	44	2,788	–	2,864
Lease liabilities	310	182	267	454	1,213
<b>Total</b>	<b>669,956</b>	<b>155,710</b>	<b>107,078</b>	<b>25,840</b>	<b>958,584</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4 Financial risk management** *(Continued)***(a) Financial risk factors** *(Continued)***(iv) Liquidity risk** *(Continued)*

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
<b>At 31 December 2018</b>					
Senior notes	4,224	8,389	26,799	12,276	51,688
Bank and other borrowings	106,941	82,012	64,525	7,218	260,696
Corporate bonds	26,016	10,865	8,632	–	45,513
Convertible bonds	8,386	309	7,787	–	16,482
Receipts under securitisation arrangements	832	–	–	–	832
Trade and other payables (excluding other taxes payable and salaries payable)	447,987	–	–	–	447,987
Derivative financial instruments	111	239	1,790	–	2,140
<b>Total</b>	<b>594,497</b>	<b>101,814</b>	<b>109,533</b>	<b>19,494</b>	<b>825,338</b>

**(b) Capital 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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back of shares, issue new shares or sell assets.

Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including senior notes, corporate bonds, convertible bonds and bank and other borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and restricted cash.

#### 4 Financial risk management (Continued)

##### (b) Capital management (Continued)

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

	2019 RMB million	2018 RMB million
Total borrowings (notes 23, 24, 25 and 26)	<b>369,603</b>	328,475
Less: Cash and cash equivalents (note 17)	<b>(248,985)</b>	(228,343)
Restricted cash (note 16)	<b>(19,363)</b>	(14,200)
Net debt	<b>101,255</b>	85,932
Total equity	<b>218,608</b>	173,408
Gearing ratio	<b>46%</b>	50%

The directors of the Company consider the Group's gearing ratio is within the healthy range.

##### (c) Fair value estimation

The table below analyses financial instruments carried or presented at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are 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 assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 Financial risk management (Continued)

## (c) Fair value estimation (Continued)

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>At 31 December 2019</b>				
<b>Assets</b>				
Financial assets at FVOCI	63	–	3,219	3,282
Derivative financial instruments	–	3,095	–	3,095
Financial assets at FVTPL	195	7,738	–	7,933
Total	258	10,833	3,219	14,310
<b>Liabilities</b>				
Derivative financial instruments	–	2,864	–	2,864
	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>At 31 December 2018</b>				
<b>Assets</b>				
Financial assets at FVOCI	94	–	1,702	1,796
Derivative financial instruments	–	1,242	–	1,242
Financial assets at FVTPL	259	11,760	–	12,019
Total	353	13,002	1,702	15,057
<b>Liabilities</b>				
Derivative financial instruments	–	2,140	–	2,140

#### 4 Financial risk management (Continued)

##### (c) Fair value estimation (Continued)

###### (i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

###### *Valuation techniques used to derive level 2 fair values*

Level 2 derivative financial instruments comprise foreign exchange forward contracts, foreign currency option contracts, foreign exchange structured derivatives contracts and cross currency swaps. The fair value of these derivative financial instruments was determined using forward exchange rates and interest rates that are quoted by financial institutions.

For Level 2 financial assets at FVTPL, fair values are generally obtained through the use of valuation methodologies with observable market inputs.

###### (ii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2019 and 2018:

	2019 RMB million	2018 RMB million
Opening balance	1,702	1,517
Additions	1,462	158
Fair value changes	291	121
Disposals	(236)	–
Transfer to Level 1	–	(94)
Closing balance	3,219	1,702

There is no unrealised gain or loss recognised in profit or loss in the current year (2018: nil) attributable to balances held at the end of the reporting period.

There were no transfers between level 1, 2 and 3 during the year.

There were no changes in valuation techniques during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 Financial risk management (Continued)

## (d) Financial instruments by category

	2019			
	Assets at FVOCI RMB million	Assets at FVTPL RMB million	Assets at amortised cost RMB million	Total RMB million
<b>Assets as per consolidated statement of financial position</b>				
Financial assets at FVOCI	3,282	–	–	3,282
Trade and other receivables excluding deposits and prepayments	–	–	336,761	336,761
Restricted cash	–	–	19,363	19,363
Cash and cash equivalents	–	–	248,985	248,985
Derivative financial instruments	–	3,095	–	3,095
Financial assets at FVTPL	–	7,933	–	7,933
<b>Total</b>	<b>3,282</b>	<b>11,028</b>	<b>605,109</b>	<b>619,419</b>
	2018			
	Assets at FVOCI RMB million	Assets at FVTPL RMB million	Assets at amortised cost RMB million	Total RMB million
<b>Assets as per consolidated statement of financial position</b>				
Financial assets at FVOCI	1,796	–	–	1,796
Trade and other receivables excluding deposits and prepayments	–	–	292,466	292,466
Restricted cash	–	–	14,200	14,200
Cash and cash equivalents	–	–	228,343	228,343
Derivative financial instruments	–	1,242	–	1,242
Financial assets at FVTPL	–	12,019	–	12,019
<b>Total</b>	<b>1,796</b>	<b>13,261</b>	<b>535,009</b>	<b>550,066</b>

#### 4 Financial risk management (Continued)

##### (d) Financial instruments by category (Continued)

	2019		
	Liabilities at amortised cost RMB million	Liabilities at FVTPL RMB million	Total RMB million
<b>Liabilities as per consolidated statement of financial position</b>			
Senior notes	64,893	–	64,893
Convertible bonds	5,517	–	5,517
Corporate bonds	46,400	–	46,400
Bank and other borrowings	252,793	–	252,793
Trade and other payables (excluding other taxes payable and salaries payable)	532,772	–	532,772
Receipts under securitisation arrangements	279	–	279
Derivative financial instruments	–	2,864	2,864
Lease liabilities	909	–	909
<b>Total</b>	<b>903,563</b>	<b>2,864</b>	<b>906,427</b>
	2018		
	Liabilities at amortised cost RMB million	Liabilities at FVTPL RMB million	Total RMB million
<b>Liabilities as per consolidated statement of financial position</b>			
Senior notes	41,716	–	41,716
Convertible bonds	13,168	–	13,168
Corporate bonds	41,908	–	41,908
Bank and other borrowings	231,683	–	231,683
Trade and other payables (excluding other taxes payable and salaries payable)	447,987	–	447,987
Receipts under securitisation arrangements	794	–	794
Derivative financial instruments	–	2,140	2,140
<b>Total</b>	<b>777,256</b>	<b>2,140</b>	<b>779,396</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated 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) Revenue recognition

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

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sale contract. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.

## 5 Critical accounting estimates and judgements *(Continued)*

### (b) Estimates for net realisable value of properties under development and completed properties held for sale

The carrying amounts of properties under development and completed properties held for sale amounted to RMB944,450 million (2018: RMB734,749 million) and RMB45,781 million (2018: RMB44,338 million) respectively as at 31 December 2019, which in total accounted for approximately 52% (2018: 48%) 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, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2019.

### (c) Income taxes and deferred income tax

Significant judgements are required in determining the provision for income tax. 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 is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

Deferred income 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 Revenue and segment information

The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources. The executive directors of the Company have determined the operating segments based on these reports.

The executive directors of the Company assessed the performance and operations of the Group and concluded that the Group only has two reportable segments — Property development and Construction, and the other segments are individually and collectively insignificant for segment reporting purposes.

The executive directors of the Company assess the performance of the operating segments based on a measure of operating profit adjusted by excluding fair value changes on derivative financial instruments, and including share of results of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, right-of-use assets (2018: land use rights), investment properties, properties under development, investments in joint ventures, investments in associates, completed properties held for sale, inventories, receivables, prepaid income tax, contract assets and contract acquisition costs and operating cash. They exclude financial assets at FVOCI, derivative financial instruments, deferred income tax assets and financial assets at FVTPL. Segment liabilities consist primarily of operating liabilities. They exclude receipts under securitisation arrangements, current income tax liabilities, senior notes, corporate bonds, convertible bonds, bank and other borrowings, derivative financial instruments and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment (note 7), investment properties (note 8), intangible assets and right-of-use assets (2018: land use rights) (note 3), excluding those arising from business combinations.

## 6 Revenue and segment information (Continued)

Revenue consists of the following:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Sales of properties	<b>475,012</b>	369,405
Rendering of construction services	<b>6,219</b>	5,265
Rental income	<b>412</b>	227
Rendering of property management services	<b>–</b>	1,632
Rendering of hotel services and others	<b>4,265</b>	2,550
	<b>485,908</b>	379,079

Sales between segments are carried out according to the terms and conditions agreed by the respective segments' management.

The Group's revenue is mainly attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**6 Revenue and segment information** (Continued)

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2019 is as follows:

	<b>Property development RMB million</b>	<b>Construction RMB million</b>	<b>Others RMB million</b>	<b>Total RMB million</b>
Revenue from contracts with customers	<b>475,012</b>	<b>51,141</b>	<b>22,806</b>	<b>548,959</b>
— Recognised at a point in time	<b>378,450</b>	<b>—</b>	<b>20,851</b>	<b>399,301</b>
— Recognised over time	<b>96,562</b>	<b>51,141</b>	<b>1,955</b>	<b>149,658</b>
Revenue from other source				
— Rental income	<b>—</b>	<b>—</b>	<b>412</b>	<b>412</b>
Segment revenue	<b>475,012</b>	<b>51,141</b>	<b>23,218</b>	<b>549,371</b>
Inter-segment revenue	<b>—</b>	<b>(44,922)</b>	<b>(18,541)</b>	<b>(63,463)</b>
Revenue from external customers	<b>475,012</b>	<b>6,219</b>	<b>4,677</b>	<b>485,908</b>
Share of results of joint ventures and associates	<b>5,217</b>	<b>—</b>	<b>(109)</b>	<b>5,108</b>
Gains arising from changes in fair value of and transfer to investment properties	<b>—</b>	<b>—</b>	<b>126</b>	<b>126</b>
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and right-of-use assets	<b>750</b>	<b>50</b>	<b>748</b>	<b>1,548</b>
Net impairment losses on financial and contract assets	<b>1,396</b>	<b>31</b>	<b>88</b>	<b>1,515</b>
Segment results	<b>97,601</b>	<b>244</b>	<b>(385)</b>	<b>97,460</b>
<b>At 31 December 2019</b>				
Total segment assets after elimination of inter-segment balances	<b>1,715,742</b>	<b>37,701</b>	<b>112,368</b>	<b>1,865,811</b>
Investments in joint ventures and associates	<b>51,861</b>	<b>—</b>	<b>252</b>	<b>52,113</b>
Capital expenditure	<b>2,091</b>	<b>157</b>	<b>2,960</b>	<b>5,208</b>
Total segment liabilities after elimination of inter-segment balances	<b>1,120,310</b>	<b>30,489</b>	<b>91,869</b>	<b>1,242,668</b>

## 6 Revenue and segment information (Continued)

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers	369,405	38,619	12,634	420,658
— Recognised at a point in time	291,743	—	8,876	300,619
— Recognised over time	77,662	38,619	3,758	120,039
Revenue from other source				
— Rental income	—	—	227	227
Segment revenue	369,405	38,619	12,861	420,885
Inter-segment revenue	—	(33,354)	(8,452)	(41,806)
Revenue from external customers	369,405	5,265	4,409	379,079
Share of results of joint ventures and associates	1,250	—	(53)	1,197
Gains arising from changes in fair value of and transfer to investment properties	—	—	1,732	1,732
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and land use rights	366	51	627	1,044
Net impairment losses on financial and contract assets	1,117	16	43	1,176
Segment results	75,566	351	2,276	78,193
<b>At 31 December 2018</b>				
Total segment assets after elimination of inter-segment balances	1,519,796	21,951	54,189	1,595,936
Investments in joint ventures and associates	46,431	—	228	46,659
Capital expenditure	1,792	32	1,972	3,796
Total segment liabilities after elimination of inter-segment balances	1,022,717	19,023	20,130	1,061,870

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**6 Revenue and segment information** (Continued)

Reportable segment results are reconciled to net profit as follows:

	2019 RMB million	2018 RMB million
Total segment results	97,460	78,193
Changes in fair value of derivative financial instruments	308	22
Finance income — net	1,171	1,348
Profit before income tax	98,939	79,563
Income tax expenses	(37,737)	(31,021)
Profit for the year	61,202	48,542

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	2019 RMB million	2018 RMB million
Total segment assets after elimination of inter-segment balances	1,865,811	1,595,936
Financial assets at FVOCI	3,282	1,796
Derivative financial instruments	3,095	1,242
Deferred income tax assets	27,031	18,701
Financial assets at FVTPL	7,933	12,019
<b>Total assets</b>	<b>1,907,152</b>	1,629,694
Total segment liabilities after elimination of inter-segment balances	1,242,668	1,061,870
Receipts under securitisation arrangements	279	794
Current income tax liabilities	40,367	30,783
Senior notes	64,893	41,716
Corporate bonds	46,400	41,908
Convertible bonds	5,517	13,168
Bank and other borrowings	252,793	231,683
Derivative financial instruments	2,864	2,140
Deferred income tax liabilities	32,763	32,224
<b>Total liabilities</b>	<b>1,688,544</b>	1,456,286

## 7 Property, plant and equipment

	Buildings and land RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
<b>Year ended 31 December 2019</b>						
Opening net book amount	15,988	617	659	987	5,170	23,421
Acquisitions of subsidiaries (note 43)	124	3	5	67	56	255
Other additions	118	496	18	107	1,954	2,693
Transfer	1,940	–	–	–	(1,940)	–
Disposals of subsidiaries	(273)	(8)	–	–	(115)	(396)
Other disposals	(73)	(35)	(96)	(174)	–	(378)
Depreciation	(601)	(217)	(202)	(445)	–	(1,465)
Exchange differences	52	9	4	19	26	110
Closing net book amount	17,275	865	388	561	5,151	24,240
<b>At 31 December 2019</b>						
Cost	20,550	1,603	1,650	2,725	5,151	31,679
Accumulated depreciation	(3,275)	(738)	(1,262)	(2,164)	–	(7,439)
Net book amount	17,275	865	388	561	5,151	24,240

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**7 Property, plant and equipment (Continued)**

	Buildings and land RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
<b>At 1 January 2018</b>						
Cost	15,948	1,050	1,574	1,823	5,860	26,255
Accumulated depreciation	(1,953)	(376)	(1,004)	(1,294)	–	(4,627)
Net book amount	13,995	674	570	529	5,860	21,628
<b>Year ended</b>						
<b>31 December 2018</b>						
Opening net book amount	13,995	674	570	529	5,860	21,628
Acquisitions of subsidiaries	344	48	–	359	–	751
Other additions	173	101	299	562	2,095	3,230
Transfer	2,016	–	–	–	(2,016)	–
Disposals of subsidiaries	(11)	(38)	(21)	(10)	(771)	(851)
Other disposals	(22)	(18)	(20)	(64)	–	(124)
Depreciation	(556)	(156)	(174)	(389)	–	(1,275)
Exchange differences	49	6	5	–	2	62
Closing net book amount	15,988	617	659	987	5,170	23,421
<b>At 31 December 2018</b>						
Cost	18,934	1,138	1,685	2,734	5,170	29,661
Accumulated depreciation	(2,946)	(521)	(1,026)	(1,747)	–	(6,240)
Net book amount	15,988	617	659	987	5,170	23,421

## 7 Property, plant and equipment (Continued)

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated income statement respectively:

	2019 RMB million	2018 RMB million
Properties under development	366	366
Cost of sales	344	310
Selling and marketing costs	85	95
Administrative expenses and research and development expenses	670	504
	<b>1,465</b>	1,275

As at 31 December 2019, buildings with net book value of RMB3,338 million (2018: RMB2,845 million) were pledged as collateral for the Group's bank and other borrowings (note 26).

As at 31 December 2019, title certificates of buildings with net book value of RMB1,990 million (2018: RMB2,584 million) were still in the process of being obtained.

## 8 Investment properties

	11 July 1905 RMB million	2018 RMB million
At 1 January	16,435	8,338
Acquisitions of subsidiaries	–	2,862
Transfer from properties under development and completed properties held for sale	1,278	4,170
Other additions	341	139
Transfer from right-of-use assets	153	–
Revaluation gains upon transfer from right-of-use	121	–
Revaluation gains upon transfer from properties under development and completed properties held for sale	340	1,516
Fair value changes	(214)	216
Transfer to properties under development	(1,655)	(621)
Disposals of subsidiaries	(3,876)	(185)
At 31 December	<b>12,923</b>	16,435
Gains arising from changes in fair value of and transfer to investment properties represent:		
– revaluation gains upon transfer of properties under development and completed properties held for sale	340	1,516
– fair value changes	(214)	216
	<b>126</b>	1,732

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 Investment properties (Continued)

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2019 and 2018, the Group had only level 3 investment properties.

#### Valuation processes of the Group

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2019 and 2018 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited or Cushman & Wakefield Limited, independent and professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

#### Valuation techniques

Valuations are based on:

- (i) Direct comparison approach 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 locations and property size; or
- (ii) Income capitalisation approach taking 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; or
- (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 land and construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred as well as anticipated developer's profits.

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

## 8 Investment properties (Continued)

### Valuation techniques (Continued)

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

	Fair value as at 31 December 2019 RMB million	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	11,784	Income capitalisation	The rate of return/ capitalisation rate Monthly rental (RMB/square meter/ month)	3.0%–6.0% per annum  17–298
		Direct comparison	Adjusted market price (RMB/square meter)	3,700–36,800
Investment properties under construction	865	Residual method	Budgeted construction costs to be incurred (RMB/square meter) Remaining percentage to completion Anticipated developer's profit margin	54–1,815 1%–29% 6%–20%
Investment properties as sublease	274	Income capitalisation	The rate of return Monthly rental (RMB/ square meter/month)	3.5% per annum  78–121

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**8 Investment properties (Continued)****Valuation techniques (Continued)****Information about fair value measurements using significant unobservable inputs (level 3) (Continued)**

	Fair value as at 31 December 2018 RMB million	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	15,866	Income capitalisation	The rate of return/ capitalisation rate Monthly rental (RMB/ square meter/month)	3%–5.5% per annum  11–220
		Direct comparison	Adjusted market price (RMB/square meter)	3,500–36,000
Investment properties under construction	569	Residual method	Budgeted construction costs to be incurred (RMB/square meter) Remaining percentage to completion Anticipated developer's profit margin	41–5,580  2%–98%  10%–25%

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, 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 remaining percentage to completion, the lower fair value; and
- The higher the anticipated developer's profit margin, the lower fair value.

## 8 Investment properties (Continued)

### Valuation techniques (Continued)

#### Amounts recognised in profit or loss for investment properties

	2019 RMB million	2018 RMB million
Rental income (note 6)	412	227
Direct operating expenses	(119)	(37)
	<b>293</b>	190

As at 31 December 2019, investment properties with fair value of RMB43 million (2018: RMB599 million) were pledged as collateral for the Group's bank and other borrowings (note 26).

#### Leasing arrangements

The investment properties are generally leased to tenants under operating leases with rentals payable monthly. There are no other variable lease payments that depend on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

For minimum lease payments receivable on leases of investment properties, refer to note 40.

## 9 Properties under development

	2019 RMB million	2018 RMB million
Properties under development expected to be completed and delivered:		
— Within a normal operating cycle included under current assets	810,300	626,937
— Beyond a normal operating cycle included under non-current assets	134,150	107,812
	<b>944,450</b>	734,749
Amounts comprise:		
— Construction costs including depreciation and staff cost capitalised	448,359	318,756
— Land use rights	472,920	398,795
— Borrowing costs capitalised	23,171	17,198
	<b>944,450</b>	734,749

The normal operating cycle of the Group's property development generally ranges from one to two years.

At 31 December 2019, properties under development included the costs to fulfil those contracts, the revenue of which is recognised over time, amounting to RMB21,807 million (2018: RMB16,589 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**9 Properties under development (Continued)**

Cost of sales for the year included RMB10,986 million (2018: RMB5,273 million) of costs brought forward from prior year to fulfil those contracts revenue of which is recognised over time.

The capitalisation rate used to capitalise interest on general borrowings in 2019 was 6.65% per annum (2018: 6.47% per annum).

The properties under development of the Group are located in:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Mainland China	<b>923,942</b>	717,666
United States	<b>4,841</b>	3,159
Malaysia	<b>4,474</b>	6,631
Hong Kong	<b>4,107</b>	2,903
Australia	<b>2,124</b>	1,940
Others	<b>4,962</b>	2,450
	<b>944,450</b>	734,749

As at 31 December 2019, land use rights included in properties under development of RMB86,736 million (2018: RMB75,097 million) were pledged as collateral for the Group's bank and other borrowings (note 26).

**10(a) Subsidiaries**

The principal subsidiaries at 31 December 2019 are listed in note 46.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

**10(b) Investments in joint ventures**

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
At 1 January	<b>27,891</b>	19,346
Additions	<b>7,478</b>	10,268
Disposals	<b>(3,196)</b>	(1,613)
Share of results	<b>2,781</b>	(110)
— Gains arising from negative goodwill	<b>82</b>	51
— Others	<b>2,699</b>	(161)
At 31 December	<b>34,954</b>	27,891

**10(b) Investments in joint ventures (Continued)**

The balance comprises the following:

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Unlisted investments		
– Share of net assets	<b>34,512</b>	27,553
– Goodwill	<b>442</b>	338
	<b>34,954</b>	27,891

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with certain third parties. None of these acquisitions was individually significant to the Group. Summary of the acquisitions during the year is as follows:

**Total identifiable net assets of joint ventures acquired**

	<b>With negative goodwill</b> RMB million	<b>With goodwill</b> RMB million	<b>Total</b> RMB million
Assets	15,630	1,840	17,470
Liabilities	(12,978)	(1,054)	(14,032)
Total identifiable net assets	2,652	786	3,438

**Reconciliation to the Group's interests in the joint ventures**

	<b>With negative goodwill</b> RMB million	<b>With goodwill</b> RMB million
Fair values of the consideration for the acquisitions	1,039	365
Fair values of the Group's share of identifiable net assets	(1,121)	(225)
(Negative goodwill)/goodwill	(82)	140

The negative goodwill was mainly resulted from the fact that the joint ventures partners intended to cooperate with the Group to resolve liquidity issues or bring in industry expertise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**10(b) Investments in joint ventures** *(Continued)*

The goodwill arose from the acquisitions of certain property development companies, which is mainly attributable to economies of scale expected from the acquisitions.

As at 31 December 2019, certain borrowings of joint ventures were guaranteed by the Group (note 39) and/or secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB5,448 million (2018: RMB3,391 million). As at 31 December 2019, there were no significant commitments relating to the Group's interests in the joint ventures.

The directors of the Company consider that none of the joint ventures as at 31 December 2019 and 2018 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed. The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2019 RMB million	2018 RMB million
Carrying amount in the consolidated financial statements	34,954	27,891
Share of profit/(loss) for the year	2,781	(110)
Share of total comprehensive income/(loss) for the year	2,781	(110)

**10(c) Investments in associates**

	2019 RMB million	2018 RMB million
<b>At 1 January</b>	<b>18,768</b>	11,585
Additions	1,946	8,058
Disposals	(5,882)	(2,182)
Share of results	2,327	1,307
– Gains arising from negative goodwill	–	338
– Others	2,327	969
<b>At 31 December</b>	<b>17,159</b>	18,768

**10(c) Investments in associates** *(Continued)*

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with third parties. None of the acquisition was individually significant to the Group. Summary of the acquisitions during the year are as follows:

**Total identifiable net assets of associates acquired**

	<b>Total</b> RMB million
Assets	444
Liabilities	(382)
<b>Total identifiable net assets</b>	<b>62</b>

**Reconciliation to the Group's interests in the associates**

	RMB million
Fair values of the consideration for the acquisitions	19
Fair values of the Group's share of identifiable net assets	(19)

As at 31 December 2019, certain borrowings of associates were guaranteed by the Group (note 39) and/or secured by the Group's certain interests in associates with an aggregate carrying value of RMB3,164 million (2018: RMB3,640 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**10(c) Investments in associates** *(Continued)*

The directors of the Company consider that none of the associates as at 31 December 2019 and 2018 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Carrying amount in the consolidated financial statements	<b>17,159</b>	18,768
Share of profits for the year	<b>2,327</b>	1,307
Share of total comprehensive income for the year	<b>2,327</b>	1,307

**11 Financial assets at fair value through other comprehensive income**

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
At 1 January	<b>1,796</b>	1,517
Additions	<b>1,462</b>	158
Disposals	<b>(236)</b>	–
Fair value changes	<b>260</b>	121
At 31 December	<b>3,282</b>	1,796

Financial assets at FVOCI include the following:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Listed equity securities	<b>595</b>	563
Unlisted equity investments	<b>2,687</b>	1,233
	<b>3,282</b>	1,796

The investments mainly represent equity investments in various investment fund companies, investment holding companies and venture capital fund companies. The fair values of these investments were determined mainly based on direct comparison approach by making reference to quoted market price or recent transaction prices of similar deals.

**12 Completed properties held for sale**

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Completed properties held for sale	<b>45,781</b>	44,338

The completed properties held for sale are mainly located in Mainland China.

**13 Inventories**

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Construction materials and other inventories	<b>11,781</b>	8,822

Inventories were mainly charged to properties under development upon utilisation.

**14 Trade and other receivables**

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Included in current assets		
– Trade receivables – net (note (a))	<b>39,863</b>	40,597
– Other receivables – net (note (b))	<b>296,884</b>	251,182
– Loans to third parties – net (note (c))	<b>14</b>	687
– Prepayments for land (note (d))	<b>49,597</b>	109,670
– Other prepayments (note (e))	<b>51,837</b>	24,261
	<b>438,195</b>	426,397
Included in non-current assets		
– Deposits for acquisitions of companies (note (f))	<b>14,056</b>	10,962
	<b>452,251</b>	437,359

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**14 Trade and other receivables (Continued)**

(a) Details of trade receivables are as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Trade receivables	<b>40,034</b>	40,724
Less: allowance for impairment	<b>(171)</b>	(127)
Trade receivables — net	<b>39,863</b>	40,597

Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on property delivery date is as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Within 90 days	<b>35,156</b>	37,275
Over 90 days and within 180 days	<b>2,558</b>	1,593
Over 180 days and within 365 days	<b>1,665</b>	1,149
Over 365 days	<b>655</b>	707
	<b>40,034</b>	40,724

As at 31 December 2019 and 2018, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB171 million (2018: RMB127 million) was made against the gross amounts of trade receivables (note 4 (a)(iii)).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of buyers. Trade receivables were collateralised by the titles of the properties sold.

**14 Trade and other receivables (Continued)**

(b) Details of other receivables are as follows:

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Amounts due from joint ventures, associates and other related parties	<b>114,474</b>	83,387
Land auction and other deposits	<b>14,357</b>	61,705
Others (i)	<b>171,436</b>	107,995
	<b>300,267</b>	253,087
Less: allowance for impairment	<b>(3,383)</b>	(1,905)
<b>Other receivables — net</b>	<b>296,884</b>	251,182

(i) These receivables mainly included current accounts due from the other shareholders of certain subsidiaries, joint ventures and associates of the Group for various payments on their behalf, which are mainly interest-free, unsecured and repayable according to contract terms.

(c) As at 31 December 2019, loans to third parties bear interest at rates of 10% per annum (2018: 10%–16% per annum), of which RMB16 million (2018: RMB680 million) were secured by certain properties and land use rights of the third parties.

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Loans to third parties	<b>16</b>	696
Less: allowance for impairment	<b>(2)</b>	(9)
<b>Loans to third parties — net</b>	<b>14</b>	687

(d) Prepayments for land are related to prepaid land acquisition costs while relevant land use right certificates have not been obtained as at 31 December 2019.

(e) Other prepayments mainly represent prepayments for purchases of construction materials and services.

(f) Amounts represent deposits paid for acquisitions of certain property development companies which have not been completed as at the year end.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**15 Contract assets and contract acquisition costs**

Details of contract assets and contract acquisition costs are as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Contract assets related to sales of properties (note (i))	<b>10,422</b>	7,277
Contract assets related to construction services (note (i))	<b>4,500</b>	2,960
Contract acquisition costs (note (ii))	<b>9,098</b>	6,857
<b>Total contract assets and contract acquisition costs</b>	<b>24,020</b>	17,094

Notes:

- (i) Contract assets consist of unbilled amount resulting from sale of properties and construction when revenue recognised exceeds the amount billed to the buyer.
- (ii) Management expected the contract acquisition costs, represented primarily sale commission and stamp duty paid/payable for obtaining property sale contracts are recoverable. The Group has deferred them and will charge them to profit or loss when the related revenue is recognised. For the year ended 31 December 2019, the total amount charged to profit or loss was RMB3,717 million (2018: RMB2,168 million) and there was no impairment loss in relation to the remaining balance.

**16 Restricted cash**

The amount mainly represented guarantee deposits for construction of pre-sale properties denominated in RMB and Ringgit ("RM") placed in designated bank accounts.

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Unused guarantee deposits will be released after the completion of construction of the related properties.

**17 Cash and cash equivalents**

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Cash at banks and on hand	<b>265,798</b>	241,599
Short-term bank deposits	<b>2,550</b>	944
	<b>268,348</b>	242,543
Less: restricted cash (note 16)	<b>(19,363)</b>	(14,200)
	<b>248,985</b>	228,343

The short-term deposits are denominated in RMB and have terms ranging within 3 months. The effective interest rate of these deposits as at 31 December 2019 was 1.45% per annum (2018: 1.22% per annum).

Cash and deposits are denominated in the following currencies:

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Denominated in RMB	<b>259,193</b>	232,044
Denominated in HKD	<b>969</b>	902
Denominated in USD	<b>3,086</b>	3,575
Denominated in RM	<b>4,294</b>	4,518
Denominated in other currencies	<b>806</b>	1,504
	<b>268,348</b>	242,543

The conversion of RMB and RM denominated balances into other currencies and the remittance of bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**18 Financial assets at fair value through profit or loss**

	<b>2019</b> <b>RMB million</b>	2018 RMB million
PRC listed equity security (note (a))	<b>195</b>	259
Wealth management products (note (b))	<b>7,738</b>	11,760
	<b>7,933</b>	12,019

(a) This represented a 2.29% (2018: 2.29%) equity interest in Shenzhen Tiantu Investment Management Co., Ltd., which is mainly engaged in investment activities and is listed on the National Equities Exchange and Quotations in the PRC. The fair value of the investment at 31 December 2019 represented the quoted market price.

(b) Wealth management products are mainly investments in financial products issued by financial institutions. The fair values of these investments approximated their carrying values as at 31 December 2019.

**19 Trade and other payables**

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Trade payables (note (a))	<b>329,305</b>	255,053
Other payables (note (b))	<b>203,467</b>	192,934
Other taxes payable	<b>51,427</b>	41,034
Salaries payable	<b>10,349</b>	9,800
	<b>594,548</b>	498,821

As at 31 December 2019, the carrying amounts of trade and other payables approximated their fair values.

(a) The ageing analysis of trade payables based on the date of invoice is as follows:

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Within 90 days	<b>274,669</b>	211,512
Over 90 days and within 180 days	<b>43,438</b>	34,648
Over 180 days and within 365 days	<b>7,273</b>	5,698
Over 365 days	<b>3,925</b>	3,195
	<b>329,305</b>	255,053

**19 Trade and other payables** *(Continued)*

- (b) Other payables mainly included deposits from property buyers and current accounts due to certain joint ventures, associates and other shareholders of certain subsidiaries, joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates. These amounts are mainly interest-free, unsecured and repayable according to contract terms.

**20 Contract liabilities**

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Contract liabilities	<b>646,996</b>	562,800

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

**(a) Revenue recognised in relation to contract liabilities**

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Revenue recognised that was included in the contract liability balance at the beginning of the year	<b>337,873</b>	177,716

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**21 Receipts under securitisation arrangements**

The balance represented proceeds received from issue of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from sales of properties, amounting to RMB279 million (2018: RMB794 million). These securities bear an effective interest rate of 4.8% (2018: 4.8%) per annum and have a revolving term of 3 to 6 months (2018: 3 to 6 months).

**22 Derivative financial instruments**

	2019		2018	
	Assets RMB million	Liabilities RMB million	Assets RMB million	Liabilities RMB million
<u>Qualified for hedge accounting</u>				
– Foreign currency option contracts (note (a))	321	19	386	2
– Foreign exchange structured derivatives contracts (note (b))	314	10	201	198
– Foreign exchange forward contracts (note (c))	423	41	23	208
– Cross currency swaps (note (d))	42	–	–	–
<u>Not qualified for hedge accounting</u>				
– Foreign exchange forward contracts	81	20	31	152
– Foreign currency option contracts	10	7	–	62
– Cross currency swaps	65	11	–	–
<u>Others</u>				
– Embedded financial derivative of convertible bonds (note 25)	–	2,756	–	1,518
– Purchased call options (note (f))	1,839	–	601	–
	<b>3,095</b>	<b>2,864</b>	1,242	2,140
Analysed as:				
Current	447	32	250	111
Non-current	2,648	2,832	992	2,029
	<b>3,095</b>	<b>2,864</b>	1,242	2,140

The total notional principal amounts of the derivative financial instruments for hedging purpose at 31 December 2019 were RMB87,936 million (2018: RMB65,711 million), of which RMB70,286 million (2018: RMB49,445 million) were qualified for hedge accounting (cash flow hedge). These contracts will mature during the years from 2020 to 2026 (2018: 2019 to 2022).

## 22 Derivative financial instruments (Continued)

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

### (a) Derivative financial instruments – foreign currency option contracts

	2019	2018
Carrying amount (RMB million)	302	384
Notional amount (RMB million)	23,218	13,688
Maturity date	<b>8 January 2020 to 11 December 2026</b>	15 January 2019 to 14 January 2022
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	210	560
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	(94)	(549)
Strike rate (USD:RMB range)	<b>6.4800–7.0490</b>	6.4600–6.4900

### (b) Derivative financial instruments – foreign exchange structured derivatives contracts (note (i))

	2019	2018
Carrying amount (RMB million)	304	3
Notional amount (RMB million)	11,650	14,481
Maturity date	<b>9 March 2020 to 25 July 2022</b>	9 July 2019 to 25 July 2022
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	117	864
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	(173)	(868)
Strike rate (USD:RMB range)	<b>6.4930–6.9370</b>	6.4930–6.9370

- (i) Foreign exchange structured derivatives contracts are cross-currency swaps with options against exchange rate risk of interest and principal repayment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**22 Derivative financial instruments** (Continued)**(c) Derivative financial instruments – Foreign exchange forward contracts**

	<b>2019</b>	2018
Carrying amount (RMB million)	<b>382</b>	(185)
Notional amount (RMB million)	<b>31,943</b>	21,276
Maturity date	<b>24 September 2020 to 12 April 2023</b>	24 September 2020 to 17 January 2022
Hedge ratio*	<b>1:1</b>	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	<b>273</b>	74
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	<b>(286)</b>	(38)
Strike rate (USD:RMB range)	<b>6.6000–7.0960</b>	6.5900–6.9950
Strike rate (HKD:RMB range)	<b>0.9010</b>	–

**(d) Derivative financial instruments – Cross currency swaps**

	<b>2019</b>	2018
Carrying amount (RMB million)	<b>42</b>	–
Notional amount (RMB million)	<b>3,475</b>	–
Maturity date	<b>7 December 2020 to 19 October 2021</b>	–
Hedge ratio*	<b>1:1</b>	–
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	<b>168</b>	–
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	<b>(149)</b>	–
Strike rate (HKD:RMB range)	<b>0.8600–0.8790</b>	–

\* The foreign currency option contracts, foreign exchange structured derivatives contracts, foreign exchange forward contracts and cross currency swap are denominated in the same currency as the highly probable future debt payments (USD and HKD), therefore the hedge ratio is 1:1.

## 22 Derivative financial instruments (Continued)

### (e) Reserves

	2019 RMB million	2018 RMB million
<u>Cash flow hedge reserve</u>		
At 1 January	21	(14)
Change in fair value of hedging instrument recognised in other comprehensive income for the year (effective portion)	768	1,552
Reclassified to profit or loss (note 34)	(804)	(1,517)
At 31 December	(15)	21
	2019 RMB million	2018 RMB million
<u>Deferred costs of hedging reserve — deferred time value</u>		
At 1 January	(644)	455
Gains/(losses) of hedging deferred for the year	60	(1,143)
Reclassified to profit or loss (note 34)	427	44
At 31 December	(157)	(644)

- (f) In November 2018, the Group entered into call option transactions involving i) the sale of call options by certain third parties to the Group with a strike price equal to the conversion price of the 2023 Convertible Bonds at a total premium of approximately HKD2,793 million (the "Purchased Call Options"); and ii) the sale of call options by the Group to certain third parties with a strike price of HKD17.908 (subsequent adjusted to HKD16.94) at a total premium of approximately HKD1,528 million (the "Written Call Options"). The Purchased Call Options and the Written Call Options are expected generally to reduce or offset the potential dilution upon conversion of the 2023 Convertible Bonds and/or offset any cash payments the Group is required to make in excess of the principal amount of the 2023 Convertible Bonds being converted, as the case may be. The Purchased Call Options and the Written Call Options will cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2023 Convertible Bonds, the equivalent number of ordinary shares of the Company underlying the 2023 Convertible Bonds. The premium paid for the Purchased Call Options and the premium received and receivable for the Written Call Options are accounted for as derivative financial assets and other reserve within equity (note 29) respectively in the consolidated statement of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**23 Senior notes**

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
At 1 January	<b>41,716</b>	31,913
Additions (note (a))	<b>23,081</b>	16,324
Early redemption	–	(4,757)
Repayment on maturity (note (a))	<b>(1,723)</b>	(3,464)
Interest expenses (note 34)	<b>3,909</b>	2,646
Coupon interest paid	<b>(3,361)</b>	(2,130)
Currency translation differences	<b>1,271</b>	1,184
At 31 December	<b>64,893</b>	41,716
Less : current portion included in current liabilities	<b>(7,343)</b>	(2,238)
Included in non-current liabilities	<b>57,550</b>	39,478

Senior notes were repayable as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Within 1 year	<b>7,343</b>	2,238
Between 1 and 2 years	<b>6,072</b>	6,156
Between 2 and 5 years	<b>31,009</b>	22,206
Over 5 years	<b>20,469</b>	11,116
	<b>64,893</b>	41,716

**23 Senior notes (Continued)**

(a) The Group has issued the following senior notes:

Name of notes	Par value Million	Interest rate	Issue date	Term of the notes
Carried forward from prior years and remained outstanding at 31 December 2019:				
2021 Notes	USD750	7.250%	4 October 2013	7.5 years
2020 Notes	USD900	7.500%	9 March 2015	5 years
2023 Notes II	USD650	4.750%	28 September 2016	7 years
2026 Notes	USD350	5.625%	15 December 2016	10 years
2022 Notes	USD700	4.750%	25 July 2017	5 years
2023 Notes III — tranche I	USD250	4.750%	17 January 2018	5 years
2023 Notes III — tranche II *	USD375	4.750%	31 July 2018	4.5 years
2025 Notes — tranche I	USD600	5.125%	17 January 2018	7 years
2025 Notes — tranche II **	USD150	5.125%	14 September 2018	6.4 years
2021 Notes II	RMB950	5.800%	12 March 2018	3 years
2022 Notes II	USD425	7.125%	27 September 2018	3.5 years
2024 Notes — tranche I	USD550	8.000%	27 September 2018	5.5 years
Issued during the year:				
2022 Notes III	USD550	7.125%	25 January 2019	3 years
2024 Notes — tranche II ***	USD450	8.000%	25 January 2019	5 years
2024 Notes II	USD550	6.500%	8 April 2019	5 years
2026 Notes II — tranche I	USD950	7.250%	8 April 2019	7 years
2026 Notes II — tranche II ****	USD400	7.250%	18 July 2019	6.7 years
2025 Notes II	USD500	6.150%	17 September 2019	6 years
Repaid during the year on maturity:				
2019 Notes II	USD250	7.500%	5 June 2014	5 years

\* 2023 Notes III — tranche II was consolidated and form a single series with the 2023 Notes III — tranche I.

\*\* 2025 Notes — tranche II was consolidated and form a single series with the 2025 Notes — tranche I.

\*\*\* 2024 Notes — tranche II was consolidated and form a single series with the 2024 Notes — tranche I.

\*\*\*\* 2026 Notes II — tranche II was consolidated and form a single series with the 2026 Notes II — tranche I.

(i) The weighted average effective interest rate of the senior notes is 7.45% (2018: 7.25%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**23 Senior notes** *(Continued)*

- (b) As at 31 December 2019, all senior notes are listed on the Singapore Exchange Securities Trading Limited, and contain various early redemption options and put option.

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 holders of the 2026 Notes have a put option to request the Company to repurchase the 2026 Notes on 15 December 2021 at the price equal to 100% of the principle amounts of the 2026 Notes. The directors of the Company consider that the fair value of this put option was insignificant on initial recognition and at 31 December 2019 and 2018.

The fair values of the senior notes at 31 December 2019 were approximately RMB67,759 million (2018: RMB40,105 million). The fair value is calculated using the market prices of the senior notes on the date of consolidated statement of financial position as they are listed on Singapore Exchange Securities Trading Limited and the fair value measurement is categorised within level 1 of the fair value hierarchy.

- (c) The Group's senior notes are guaranteed by certain subsidiaries of the Group and are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2019, none of these covenants had been breached.

**24 Corporate bonds**

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
At 1 January	<b>41,908</b>	47,334
Acquisitions of subsidiaries	–	3,475
Additions (note (a))	<b>11,743</b>	5,732
Repayment upon maturity	<b>(7,650)</b>	(14,534)
Interest expenses (note 34)	<b>2,928</b>	2,389
Coupon interest paid	<b>(2,566)</b>	(2,492)
Currency translation differences	<b>37</b>	4
At 31 December	<b>46,400</b>	41,908
Less : current portion included in current liabilities	<b>(28,850)</b>	(23,964)
Included in non-current liabilities	<b>17,550</b>	17,944

The Group's corporate bonds are repayable as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Within 1 year	<b>28,850</b>	23,964
Between 1 and 2 years	<b>11,884</b>	9,805
Between 2 and 5 years	<b>5,666</b>	8,139
	<b>46,400</b>	41,908

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**24 Corporate bonds** (Continued)

(a) The Group's corporate bonds comprised the followings as at 31 December 2019:

Name of bond	Par value RMB million	Interest rate	Issue date	Term of the bond
RMB Corporate bonds of the Company issued in 2015	1,000	6.30%	29 December 2015	5 years
RMB Corporate bonds tranche I of the Company issued in 2016 (note (c))	3,900	6.30%	2 March 2016	5 years
RMB Corporate bonds tranche II of the Company issued in 2016	200	4.55%	29 March 2016	4 years
RMB Corporate bonds tranche III of the Company issued in 2016	510	5.60%	2 August 2016	5 years
RMB Corporate bonds tranche IV of the Company issued in 2016 — series I	3,110	6.80%	2 September 2016	4 years
RMB Corporate bonds tranche IV of the Company issued in 2016 — series II (note (c))	5,830	5.65%	2 September 2016	7 years
RMB Corporate bonds of Giant Leap issued in 2016 — series I (note (b))	801	6.80%	21 October 2016	4 years
RMB Corporate bonds of Giant Leap issued in 2016 — series II (notes (b) and (c))	2,000	3.90%	21 October 2016	7 years
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche I (note (b))	1,500	6.00%	28 August 2017	3 years
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche II (note (b))	1,500	5.90%	20 October 2017	3 years
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche I (notes (b) and (c))	3,800	6.80%	24 October 2017	4 years
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche II (notes (b) and (c))	1,200	6.70%	10 November 2017	4 years
RMB Corporate bonds of Giant Leap issued in 2018 — tranche I (notes (b) and (c))	3,000	6.40%	26 October 2018	3 years

## 24 Corporate bonds (Continued)

(a) The Group's corporate bonds comprised the followings as at 31 December 2019: (Continued)

Name of bond	Par value RMB million	Interest rate	Issue date	Term of the bond
RMB Private Corporate bonds of Giant Leap issued in 2018 — tranche I (notes (b) and (c))	2,100	6.40%	19 December 2018	3 years
RMB Private Corporate bonds of Giant Leap issued in 2019 — tranche I (notes (b) and (c))	2,900	5.93%	26 April 2019	2 years
RMB Private Corporate bonds I of Country Garden Property Co., Ltd. ("Country Garden Property") issued in 2017 — tranche I	2,000	6.50%	10 October 2017	3 years
RMB Private Corporate bonds I of Country Garden Property issued in 2017 — tranche II	700	6.00%	23 November 2017	3 years
RMB Private Corporate bonds of Country Garden Property issued in 2018 — tranche I (note (c))	328	6.60%	16 November 2018	3 years
RMB Private House Leasing bonds of Country Garden Property issued in 2019 — tranche I (note (c))	567	5.95%	1 April 2019	4 years
RMB Corporate bonds of Country Garden Property issued in 2019 — tranche I (note (c))	590	5.03%	2 April 2019	5 years
RMB Corporate bonds of Country Garden Property issued in 2019 — tranche II (note (c))	2,210	5.14%	1 August 2019	4 years
RMB Private bonds of Country Garden Property issued in 2019 — tranche I (note (c))	1,850	6.80%	26 September 2019	4 years
RMB Corporate bonds of Country Garden Property issued in 2019 — tranche III (note (c))	3,000	4.98%	20 November 2019	4 years
RM Private Corporate bonds of Country Garden Real Estate Sdn. Bhd. issued in 2018 (note (b))	325	6.60%	23 February 2018	5 years
RM Private Corporate bonds of Country Garden Real Estate Sdn. Bhd. issued in 2019 — tranche III (note (b))	213	6.40%	18 March 2019	3 years

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**24 Corporate bonds (Continued)**

- (a) The Group's corporate bonds comprised the followings as at 31 December 2019:
- (Continued)*

Name of bond	Par value RMB million	Interest rate	Issue date	Term of the bond
RM Private Corporate bonds of Country Garden Real Estate Sdn. Bhd. issued in 2019 — tranche IV (note (b))	116	6.40%	8 May 2019	3 years
THB Private Corporate bonds of Risland (Thailand) Company Limited issued in 2019 (note (b))	334	4.75%	24 July 2019	3 years

The weighted average effective interest rate of the corporate bonds is 6.09% (2018: 5.71%).

- (b) The corporate bonds issued by Giant Leap, Country Garden Real Estate Sdn. Bhd. and Risland (Thailand) Company Limited were guaranteed by certain subsidiaries of the Group.
- (c) RMB Corporate bonds tranche I of the Company issued in 2016, RMB Corporate bonds tranche IV of the Company issued in 2016 — series II, RMB corporate bonds of Giant Leap issued in 2016 — series II, RMB Corporate bonds II of Giant Leap issued in 2017 — tranche I, RMB Corporate bonds II of Giant Leap issued in 2017 — tranche II, RMB corporate bonds of Giant Leap issued in 2018 and 2019, and RMB corporate bonds issued in 2018 and 2019 by Country Garden Property contain a debt component, put options and coupon rate adjustment options.

Debt component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors of the Company consider that the fair values of the above put options and coupon rate adjustment options were insignificant on initial recognition and at 31 December 2019 and 2018.

- (d) Certain corporate bonds will mature within one year to the contractual repricing dates, which is included in current liabilities of the consolidated statement of financial position.

The fair values of the corporate bonds at 31 December 2019 were RMB47,818 million (2018: RMB43,894 million). Except for RMB Private Corporate bonds of Giant Leap issued in 2018 — tranche I and RMB Private Corporate bonds of Giant Leap issued in 2019 — tranche I, the fair value measurement of all RMB Public corporate bonds issued by Giant Leap and RMB Corporate bonds of Country Garden Property issued in 2019 are categorised within level 1 of the fair value hierarchy as they are listed on the Shanghai Stock Exchange. The fair value measurement of other corporate bonds is categorised within level 3 of the fair value hierarchy as they are private placements. The fair values of these corporate bonds are calculated based on the discounted cash flows of the principal and interest payments.

## 25 Convertible bonds

On 16 January 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD15,600 million (equivalent to approximately RMB12,634 million) due 27 January 2019 (the “2019 Convertible Bonds”), with an initial conversion price of HKD20.556 per share. The conversion price was subsequently modified to HKD18.29 per share as a result of payment of dividend and distribution in specie. On 30 January 2018, the 2019 Convertible Bonds were issued. The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Company. The Group partially repurchased the 2019 Convertible Bonds in the aggregate amount of HKD6,450 million during 2018. The gain on the early redemption was approximately RMB65 million and the redemption price allocated to equity component was approximately RMB100 million. The Group has redeemed all of the outstanding 2019 Convertible Bonds upon maturity.

On 21 November 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD7,830 million (equivalent to approximately RMB6,868 million) due 5 December 2023 (the “2023 Convertible Bonds”), with an initial conversion price of HKD12.584 per share. On 5 December 2018, the 2023 Convertible Bonds were issued. The conversion price was subsequently modified to HKD11.90 per share as a result of payment of dividend in 2019. The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Company. As at 31 December 2019, the fair value of the embedded financial derivative of convertible bond was RMB2,756 million (2018: RMB1,518 million) (note 22).

Movement of the 2019 Convertible Bonds and the 2023 Convertible Bonds is set out as follows:

	2019 RMB million	2018 RMB million
Liability component as at 1 January	<b>13,168</b>	–
Additions	–	17,247
Redemption	<b>(7,869)</b>	(5,651)
Interest expenses (note 34)	<b>628</b>	596
Coupon interest paid	<b>(373)</b>	–
Currency translation differences	<b>(37)</b>	976
Liability component as at 31 December	<b>5,517</b>	13,168
Less: current portion included in current liabilities	<b>(22)</b>	(8,051)
Included in non-current liabilities	<b>5,495</b>	5,117

Interest expenses are calculated by applying the effective interest rate of 11.84% per annum to the liability component (2018: 4.97% per annum).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**25 Convertible bonds** *(Continued)*

- (a) The 2023 Convertible Bonds are guaranteed by the Company and certain subsidiaries of the Group and secured by the equity interests in certain subsidiaries of the Group.
- (b) As at 31 December 2019, there has been no conversion of the 2023 Convertible Bonds.

**26 Bank and other borrowings**

	<b>2019</b> <b>RMB million</b>	2018 RMB million
Non-current liabilities:		
– secured	<b>133,637</b>	108,300
– unsecured	<b>95,879</b>	89,779
Less: current portion of non-current liabilities	<b>(56,780)</b>	(58,240)
	<b>172,736</b>	139,839
Included in current liabilities:		
– secured	<b>11,237</b>	10,775
– unsecured	<b>12,040</b>	22,829
Current portion of non-current liabilities	<b>56,780</b>	58,240
	<b>80,057</b>	91,844
Total bank and other borrowings	<b>252,793</b>	231,683

The Group's borrowings as at 31 December 2019 of RMB144,874 million (2018: RMB119,075 million) were secured by right-of-use assets, certain properties and equipment of the Group (notes 3, 7, 8 and 9) with total carrying values of RMB91,728 million (2018: RMB80,098 million) and/or secured by the equity interests of certain group companies.

**26 Bank and other borrowings (continued)**

At 31 December 2019, the Group's bank and other borrowings were repayable as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Within 1 year	<b>80,057</b>	91,844
Between 1 and 2 years	<b>121,590</b>	72,900
Between 2 and 5 years	<b>48,499</b>	60,163
Over 5 years	<b>2,647</b>	6,776
	<b>252,793</b>	231,683

The weighted average effective interest rate for the year ended 31 December 2019 was 6.63% per annum (2018: 6.52% per annum).

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
RMB	<b>201,638</b>	190,139
HKD	<b>15,803</b>	10,121
USD	<b>26,747</b>	23,114
RM	<b>2,625</b>	2,539
Other	<b>5,980</b>	5,770
	<b>252,793</b>	231,683

Certain of the Group's bank and other borrowings are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2019, none of these covenants had been breached.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27 Share capital and premium

	Number of ordinary shares million	Nominal value of ordinary shares HKD million	Equivalent nominal value of ordinary shares RMB million	Share premium RMB million	Total RMB million	Treasury shares RMB million	Group total RMB million
<b>Authorised</b>							
At 1 January 2018, 31 December 2018 and 2019, HKD0.10 per share	100,000	10,000					
<b>Issued and fully paid</b>							
At 1 January 2018	21,280	2,128	2,003	22,838	24,841	(380)	24,461
Issue of shares	465	46	37	6,348	6,385	–	6,385
– Issue of shares as a result of placing	460	46	37	6,293	6,330	–	6,330
– Issue of shares as a result of scrip dividend	1	–	–	9	9	–	9
– Issue of shares pursuant to share option scheme	4	–	–	46	46	–	46
Buy-back of shares	–	–	–	–	–	(2,965)	(2,965)
Cancellation of shares	(99)	(10)	(8)	(985)	(993)	993	–
At 31 December 2018	21,646	2,164	2,032	28,201	30,233	(2,352)	27,881
<b>Issued and fully paid</b>							
At 1 January 2019	<b>21,646</b>	<b>2,164</b>	<b>2,032</b>	<b>28,201</b>	<b>30,233</b>	<b>(2,352)</b>	<b>27,881</b>
Issue of shares	<b>235</b>	<b>24</b>	<b>21</b>	<b>2,171</b>	<b>2,192</b>	<b>–</b>	<b>2,192</b>
– Issue of shares as a result of scrip dividend (note 36)	<b>221</b>	<b>22</b>	<b>20</b>	<b>2,028</b>	<b>2,048</b>	<b>–</b>	<b>2,048</b>
– Issue of shares pursuant to share option scheme	<b>14</b>	<b>2</b>	<b>1</b>	<b>143</b>	<b>144</b>	<b>–</b>	<b>144</b>
Buy-back of shares (note (a))	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(322)</b>	<b>(322)</b>
Cancellation of shares	<b>(36)</b>	<b>(4)</b>	<b>(3)</b>	<b>(319)</b>	<b>(322)</b>	<b>322</b>	<b>–</b>
At 31 December 2019	<b>21,845</b>	<b>2,184</b>	<b>2,050</b>	<b>30,053</b>	<b>32,103</b>	<b>(2,352)</b>	<b>29,751</b>

**27 Share capital and premium** *(continued)***(a) Buy-back of shares**

The Group bought back a total of 36 million (2018: 284 million) of the Company's shares during 2019. The total consideration paid to buy back these shares was RMB322 million (2018: RMB2,965 million), which has been deducted from equity attributable to the owners of the Company. As at 31 December 2019, the treasury shares of the Group amounted to a total of 293 million.

**28 Employee share schemes**

The share-based compensation expenses recognised during the year are as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Share option scheme	<b>104</b>	38
Share award scheme	<b>232</b>	316
	<b>336</b>	354

**(a) Share option scheme**

Since 13 December 2013, the Group granted certain share options to certain directors of the Company and employees in connection with a profit sharing incentive scheme (the "Incentive Scheme") adopted by the Group. Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme to certain senior management and employees is settled in cash, while the remaining portion is settled in the Company's shares as the consideration for the costs to exercise the share options. The vesting period of the share options is generally 5 years from their respective grant dates. The fair value of the share options at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**28 Employee share schemes (continued)****(a) Share option scheme (continued)**

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Weighted-average exercise price (HKD per share)	Number of options	Weighted-average exercise price (HKD per share)	Number of options
<b>At 1 January</b>	<b>9.502</b>	<b>23,193,300</b>	5.299	18,595,503
Granted	<b>11.565</b>	<b>25,024,778</b>	16.059	8,546,799
Exercised	<b>10.982</b>	<b>(14,470,236)</b>	3.904	(3,949,002)
Cancelled	<b>16.720</b>	<b>(6,517,965)</b>	–	–
<b>At 31 December</b>	<b>8.884</b>	<b>27,229,877</b>	9.502	23,193,300

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

Date of grant	Expiry date	Exercise price in HKD per share	Number of share options granted	Number of share options lapsed	Number of share options exercised	Number of share options cancelled	Number of share options outstanding
30 November 2012	29 November 2022	3.646	3,044,358	–	3,044,358	–	–
13 December 2013	12 December 2023	4.773	6,264,738	544,070	3,018,853	–	2,701,815
16 March 2016	15 March 2026	3.332	2,431,903	–	–	–	2,431,903
11 May 2016	10 May 2026	3.106	1,599,861	–	–	–	1,599,861
19 August 2016	18 August 2026	3.740	1,265,081	–	–	–	1,265,081
22 May 2017	21 May 2027	8.250	2,895,406	–	–	–	2,895,406
24 August 2017	23 August 2027	10.100	978,409	–	–	–	978,409
8 December 2017	7 December 2027	12.980	659,817	–	–	–	659,817
21 March 2018	20 March 2028	16.460	948,535	–	–	–	948,535
10 May 2018	9 May 2028	16.280	258,092	–	–	–	258,092
18 May 2018	17 May 2028	16.720	6,517,965	–	–	6,517,965	–
22 August 2018	21 August 2028	12.240	202,300	–	–	–	202,300
6 December 2018	5 December 2028	9.654	619,907	–	–	–	619,907
25 March 2019	24 March 2029	12.044	12,770,908	–	12,356,027	–	414,881
9 May 2019	8 May 2029	12.408	750,160	–	–	–	750,160
23 August 2019	22 August 2029	9.834	1,039,436	–	–	–	1,039,436
5 December 2019	4 December 2029	11.092	10,464,274	–	–	–	10,464,274
							27,229,877

**28 Employee share schemes** *(continued)***(a) Share option scheme** *(continued)*

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the “Expected Retention Rate”) of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2019, the Expected Retention Rate was assessed to be 100% (2018: 100%).

**(b) Share award scheme**

Pursuant to the Incentive Scheme, certain portion of the bonus to certain senior management and employees, calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company’s shares (the “Awarded Shares”). The vesting period of the Awarded Shares is 5 years from their respective grant dates.

The Group planned to use treasury shares to award the grantees of the Awarded Shares. The Awarded Shares are held by a wholly-owned subsidiary of the Company, on behalf of these senior management and employees until the end of vesting periods.

The fair value of these Awarded Shares at the grant date approximated the portion of bonus which is to be settled in the Company’s shares.

Movements in the number of Awarded Shares are as follows:

	2019	2018
<b>At 1 January</b>	<b>124,083,683</b>	85,968,288
Granted	<b>41,742,919</b>	40,607,223
Lapsed	<b>(13,392,891)</b>	(2,491,828)
<b>At 31 December</b>	<b>152,433,711</b>	124,083,683

The Group has to estimate the Expected Retention Rate of the share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2019, the Expected Retention Rate was assessed to be 100% (2018: 100%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29 Other reserves and retained earnings

	Merger reserve	Statutory reserve	Share option reserve	FVOCI reserve	Currency translation reserve	Revaluation reserve	Cash flow hedge reserve	Deferred costs of hedging reserve	Others	Total other reserves	Retained earnings	Total
												RMB million
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(note (a))	(note (b))										
Balance at 1 January 2019	(150)	7,257	717	110	(563)	869	21	(644)	630	8,247	85,202	93,449
Profit for the year	-	-	-	-	-	-	-	-	-	-	39,550	39,550
Transfer to statutory reserve (note (b))	-	3,863	-	-	-	-	-	-	-	3,863	(3,863)	-
Issue of shares as a result of scrip dividend (note 36)	-	-	-	-	-	-	-	-	-	-	(2,048)	(2,048)
Cash dividends	-	-	-	-	-	-	-	-	-	-	(9,468)	(9,468)
Revaluation gains on properties upon transfer from right-of-use assets	-	-	-	-	-	91	-	-	-	91	-	91
Employee share scheme	-	-	-	-	-	-	-	-	-	-	-	-
– Value of employee services (note 28)	-	-	336	-	-	-	-	-	-	336	-	336
– Issue of shares pursuant to share option scheme	-	-	(9)	-	-	-	-	-	-	(9)	-	(9)
Change in fair value of financial assets at FVOCI	-	-	-	195	-	-	-	-	-	195	-	195
Disposal of financial assets at FVOCI	-	-	-	(33)	-	-	-	-	-	(33)	33	-
Effect of redemption of convertible bonds upon maturity	-	-	-	-	-	-	-	-	(220)	(220)	220	-
Changes in ownership interests in subsidiaries without change of control (note 41)	-	-	-	-	-	-	-	-	179	179	-	179
Currency translation differences	-	-	-	-	(538)	-	-	-	-	(538)	-	(538)
Disposal of subsidiaries	-	(90)	-	-	-	-	-	-	-	(90)	90	-
Deferred losses on cash flow hedges	-	-	-	-	-	-	(36)	-	-	(36)	-	(36)
Deferred gains of hedging	-	-	-	-	-	-	-	487	-	487	-	487
Balance at 31 December 2019	(150)	11,030	1,044	272	(1,101)	960	(15)	(157)	589	12,472	109,716	122,188

## 29 Other reserves and retained earnings (continued)

	Merger reserve RMB million (note (a))	Statutory reserve RMB million (note (b))	Share option reserve RMB million	FVOCI reserve RMB million	Currency translation reserve RMB million	Revaluation reserve RMB million	Cash flow hedge reserve RMB million	Deferred costs of hedging reserve RMB million	Others RMB million	Total other reserves RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2018	(150)	5,342	396	3	(521)	869	(14)	455	(437)	5,943	63,267	69,210
Profit for the year	-	-	-	-	-	-	-	-	-	-	34,618	34,618
Transfer to statutory reserve	-	2,022	-	-	-	-	-	-	-	2,022	(2,022)	-
2017 final and 2018 interim dividends	-	-	-	-	-	-	-	-	-	-	(9,441)	(9,441)
Distribution in specie	-	(107)	-	-	-	-	-	-	(383)	(490)	(1,275)	(1,765)
Employee share scheme												
– Value of employee services	-	-	354	-	-	-	-	-	-	354	-	354
– Issue of shares pursuant to share option scheme	-	-	(33)	-	-	-	-	-	-	(33)	-	(33)
Change in fair value of financial assets at FVOCI	-	-	-	107	-	-	-	-	-	107	-	107
Equity component of convertible bonds	-	-	-	-	-	-	-	-	375	375	-	375
Early redemption of convertible bonds	-	-	-	-	-	-	-	-	(155)	(155)	55	(100)
Issue of written call options (note 22(f))	-	-	-	-	-	-	-	-	1,357	1,357	-	1,357
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	(127)	(127)	-	(127)
Currency translation differences	-	-	-	-	(42)	-	-	-	-	(42)	-	(42)
Deferred gains on cash flow hedges	-	-	-	-	-	-	35	-	-	35	-	35
Deferred costs of hedging	-	-	-	-	-	-	-	(1,099)	-	(1,099)	-	(1,099)
Balance at 31 December 2018	(150)	7,257	717	110	(563)	869	21	(644)	630	8,247	85,202	93,449

## Notes:

- (a) Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the Main Board of The Stock Exchange of Hong Kong Limited in 2007 over the nominal value of shares of the Company issued in exchange thereof.
- (b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in Mainland China and the articles of association of certain subsidiaries in Mainland China of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**30 Deferred income tax**

The analysis of deferred income tax assets and liabilities is as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Deferred income tax assets	<b>27,031</b>	18,701
Deferred income tax liabilities	<b>(32,763)</b>	(32,224)
	<b>(5,732)</b>	(13,523)

The movement on the net deferred income tax account is as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
At 1 January	<b>(13,523)</b>	(4,250)
Acquisitions of subsidiaries (note 43)	<b>(7,281)</b>	(12,191)
Disposals of subsidiaries	<b>5,114</b>	–
Charged to other comprehensive income	<b>(102)</b>	(14)
Credited to profit or loss (note 35)	<b>10,060</b>	2,932
At 31 December	<b>(5,732)</b>	(13,523)

**30 Deferred income tax (continued)**

Movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Impairment of assets RMB million	Business combinations RMB million	Recognition of expenses RMB million	Elimination of unrealised profits RMB million	Tax losses RMB million	Prepaid income tax RMB million	Total RMB million
At 1 January 2018	262	116	318	890	7,436	3,176	12,198
Acquisitions of subsidiaries	-	511	-	-	-	-	511
Credited/(charged) to profit or loss	364	-	375	(119)	4,348	1,024	5,992
At 31 December 2018	626	627	693	771	11,784	4,200	18,701
At 1 January 2019	<b>626</b>	<b>627</b>	<b>693</b>	<b>771</b>	<b>11,784</b>	<b>4,200</b>	<b>18,701</b>
Acquisitions of subsidiaries (note 43)	-	9	-	-	-	-	9
Disposals of subsidiaries	-	(494)	(5)	-	(176)	(374)	(1,049)
Credited to profit or loss	<b>703</b>	-	<b>103</b>	<b>559</b>	<b>5,485</b>	<b>2,520</b>	<b>9,370</b>
At 31 December 2019	<b>1,329</b>	<b>142</b>	<b>791</b>	<b>1,330</b>	<b>17,093</b>	<b>6,346</b>	<b>27,031</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2019 of RMB39 million (2018: RMB39 million) in respect of accumulated tax losses amounting to RMB155 million as at 31 December 2019 (2018: RMB154 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**30 Deferred income tax (continued)**

Deferred income tax liabilities:

	<b>Business combination</b>	<b>Recognition of revenue over time</b>	<b>Withholding income tax on profit to be distributed in future</b>	<b>Fair value changes on investment properties</b>	<b>Others</b>	<b>Total</b>
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2018	(6,094)	(8,389)	(941)	(820)	(204)	(16,448)
Acquisitions of subsidiaries	(12,702)	-	-	-	-	(12,702)
Credited to other comprehensive income	-	-	-	-	(14)	(14)
Credited/(charged) to profit or loss	2,747	(4,435)	(578)	(433)	(361)	(3,060)
At 31 December 2018	(16,049)	(12,824)	(1,519)	(1,253)	(579)	(32,224)
At 1 January 2019	<b>(16,049)</b>	<b>(12,824)</b>	<b>(1,519)</b>	<b>(1,253)</b>	<b>(579)</b>	<b>(32,224)</b>
Acquisitions of subsidiaries (note 43)	<b>(7,290)</b>	-	-	-	-	<b>(7,290)</b>
Disposals of subsidiaries	<b>6,014</b>	<b>121</b>	-	<b>28</b>	-	<b>6,163</b>
Charged to other comprehensive income	-	-	-	<b>(30)</b>	<b>(72)</b>	<b>(102)</b>
Credited/(charged) to profit or loss	<b>2,711</b>	<b>(1,613)</b>	<b>(569)</b>	<b>(60)</b>	<b>221</b>	<b>690</b>
At 31 December 2019	<b>(14,614)</b>	<b>(14,316)</b>	<b>(2,088)</b>	<b>(1,315)</b>	<b>(430)</b>	<b>(32,763)</b>

As at 31 December 2019, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside Mainland China, for which no deferred income tax liability had been provided, were approximately RMB108,789 million (2018: RMB81,679 million). Such earnings are expected to be retained by the subsidiaries in Mainland China for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

**31 Other income and gains — net**

	2019 RMB million	2018 RMB million
Other income		
— Management and consulting service income	733	1,395
— Forfeiture of deposits received from property buyers	127	54
— Government subsidy income	326	303
	<b>1,186</b>	1,752
Other gains		
— Gains arising from negative goodwill (note 43)	655	1,102
— Changes in fair value of derivative financial instruments	308	22
— Gains on disposals of subsidiaries (note 42)	967	455
— Gains on disposals of joint ventures and associates	48	337
— Gains on disposals of property, plant and equipment (note 37(b))	72	28
— Others	52	648
	<b>2,102</b>	2,592
Total other income and gains — net	<b>3,288</b>	4,344

**32 Expenses by nature**

	2019 RMB million	2018 RMB million
Costs of properties sold	355,223	272,608
Other taxes and levies	4,131	2,788
Sales commission to agents	3,112	2,168
Advertising and promotion costs	4,993	3,604
Employee benefit expenses (note 33)	19,056	17,580
Property management and other services expenses	1,270	510
Donations	1,431	1,369
Depreciation of property, plant and equipment (note 7)	1,099	909
Rental expenses	209	636
Amortisation of intangible assets	117	72
Depreciation of right-of-use assets (note 3)	332	—
Amortisation of land use rights	—	63
Auditor's remuneration	36	31
— Audit services	21	20
— Non-audit services	15	11
Others	4,138	4,623
Total cost of sales, selling and marketing costs, administrative expenses and research and development expenses	<b>395,147</b>	306,961

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**32 Expenses by nature** *(continued)*

Notes:

- (a) The subsidiaries in Mainland China of the Group are subject to value added tax ("VAT") on their revenues. The applicable tax rates are as follows:

Category	Rate of VAT	
	From 1 April 2019 to 31 December 2019	From 1 January 2019 to 31 March 2019
Sales of properties (i)	5%, 9%	5%, 10%
Property construction (i)	3%, 9%	3%, 10%
Property investment (i)	5%, 9%	5%, 10%
Property management (ii)	3%, 6%	3%, 6%
Hotel service (ii)	3%, 6%	3%, 6%

- (i) VAT for sales of properties and income from property investment, in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016, is calculated at a tax rate of 5% based on a simple method. VAT for small-scale VAT payer of property construction is 3%. According to the relevant regulations about Adjustment of the Value-Added Tax Rate issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2019] No. 39), VAT for income from sales of properties, property investment and property construction adjusted from 10% to 9% since 1 April 2019.
- (ii) The rates of VAT for general VAT payers and small-scale VAT payers of property management and hotel service are 6% and 3%, respectively.

**33 Employee benefit expenses**

	2019 RMB million	2018 RMB million
Wages and salaries	27,567	25,412
Contributions to pension plans (note (a))	191	177
Staff welfare	437	404
Medical benefits	383	353
Share-based compensation expenses (note 28)	336	354
Other allowances and benefits	109	101
	<b>29,023</b>	26,801
Less: capitalised in properties under development	<b>(9,967)</b>	(9,221)
	<b>19,056</b>	17,580

### 33 Employee benefit expenses (Continued)

Notes:

**(a) Contributions to pension plans**

Employees in the Group's subsidiaries in Mainland China are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's subsidiaries in Mainland China contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year included two (2018: two) directors of the Company whose emoluments are reflected in the analysis shown in note 47. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

	2019 RMB million	2018 RMB million
Salaries	10	8
Discretionary bonuses	163	110
Other benefits and share-based compensation expenses	58	72
	<b>231</b>	<b>190</b>

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HKD58,500,001 to HKD59,000,000	–	1
HKD62,000,001 to HKD62,500,000	–	1
HKD73,000,001 to HKD73,500,000	1	–
HKD80,000,001 to HKD80,500,000	1	–
HKD103,500,001 to HKD104,000,000	1	–
HKD104,000,001 to HKD104,500,000	–	1

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**34 Finance income – net**

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Finance income:		
– Interest income on short-term deposits and others	<b>2,371</b>	2,445
Finance costs:		
– Interest expenses:		
– Bank and other borrowings	<b>(16,935)</b>	(13,415)
– Senior notes (note 23)	<b>(3,909)</b>	(2,646)
– Corporate bonds (note 24)	<b>(2,928)</b>	(2,389)
– Convertible bonds (note 25)	<b>(628)</b>	(596)
– Lease liabilities (note 3)	<b>(63)</b>	–
– Receipts under securitisation arrangements	<b>(26)</b>	(83)
	<b>(24,489)</b>	(19,129)
Less: amounts capitalised on qualifying assets	<b>24,489</b>	19,129
	–	–
– Net foreign exchange losses:		
– Net foreign exchange losses on financing activities before hedging	<b>(1,577)</b>	(2,450)
– Reclassified from cash flow hedge reserves (note 22 (e))	<b>804</b>	1,517
– Reclassified from deferred costs of hedging reserves (note 22 (e))	<b>(427)</b>	(44)
	<b>(1,200)</b>	(977)
– Net losses on early redemption	–	(120)
	<b>(1,200)</b>	(1,097)
Finance income – net	<b>1,171</b>	1,348

**35 Income tax expenses**

	2019 RMB million	2018 RMB million
Current income tax		
— Corporate income tax	<b>31,373</b>	20,031
— Land appreciation tax (note (c))	<b>16,424</b>	13,922
	<b>47,797</b>	33,953
Deferred income tax (note 30)		
— Corporate income tax	<b>(10,629)</b>	(3,351)
— Land appreciation tax (note (c))	—	(159)
— Withholding income tax (note (d))	<b>569</b>	578
	<b>(10,060)</b>	(2,932)
	<b>37,737</b>	31,021

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 companies as follows:

	2019 RMB million	2018 RMB million
Profit before income tax	<b>98,939</b>	79,563
Tax calculated at Mainland China corporate income tax rate of 25% (2018: 25%)	<b>24,735</b>	19,891
Different tax rates applicable to different subsidiaries of the Group	<b>40</b>	18
Land appreciation tax deductible for calculation of income tax purpose	<b>(4,106)</b>	(3,441)
Utilisation of tax losses not previously recognised as deferred income tax assets	—	(25)
Effects of share of post-tax results of joint ventures and associates	<b>(1,277)</b>	(299)
Income not subject to tax	<b>(185)</b>	(556)
Expenses not deductible for tax purpose	<b>1,537</b>	1,092
	<b>20,744</b>	16,680
Withholding income tax on profit to be distributed in future (note (d))	<b>569</b>	578
Land appreciation tax (note (c))	<b>16,424</b>	13,763
Income tax expenses	<b>37,737</b>	31,021

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**35 Income tax expenses (continued)**

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2018:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) Mainland China corporate income tax has been provided at corporate income tax rate of 25%.
- (c) Mainland China 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 cost of land and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the Mainland China subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various Mainland China tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the Mainland China subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the Mainland China subsidiaries of the Group.

**36 Dividends**

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Proposed final dividend of RMB34.25 cents (2018: RMB30.32 cents) per share	<b>7,485</b>	6,563
Interim dividend of RMB22.87 cents (2018: RMB18.52 cents) per share	<b>4,953</b>	4,017
	<b>12,438</b>	10,580

The final dividend in respect of 2018 of RMB30.32 cents (equivalent to HKD34.49 cents) per share, totalling RMB6,563 million, has been approved in the Annual General Meeting on 16 May 2019 and paid in cash in July 2019.

On 22 August 2019, the Board of Directors of the Company declared the payment of a 2019 interim dividend of RMB22.87 cents per share (2018 interim dividend: RMB18.52 cents per share) with the shareholders being given an option to elect to receive such interim dividend all in new shares or partly in new shares and partly in cash or all in cash. This interim dividend was paid partly in cash and partly in new shares in November 2019. The number of ordinary shares settled and issued as scrip dividends was 220,664,329 and the total amount of dividend paid as scrip dividends was RMB2,048 million while cash dividend amounted to RMB2,905 million.

The Board of Directors recommended the payment of a 2019 final dividend of RMB34.25 cents per share, totalling RMB7,485 million with the eligible shareholders being given an option to elect to receive the final dividend all in new shares, or partly in new shares and partly in cash, or all in cash. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These consolidated financial statements do not reflect this dividend payable.

### 37 Cash flow information

#### (a) Cash generated from operations

	Note	2019 RMB million	2018 RMB million
Profit for the year		<b>61,202</b>	48,542
Adjustments for:			
Income tax expenses	35	<b>37,737</b>	31,021
Interest income on short-term deposits and others	34	<b>(2,371)</b>	(2,445)
Net loss on early redemption of senior notes and convertible bonds	34	–	120
Net foreign exchange losses	34	<b>1,200</b>	977
Depreciation of property, plant and equipment	32	<b>1,099</b>	909
Amortisation of land use right	32	–	63
Depreciation of right-of-use assets	3, 32	<b>332</b>	–
Amortisation of intangible assets	32	<b>117</b>	72
Gains on disposals of property, plant and equipment	31	<b>(72)</b>	(28)
Net impairment losses on financial and contract assets		<b>1,515</b>	1,176
Share of results of joint ventures and associates	10	<b>(5,108)</b>	(1,197)
Gains arising from changes in fair value of and transfer to investment properties	8	<b>(126)</b>	(1,732)
Share-based compensation expense	33	<b>336</b>	354
Gains arising from negative goodwill	43	<b>(655)</b>	(1,102)
Changes in fair value of financial assets at FVTPL		<b>64</b>	49
Changes in fair value of derivative financial instruments	31	<b>(308)</b>	(22)
Gains on disposals of subsidiaries	31	<b>(967)</b>	(455)
		<b>93,995</b>	76,302
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries and currency exchange differences on consolidation):			
Properties under development and completed properties held for sale		<b>(97,125)</b>	(177,629)
Inventories		<b>(2,959)</b>	(4,578)
Restricted cash		<b>(3,455)</b>	(1,761)
Trade and other receivables and contract assets and contract acquisition costs		<b>5,749</b>	(96,776)
Trade and other payables and contract liabilities		<b>82,831</b>	287,589
Cash generated from operations		<b>79,036</b>	83,147

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**37 Cash flow information (Continued)**

(b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2019 RMB million	2018 RMB million
<b>Property, plant and equipment</b>		
Net book amount disposed of (note 7)	378	124
Gains on disposals (note 31)	72	28
Proceeds from disposals	450	152

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB million	Senior notes RMB million	Corporate bonds RMB million	Convertible bonds RMB million	Receipts under securitisation arrangements RMB million	Derivative financial instruments RMB million	Lease liabilities RMB million	Total RMB million
<b>Net debt as at</b>								
<b>31 December 2018</b>	231,683	41,716	41,908	13,168	794	898	–	330,167
Recognised on adoption of HKFRS 16 (note 3)	–	–	–	–	–	–	244	244
	231,683	41,716	41,908	13,168	794	898	244	330,411
Cash flows								
– Net cash flows from financing activities	18,519	21,358	4,093	(7,869)	(551)	(213)	(252)	35,085
– Interest paid	(16,935)	(3,361)	(2,566)	(373)	(31)	–	(63)	(23,329)
– Acquisitions of subsidiaries	21,781	–	–	–	–	–	–	21,781
– Disposals of subsidiaries	(19,542)	–	–	–	–	–	–	(19,542)
Non-cash movements								
– Changes in fair value of derivative financial instruments	–	–	–	–	–	(308)	–	(308)
– Interest expenses	16,935	3,909	2,928	628	26	–	63	24,489
– Foreign exchange adjustments	352	1,271	37	(37)	41	–	–	1,664
– Other non-cash movements	–	–	–	–	–	(608)	917	309
<b>Net debt as at 31 December 2019</b>	<b>252,793</b>	<b>64,893</b>	<b>46,400</b>	<b>5,517</b>	<b>279</b>	<b>(231)</b>	<b>909</b>	<b>370,560</b>

**37 Cash flow information (Continued)****(c) Reconciliation of liabilities arising from financing activities (Continued)**

	Bank and other borrowings RMB million	Senior notes RMB million	Corporate bonds RMB million	Convertible bonds RMB million	Receipts under securitisation arrangements RMB million	Derivative financial instruments RMB million	Total RMB million
Net debt as at 31 December 2017	135,517	31,913	47,334	–	1,805	408	216,977
Cash flows							
– Net cash flows from financing activities	65,893	7,918	(8,802)	13,636	(1,011)	(1,246)	76,388
– Interest paid	(13,363)	(2,130)	(2,492)	–	(83)	–	(18,068)
– Acquisitions of subsidiaries	37,276	–	3,475	–	–	–	40,751
– Disposals of subsidiaries	(8,321)	–	–	–	–	–	(8,321)
Non-cash movements							
– Interest expenses	13,415	2,646	2,389	596	83	–	19,129
– Loss/(gains) on early redemption	–	185	–	(65)	–	–	120
– Changes in fair value of derivative financial instruments	–	–	–	–	–	(22)	(22)
– Foreign exchange adjustments	1,266	1,184	4	976	–	–	3,430
– Equity component of convertible bonds	–	–	–	(275)	–	–	(275)
– Derivative liability component of convertible bonds	–	–	–	(1,700)	–	1,700	–
– Other non-cash movements	–	–	–	–	–	58	58
Net debt as at 31 December 2018	231,683	41,716	41,908	13,168	794	898	330,167

**(d) Non-cash investing and financing activities**

	2019 RMB million	2018 RMB million
Dividends satisfied by the issue of shares under the scrip dividend scheme (Note 36)	2,048	–
Distribution in specie of CG Services	–	1,765
	2,048	1,765

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**38 Earnings per share****(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (note 27).

	<b>2019</b>	2018
Profit attributable to owners of the Company (RMB million)	<b>39,550</b>	34,618
Weighted average number of ordinary shares in issue (million)	<b>21,375</b>	21,472
Earnings per share — Basic (RMB yuan per share)	<b>1.85</b>	1.61

**(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 had four categories of dilutive potential ordinary shares: share options, awarded shares, written call options and convertible bonds. For the share options, awarded shares and written call options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options, awarded shares and written call 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 owners 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, awarded shares and written call options and conversion of convertible bonds. Written call options were excluded from the computation of diluted earnings per share as they are anti-dilutive for the year ended 31 December 2019.

	<b>2019</b>	2018
Profit attributable to owners of the Company (RMB million)	<b>39,550</b>	34,618
Weighted average number of ordinary shares in issue (million)	<b>21,375</b>	21,472
Adjustments — share options, awarded shares and convertible bonds (million)	<b>704</b>	838
Weighted average number of ordinary shares for diluted earnings per share (million)	<b>22,079</b>	22,310
Earnings per share — Diluted (RMB yuan per share)	<b>1.79</b>	1.55

### 39 Guarantees

	2019 RMB million	2018 RMB million
Guarantees in respect of mortgage facilities for certain property buyers (note (a))	348,154	319,239
Guarantees to joint ventures, associates and other related parties in respect of borrowings (note (b))	73,239	58,090
	<b>421,393</b>	377,329

Notes:

- (a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issue of the real estate ownership certificates which are generally available within three months after the buyers taking possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the property buyers.

The directors of the Company consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

### 40 Commitments

#### (a) Commitments for capital expenditures

	2019 RMB million	2018 RMB million
Contracted but not provided for: Property, plant and equipment	590	36

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**40 Commitments** *(Continued)***(b) Operating lease rentals receivable**

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Not later than one year	<b>264</b>	263
Later than one year and not later than two years	<b>193</b>	204
Later than two year and not later than three years	<b>148</b>	163
Later than three year and not later than four years	<b>103</b>	144
Later than four year and not later than five years	<b>81</b>	123
Later than five years	<b>497</b>	668
	<b>1,286</b>	1,565

The investment properties are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to note 8.

**(c) Operating lease commitments**

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 3 for further information. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Not later than one year	<b>37</b>	104
Later than one year and not later than five years	<b>–</b>	164
Later than five years	<b>–</b>	49
	<b>37</b>	317

#### 41 Transactions with non-controlling interests

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2019 are as follows:

	2019 RMB million
Changes in equity attributable to owners of the Company arising from:	
– Acquisitions of additional interests in subsidiaries (note (a))	250
– Disposals of interests in subsidiaries without loss of control (note (b))	(34)
– Deemed disposals of interests in subsidiaries without loss of control (note (c))	(37)
	<b>179</b>

- (a) The Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total cash consideration of RMB1,060 million.

The following table summarises the effect of these acquisitions:

	2019 RMB million
Total carrying amounts of non-controlling interests acquired	1,310
Total consideration paid	(1,060)
Total difference recognised within equity	<b>250</b>

- (b) The Group disposed of certain equity interests of certain subsidiaries for a total cash consideration of RMB416 million.

The following table summarises the effect of these disposals:

	2019 RMB million
Total carrying amounts disposed to non-controlling interests	(450)
Proceeds from disposals	416
Total difference recognised within equity	<b>(34)</b>

- (c) Certain third parties injected capital which resulted in passive dilution of interests in certain subsidiaries without loss of control. The Group recognised a decrease in equity and an increase in non-controlling interests of RMB37 million.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**42 Disposals of subsidiaries**

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	RMB million
Disposal consideration	
– Cash received	1,611
– Outstanding and included in other receivables	3,872
– Fair value of investments in joint ventures and associates upon transfer from subsidiaries	2,831
	<b>8,314</b>
Less:	
– Total net assets of subsidiaries disposed of	(14,112)
– Non-controlling interest disposed of	6,765
Gains on disposals (note 31)	967
Cash proceeds from disposals, net of cash disposed of	
– Cash consideration received	1,611
– Less: cash and cash equivalents in the subsidiaries disposed of	(8,211)
Net cash outflow on disposals	<b>(6,600)</b>

**43 Business combinations**

Business combinations during the year mainly included the acquisitions of interest in property development companies and acquisitions of additional interests in joint ventures and associates. The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed.

**43 Business combinations (Continued)**

The acquired companies' principal activities are property development and construction. The financial information of these acquired companies on the acquisition dates is summarised as follows:

	RMB million
<b>Total purchase consideration</b>	
— Cash paid	7,978
— Fair value of investments in joint ventures and associates held before business combinations	9,141
	<b>17,119</b>
<b>Total recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	7,006
Restricted cash	1,726
Property, plant and equipment	255
Intangible assets	111
Properties under development and completed properties held for sale	155,547
Trade and other receivables	39,717
Contract assets and contract acquisition costs	1,647
Prepaid income taxes	6,799
Deferred income tax assets	9
Bank and other borrowings	(21,781)
Trade and other payables	(53,387)
Contract liabilities	(103,304)
Current income tax liabilities	(7,542)
Deferred income tax liabilities	(7,290)
Total identifiable net assets	19,513
Non-controlling interests	(1,739)
Negative goodwill	(655)
	<b>17,119</b>
Outflow of cash to acquire business, net of cash acquired	
— cash considerations	(7,978)
— cash and cash equivalents in the subsidiaries acquired	7,006
Net cash outflow on acquisitions	<b>(972)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**43 Business combinations** *(Continued)*

Gains arising from negative goodwill was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

The acquired businesses contributed total revenues of RMB48,035 million and net profit of RMB5,618 million to the Group for the period from their respective acquisition dates to 31 December 2019. Had these companies been consolidated from 1 January 2019, the consolidated statement income statement would show pro-forma revenue of RMB486,218 million and profit for the year of RMB58,843 million.

**44 Related party transactions**

The Company is ultimately controlled by Ms. Yang Huiyan (the "Ultimate Controlling Shareholder").

Apart from those related party transactions disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties.

**(a) Transactions with related parties**

	2019 RMB million	2018 RMB million
<b>(i) Entities controlled or significantly influenced by certain shareholders, certain directors and/or their close family members</b>		
Purchase of design service	2,950	4,464
Construction service income	8	81
Purchase of property management services, consultancy and other services	1,270	510
Sales of properties	–	1,686
Other transactions	305	243
	<b>4,533</b>	<b>6,984</b>
<b>(ii) Joint ventures</b>		
Provision of guarantee in respect of borrowings	48,570	32,969
Construction service income	3,696	2,008
Other transactions	1,261	789
	<b>53,527</b>	<b>35,766</b>

**44 Related party transactions** *(Continued)***(a) Transactions with related parties** *(Continued)*

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
<b>(iii) Associates</b>		
Provision of guarantee in respect of borrowings	<b>23,639</b>	24,229
Construction service income	<b>2,599</b>	2,197
Other transactions	<b>1,517</b>	407
	<b>27,755</b>	26,833

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

**(b) Key management compensation**

Key management includes directors and chief executive officer of the Company.

	<b>2019</b>	2018
	<b>RMB million</b>	RMB million
Fees and salaries	<b>67</b>	69
Discretionary bonuses	<b>196</b>	145
Other benefits and share-based compensation	<b>75</b>	60
	<b>338</b>	274

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**44 Related party transactions (Continued)****(c) Balances with related parties**

Saved as disclosed in other notes above, the Group had the following significant balances with its related parties:

	2019 RMB million	2018 RMB million
<b>(i) Entities controlled by certain shareholder, certain directors and/or their close family members</b>		
Trade and other receivables	2,910	2,435
Contract assets and contract acquisition costs	52	48
Trade and other payables	3,628	3,248
<b>(ii) Joint ventures</b>		
Trade and other receivables	91,351	51,446
Contract assets and contract acquisition costs	1,911	910
Trade and other payables	51,001	34,903
<b>(iii) Associates</b>		
Trade and other receivables	27,056	33,446
Contract assets and contract acquisition costs	1,285	895
Trade and other payables	24,050	27,388

The above balances due from/to related parties are mainly interest free, unsecured and to be settled according to the contract terms.

**(d) Senior notes**

As at 31 December 2019, senior notes with principle amount of USD461 million (equivalent to approximately RMB3,216 million) (2018: USD81 million, equivalent to approximately RMB556 million) and USD16 million (equivalent to approximately RMB112 million) ((2018: USD2 million, equivalent to approximately RMB14 million) and USD5 million (equivalent to approximately RMB35 million) (2018: nil) were held by Mr. YEUNG Kwok Keung, Mr. MO Bin and Ms. YANG Ziying respectively.

## 45 Statement of financial position and reserve movement of the Company

	As at 31 December	
	2019 RMB million	2018 RMB million
<b>Non-current assets</b>		
Investments in subsidiaries	52,519	47,598
Derivative financial instruments	808	391
Financial assets at fair value through other comprehensive income	876	859
	<b>54,203</b>	48,848
<b>Current assets</b>		
Amounts due from subsidiaries	129,788	110,381
Other receivables	933	674
Cash and cash equivalents	2,353	3,667
Derivative financial instruments	447	250
	<b>133,521</b>	114,972
<b>Current liabilities</b>		
Amounts due to subsidiaries	22,808	29,659
Other payables	878	468
Senior notes	7,343	2,238
Bank and other borrowings	13,667	17,985
Derivative financial instruments	32	111
	<b>44,728</b>	50,461
<b>Net current assets</b>	<b>88,793</b>	64,511
<b>Total assets less current liabilities</b>	<b>142,996</b>	113,359

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**45 Statement of financial position and reserve movement of the Company (Continued)**

	<b>As at 31 December</b>	
	<b>2019</b> RMB million	2018 RMB million
<b>Non-current liabilities</b>		
Senior notes	<b>57,550</b>	39,478
Bank and other borrowings	<b>29,416</b>	16,505
Corporate bonds	<b>14,941</b>	15,486
Derivative financial instruments	<b>77</b>	511
	<b>101,984</b>	71,980
<b>Equity</b>		
Share capital and premium	<b>32,130</b>	30,260
Other reserves (note)	<b>992</b>	196
Retained earnings (note)	<b>7,890</b>	10,923
<b>Total equity</b>	<b>41,012</b>	41,379
<b>Total equity and non-current liabilities</b>	<b>142,996</b>	113,359

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

**MO Bin**  
Director

**YANG Ziying**  
Director

**45 Statement of financial position and reserve movement of the Company (Continued)****Note:****Reserve movement of the Company**

	<b>Other reserves RMB million</b>	<b>Retained earnings RMB million</b>	<b>Total RMB million</b>
<b>At 1 January 2019</b>	<b>196</b>	<b>10,923</b>	<b>11,119</b>
Profit for the year	–	<b>8,483</b>	<b>8,483</b>
Deferred losses on cash flow hedges	<b>(36)</b>	–	<b>(36)</b>
Deferred gains of hedging	<b>487</b>	–	<b>487</b>
Issue of shares as a result of scrip dividend	–	<b>(2,048)</b>	<b>(2,048)</b>
Cash dividends	–	<b>(9,468)</b>	<b>(9,468)</b>
Employee share schemes			
– Value of employee services	<b>336</b>	–	<b>336</b>
– Issue of shares pursuant to share option scheme	<b>(9)</b>	–	<b>(9)</b>
Change in fair value of financial assets at FVOCI	<b>18</b>	–	<b>18</b>
<b>At 31 December 2019</b>	<b>992</b>	<b>7,890</b>	<b>8,882</b>
<b>At 1 January 2018</b>	865	5,801	6,666
Profit for the year	–	14,563	14,563
Deferred gains on cash flow hedges	35	–	35
Deferred costs of hedging	(1,099)	–	(1,099)
Dividends	–	(9,441)	(9,441)
Employee share schemes			
– Value of employee services	354	–	354
– Issue of shares pursuant to share option scheme	(33)	–	(33)
Change in fair value of financial assets at FVOCI	74	–	74
<b>At 31 December 2018</b>	196	10,923	11,119

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46 Particulars of principal subsidiaries

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Indirectly held by the Company:</b>					
<b>Incorporated in Hong Kong and operates in Hong Kong:</b>					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD20,000,001	100%	0%	Investment holding
<b>Incorporated in the BVI and operates in Hong Kong:</b>					
Estonia Development Ltd	21 March 2006	USD200	100%	0%	Investment holding and rendering of property related sales services
Angel View International Limited	7 April 2006	USD200	100%	0%	Investment holding and rendering of property related sales services
<b>Established and operates in Mainland:</b>					
Guangdong Bright Dream Robotics Co., Ltd. 廣東博智林機器人有限公司	17 July 2018	RMB3,200,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Robotics Industrial Investment Co., Ltd. 佛山市順德區博智林機器人產業投資有限公司	15 August 2018	RMB10,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Intelligent Manufacturing Co., Ltd. 廣東博智林智慧製造有限公司	23 August 2018	RMB50,000,000	100%	0%	Research and development of robot intelligence
Zhuhai Bright Lingxi Technology Co. Ltd (i) 珠海市博靈犀技術有限公司	11 December 2019	RMB20,000,000	100%	0%	Research and development of robot intelligence

## 46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangdong Bright RuiEn Metal Technology Co., Ltd. 廣東博睿恩金屬科技有限公司	19 November 2018	RMB100,000,000	60%	40%	Research and development of robot intelligence
Country Garden Agricultural Holding Co., Ltd. 碧桂園農業控股有限公司	8 May 2018	RMB1,000,000,000	100%	0%	Agriculture and animal husbandry
Foshan Shunde Country Garden Real Estate Co., Ltd. 佛山市順德區碧桂園房地產置業有限公司	10 July 2017	RMB10,000,000	100%	0%	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	0%	Property development
Country Garden Real Estate Group Co., Ltd. 碧桂園地產集團有限公司	20 April 2015	RMB13,940,840,339	100%	0%	Property development
Changshu Chengdong Country Garden Real Estate Development Co., Ltd. 常熟市城東碧桂園房地產開發有限公司	30 November 2017	RMB50,000,000	88%	12%	Property development
Chaohu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	0%	Property development
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2009	RMB689,660,000	87%	13%	Property development
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	0%	Property development
Foshan Green Lake Industrial Development Co., Ltd. 佛山市綠湖實業發展有限公司	30 November 1999	RMB85,000,000	85%	15%	Property development
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	0%	Property development
Foshan Shunde Zhouyu Country Garden Property Development Co., Ltd. 佛山市順德區宙華投資諮詢有限公司	12 November 2012	RMB13,889,820,339	100%	0%	Property development
Foshan Yuankang Property Development Co., Ltd. 佛山源康房地產發展有限公司	29 February 2008	RMB1,310,000,000	94%	6%	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	USD253,800,000	100%	0%	Property development
Hainan Lingshui Country Garden Runda Property Investment Co., Ltd.* 海南陵水碧桂園潤達投資置業有限責任公司	11 April 2014	RMB200,000,000	49%	51%	Property development
Henan Country Garden Property Co., Ltd. 河南碧桂園置業有限公司	27 August 2015	RMB500,000,000	100%	0%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	22 June 2006	RMB963,000,000	100%	0%	Property development
Hubei Country Garden Property Development Co., Ltd. 湖北省碧桂園房地產開發有限公司	13 August 2015	RMB1,000,000,000	100%	0%	Property development
Huidong Country Garden Real Estate Development Co., Ltd. 惠東碧桂園房地產開發有限公司	23 January 2008	RMB449,000,000	100%	0%	Property development
Jiangsu Baohua Country Garden Real Estate Co., Ltd. 江蘇寶華碧桂園置業有限公司	9 March 2016	RMB20,000,000	77%	24%	Property development
Jiangyin Jingyu Property Development Co., Ltd. 江陰景裕房地產開發有限公司	12 April 2013	RMB2,300,000,000	100%	0%	Property development
Foshan Juzhele Real Estate Agent Co., Ltd. 佛山市居者樂房地產代理有限公司	30 May 2016	RMB500,000	100%	0%	Real estate consulting
Jurong Country Garden Property Development Co., Ltd. 句容碧桂園房地產開發有限公司	12 August 2010	USD604,500,000	100%	0%	Property development
Lanzhou Country Garden Real Estate Development Co., Ltd. 蘭州碧桂園房地產開發有限公司	1 February 2013	RMB920,000,000	100%	0%	Property development
Qingyuan Country Garden Xinya Real Estate Development Co., Ltd. 清遠碧桂園新亞房地產開發有限公司	25 January 2011	RMB300,000,000	100%	0%	Property development
Shaoguan Bihong Real Estate Investment and Development Co., Ltd.* 韶關市碧鴻房地產投資開發有限公司	22 December 2016	RMB820,370,722	44%	56%	Property development
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	0%	Property development
Shenzhen Country Garden Property Investment Co., Ltd. 深圳市碧桂園房地產投資有限公司	25 August 2015	RMB1,000,000,000	100%	0%	Property development
Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	0%	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,300,000,000	100%	0%	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	0%	Property development
Wuhu Jinzhi Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB3,000,000,000	100%	0%	Property development

## 46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Yunnan Bicheng Real Estate Development Co., Ltd. 雲南碧城房地產開發有限公司	29 June 2016	RMB2,462,855,790	95%	5%	Property development
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	0%	Property development
Zhongshan Shengdu Property Development Co., Ltd. 中山市聖都房地產開發有限公司	8 November 2001	RMB31,000,000	72%	28%	Property development
Guangdong Giant Leap Construction Co., Ltd. 廣東騰越建築工程有限公司	25 March 1997	RMB5,200,000,000	100%	0%	Construction
Guangdong Yaokang Investment Co., Ltd. 廣東耀康投資有限公司	20 April 2015	RMB1,383,400,000	100%	0%	Construction
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	0%	Hotel operation
Shenzhen Bisheng Development Co., Ltd. 深圳碧盛發展有限公司	19 November 2015	RMB62,500,000	100%	0%	Investment consulting
Shenyang Shenbeixincheng Yidong Real Estate Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	0%	Property development
Guangdong Shunde Phoenix Optimal Commercial Co., Ltd. 廣東順德鳳凰優選商業有限公司	24 January 2017	RMB425,000,000	100%	0%	Retail
Foshan Shunde Lunjiao Country Garden Real Estate Development Co., Ltd. 佛山市順德區倫教碧桂園房地產開發有限公司	18 March 2016	RMB1,000,000	95%	5%	Property development
Foshan Shunde Panpu Culture Co., Ltd. 佛山市順德區泮浦文化有限公司	19 June 2018	RMB1,000,000	100%	0%	Cultural activity planning
Foshan Shunde Xingtian Country Garden Real Estate Development Co., Ltd. 佛山市順德區杏壇碧桂園房地產開發有限公司	28 April 2018	RMB3,000,000	93%	7%	Property development
Foshan Jinzhonghuan Real Estate Co. Ltd. 佛山市金中環房地產有限公司	11 December 2013	RMB10,000,000	93%	7%	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	0%	Property development
Foshan Shunde Jun An Country Garden Property Development Co., Ltd. 佛山市順德區均安碧桂園物業發展有限公司	28 June 2000	RMB10,000,000	90%	10%	Property development
Foshan Shunde Jun An Country Garden Property Co., Ltd. 佛山市順德區均安碧桂園置業有限公司	1 September 2017	RMB5,000,000	53%	47%	Property development
Foshan Shunde Leliu Country Garden Real Estate Development Co., Ltd. 佛山市順德區勒流碧桂園房地產開發有限公司	18 September 2017	RMB1,000,000	58%	42%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Foshan Shunde Longjiang Country Garden Real Estate Co., Ltd. 佛山市順德區龍江碧桂園置業有限公司	3 January 2017	RMB1,000,000	91%	9%	Property development
Guangdong Country Garden Real Estate Information Consulting Co., Ltd. 廣東碧桂園房地產信息諮詢有限公司	26 July 2013	RMB10,000,000	100%	0%	Real estate consulting
Foshan Shunde Bijing Electronic Technology Co., Ltd. 佛山市順德區碧晶電子科技有限公司	19 November 2008	RMB10,000,000	100%	0%	Electronic hardware development
Foshan Shunde Biri Security Engineering Co., Ltd. 佛山市順德區碧日安防工程有限公司	8 July 2008	RMB8,000,000	100%	0%	Construction
Foshan Shunde Longshun Construction Project Management Co., Ltd. 佛山市順德區龍順建築項目管理有限公司	14 March 2017	RMB34,659,100	100%	0%	Construction
Guangdong Biri Science & Technology Co., Ltd. 廣東碧日科技有限公司	6 March 2014	RMB10,000,000	100%	0%	Biomass energy development
Guangdong Cheng Jia Decoration Design Engineering Co., Ltd. 廣東誠加裝飾設計工程有限公司	9 August 1999	RMB300,000,000	100%	0%	Construction
Guangdong Longyue Construction Engineering Co., Ltd. 廣東龍越建築工程有限公司	14 April 2011	RMB1,000,000,000	100%	0%	Construction
Guangdong Tengan Mechanical and Electrical Installation Engineering Co., Ltd. 廣東騰安機電安裝工程有限公司	30 September 2004	RMB200,000,000	100%	0%	Construction
Foshan Fengxi Food Co., Ltd. 佛山市鳳禧食品有限公司	18 March 2016	RMB5,000,000	100%	0%	Food sales
Guangdong Excellent Landscape design Engineering Co., Ltd. 廣東卓越景觀設計工程有限公司	24 July 2013	RMB10,000,000	100%	0%	Landscape design
Haiyang Honghui Development Co., Ltd 海陽鴻輝發展有限公司	19 March 2010	RMB107,700,000	90%	10%	Property development
Huiyang Songtao Industry Co., Ltd 惠陽松濤實業有限公司	13 May 1991	RMB50,000,000	83%	17%	Property development
Jiangsu Nanbi Real Estate Development Co., Ltd 江蘇南碧房地產開發有限公司	27 April 2016	RMB10,000,000	100%	0%	Property development
Chengdu Haichang Real Estate Co., Ltd 成都海昌置業有限公司	2 February 2008	RMB20,000,000	100%	0%	Property development
Chaozhou Country Garden Real Estate Development Co., Ltd 潮州市碧桂園房地產開發有限公司	5 May 2016	RMB10,000,000	85%	15%	Property development
Wenzhou country garden Jiutai Real Estate Co., Ltd 溫州碧桂園久泰置業有限公司	8 August 2016	RMB80,000,000	95%	5%	Property development

## 46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Chongqing Hongding Industrial Development Co., Ltd 重慶紅鼎實業發展有限責任公司	7 July 2004	RMB178,395,800	95%	5%	Property development
Sanya United Industry Co., Ltd 三亞聯合實業有限公司	5 September 2012	RMB375,411,106	100%	0%	Property development
Ningbo Hangzhou Bay New Area Country Garden Real Estate Development Co., Ltd 寧波杭州灣新區碧桂園房地產開發有限公司	14 August 2017	RMB50,000,000	63%	37%	Property development
Maoming country garden Zhennan Real Estate Development Co., Ltd 茂名市碧桂園振南房地產開發有限公司	30 August 2017	RMB10,000,000	92%	8%	Property development
Dongguan chuangying Real Estate Development Co., Ltd 東莞市創盈房地產開發有限公司	31 October 2017	RMB10,000,000	87%	13%	Property development
Jiangmen Xinhui Wenqing Country Garden Real Estate Development Co., Ltd 江門市新會區文清碧桂園房地產開發有限公司	15 December 2017	RMB10,000,000	91%	9%	Property development
Luohe Country Garden Real Estate Co., Ltd 漯河碧桂園置業有限公司	22 December 2017	RMB50,000,000	100%	0%	Property development
Shanxi country garden Yingxin Real Estate Development Co., Ltd 山西碧桂園盈信房地產開發有限公司	17 October 2017	RMB10,000,000	71%	29%	Property development
Kunming birunjun Real Estate Development Co., Ltd 昆明碧潤峻房地產開發有限公司	24 October 2017	RMB50,000,000	51%	49%	Property development
Huizhou Biquan Investment Co., Ltd 惠州碧泉投資有限公司	7 April 2017	RMB107,333,008	60%	40%	Property development
Sanya buyecheng Real Estate Co., Ltd 三亞不夜城置業有限公司	26 July 2011	RMB487,000,000	95%	5%	Property development
Yunnan Biqing Real Estate Development Co., Ltd 雲南碧清房地產開發有限公司	23 March 2018	RMB10,700,000	94%	6%	Property development
Yongzhou Runda Real Estate Co., Ltd 永州潤達置業有限公司	8 March 2018	RMB15,384,610	65%	35%	Property development
Wenzhou Xingyao Real Estate Development Co., Ltd 溫州星耀房地產開發有限公司	14 November 2017	RMB212,689,027	94%	6%	Property development
Taiyuan Junhe runbi Real Estate Development Co., Ltd 太原君和潤碧房地產開發有限公司	13 September 2017	RMB50,000,000	60%	40%	Property development
Foshan Nanhai District Rongsheng real estate development and Operation Co., Ltd 佛山市南海區溶聲房地產開發經營有限公司	30 July 2018	RMB3,249,891	93%	7%	Property development
Xiangtan Tanbi Real Estate Development Co., Ltd 湘潭市潭碧房地產開發有限公司	15 May 2018	RMB20,000,000	85%	15%	Property development
Luoyang bile Real Estate Co., Ltd (i) 洛陽碧樂置業有限公司	31 January 2019	RMB20,000,000	95%	5%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Yangzhou Country Garden Real Estate Development Co., Ltd (i) 揚州碧桂園房地產開發有限公司	24 May 2019	RMB20,000,000	90%	10%	Property development
Foshan Nanhai Guishi real estate development and Operation Co., Ltd 佛山市南海區桂石房地產開發經營有限公司	30 March 2018	RMB3,232,142	93%	7%	Property development
Foshan Shunde Desheng Real Estate Co., Ltd 佛山市順德區德晟房產有限公司	10 July 2017	RMB100,000,000	100%	0%	Property development
Changsha Bihong Real Estate Co., Ltd 長沙碧泓置業有限公司	30 May 2018	RMB10,000,000	85%	15%	Property development
Qingdao country garden Bolin Real Estate Co., Ltd 青島碧桂園博林置業有限公司	16 June 2017	RMB10,000,000	100%	0%	Property development
Guangzhou Yuedong Country Garden Investment Co., Ltd 廣州粵東碧桂園投資有限公司	29 November 2017	RMB100,100,000	100%	0%	Investment consulting
Guangdong Qianxi Catering Management Co., Ltd (i) 廣東千壘餐飲管理有限公司	5 May 2019	RMB500,000,000	100%	0%	Food sales
Guangdong biyouwei catering Co., Ltd (i) 廣東碧有味餐飲有限公司	10 May 2019	RMB10,000,000	100%	0%	Food sales
Guangdong Zhiyuan Robot Technology Co., Ltd (i) 廣東智源機器人科技有限公司	14 May 2019	RMB10,000,000	100%	0%	Research and development of robot intelligence
Guangdong Qianxi Management Consulting Co., Ltd (i) 廣東千壘管理諮詢有限公司	27 September 2019	RMB10,000,000	100%	0%	Management Consulting
Guangdong Boyue Intelligent Construction Technology Co., Ltd (i) 廣東博越智慧建造科技有限公司	8 March 2019	RMB1,000,000,000	100%	0%	Robot construction services
Guangdong bohanju new building materials Co., Ltd (i) 廣東博翰居新型建材有限公司	17 January 2019	RMB50,000,000	100%	0%	Research and development of robot intelligence
Foshan City Shunde Longjiang Town Country Garden Phoenix Hotel Co., Ltd 佛山市順德區龍江鎮碧桂園鳳凰酒店有限公司	11 November 2009	RMB100,000,000	100%	0%	Hotel operation
Biyouwei catering service (Foshan) Co., Ltd (i) 碧有味餐飲服務(佛山)有限公司	6 June 2019	RMB1,000,000	100%	0%	Food sales

## 46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangdong Bosheng Construction Technology Co., Ltd (i) 廣東博昇建築科技有限公司	10 January 2019	RMB50,000,000	100%	0%	Research and development of robot intelligence
Guangdong Bofang Zhongji Medical Technology Co., Ltd (i) 廣東博方眾濟醫療科技有限公司	8 May 2019	RMB50,000,000	100%	0%	Research and development of robot intelligence
Guangdong bozhilin Software Technology Co., Ltd (i) 廣東博智林軟件科技有限公司	5 July 2019	RMB10,000,000	100%	0%	Research and development of robot software
Guangdong Bochuang housing industrialization Co., Ltd (i) 廣東博創住宅工業化有限公司	5 July 2019	RMB100,000,000	100%	0%	Research and development of robot intelligence
Guangdong bohanju Equipment Technology Co., Ltd (i) 廣東博翰居裝備科技有限公司	30 August 2019	RMB500,000	100%	0%	Research and development of robot intelligence
Guangdong bojiatuo Construction Technology Co., Ltd (i) 廣東博嘉拓建築科技有限公司	12 December 2019	RMB50,000,000	100%	0%	Robot construction services
Foshan Leliu bohanju new building materials Co., Ltd (i) 佛山勒流博翰居新型建材有限公司	30 April 2019	RMB10,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Zhaoheng Country Garden Real Estate Co., Ltd 佛山市順德區肇恒碧桂園房地產置業有限公司	18 December 2018	RMB10,000,000	100%	0%	Property development
Jurong Xincheng Real Estate Construction Co., Ltd 句容市新城房產建設有限公司	28 February 2012	RMB20,000,000	100%	0%	Property development
Jurong Jinhui Real Estate Construction Co., Ltd 句容市金匯房產建設有限公司	21 February 2012	RMB20,000,000	100%	0%	Property development
Shenyang Yidong Real Estate Co., Ltd 沈陽伊東置業有限公司	25 April 2007	USD60,000,000	100%	0%	Construction

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate overseas:</b>					
BGY Cityview Holdings LLC*	6 July 2017	USD227,996,201	46%	54%	Property development
Country Garden Danga Bay Sdn. Bhd.	16 October 2012	RM150,000,100	100%	0%	Property development
Country Garden Real Estate Sdn. Bhd.	16 December 2013	RM1,000,000	100%	0%	Property development
Risland(Thailand) Co.,Ltd	1 June 2017	THB 500,000,000	100%	0%	Property development

(i) These subsidiaries are newly established or acquired by the Group during the year.

\* As the Group has the rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position of the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

## 47 Benefits and interests of directors

### (a) Directors' emoluments

The remuneration of every director and chief executive officer of the Company is set out below:

For the year ended 31 December 2019:

Name of director	Fees RMB'000	Salary (note) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000
<b>Chairman</b>					
Mr. YEUNG Kwok Keung	-	10,000	5,657	-	16
<b>Co-Chairman</b>					
Ms. YANG Huiyan	-	15,000	10,328	-	16
<b>Executive directors</b>					
Mr. MO Bin*	-	15,000	9,254	44,436	16
Ms. YANG Ziyang	-	10,000	3,389	-	16
Mr. YANG Zhicheng	-	4,000	30,000	10,589	46
Mr. SONG Jun	-	4,000	11,315	15,686	68
Mr. SU Baiyuan	-	4,000	13,479	4,115	21
Mr. LIANG Guokun (resigned on 18 October 2019)	-	3,183	113,030	-	15
<b>Non-executive director</b>					
Mr. CHEN Chong	-	370	-	-	16
<b>Independent non-executive directors</b>					
Mr. LAI Ming, Joseph	330	-	-	-	-
Mr. SHEK Lai Him, Abraham	330	-	-	-	-
Mr. TONG Wui Tung	330	-	-	-	-
Mr. HUANG Hongyan	240	-	-	-	-
Mr. TO Yau Kwok (appointed on 1 June 2019)	140	-	-	-	-
Mr. YEUNG Kwok On (resigned on 1 June 2019)	100	-	-	-	-
	<b>1,470</b>	<b>65,553</b>	<b>196,452</b>	<b>74,826</b>	<b>230</b>

\* Chief executive officer of the Company

i. Mr. LIANG Guokun resigned on 18 October 2019 as executive director of the Company.

ii. Mr. TO Yau Kwok was appointed on 1 June 2019 as independent non-executive director of the Company, and Mr. YEUNG Kwok On resigned on 1 June 2019 as independent non-executive director of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**47 Benefits and interests of directors (Continued)****(a) Directors' emoluments (continued)**

For the year ended 31 December 2018:

Name of director	Fees RMB'000	Salary (note) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000
<b>Chairman</b>					
Mr. YEUNG Kwok Keung	-	10,000	-	-	15
<b>Co-Chairman</b>					
Ms. YANG Huiyan (re-designated on 7 December 2018)	-	15,000	-	-	15
<b>Executive directors</b>					
Mr. MO Bin	-	15,000	16,321	37,509	15
Ms. YANG Ziying	-	10,000	-	-	15
Mr. YANG Zhicheng	-	4,000	24,834	6,278	44
Mr. XIE Shutai (resigned on 2 March 2018)	-	658	3,638	51	13
Mr. SONG Jun	-	4,000	37,127	13,223	71
Mr. LIANG Guokun	-	4,000	43,918	-	20
Mr. SU Baiyuan	-	4,000	19,235	3,232	19
<b>Non-executive director</b>					
Mr. CHEN Chong	-	370	1	-	15
<b>Independent non-executive directors</b>					
Mr. LAI Ming, Joseph	330	-	-	-	-
Mr. SHEK Lai Him, Abraham	330	-	-	-	-
Mr. TONG Wui Tung	330	-	-	-	-
Mr. HUANG Hongyan	240	-	-	-	-
Mr. MEI Wenjue (resigned on 2 March 2018)	39	-	-	-	-
Mr. YEUNG Kwok On	240	-	-	-	-
	1,509	67,028	145,074	60,293	242

Note: Salary paid to a director of the Company is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries.

**47 Benefits and interests of directors** *(Continued)***(b) Directors' retirement benefits**

During the year ended 31 December 2019, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries (2018: nil).

**(c) Directors' termination benefits**

During the year ended 31 December 2019, no payments to the directors of the Company as compensation for the early termination of the appointment (2018: nil).

**(d) Consideration provided to or receivable by third parties for making available directors' services**

During the year ended 31 December 2019, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company. (2018: nil).

**(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

During the year ended 31 December 2019, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2018: nil).

**(f) Directors' material interests in transactions, arrangements or contracts**

Save as disclosed above, 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 (2018: nil).

**48 Subsequent event**

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been implemented across China continuously. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

## GLOSSARY

<b>“2007 Share Option Scheme”</b>	the share option scheme of the Company adopted on 20 March 2007 and which had expired on 19 March 2017
<b>“2017 AGM”</b>	the annual general meeting of the Company held on Thursday, 18 May 2017
<b>“2017 Construction Services Agreement”</b>	the construction services agreements dated 30 December 2016 entered into between Giant Leap and Qingyuan CG which renewed the construction services agreement dated 16 December 2014 entered into between Giant Leap and Qingyuan CG in respect of the provision of construction services by Giant Leap to Qingyuan CG, and which has been renewed on 20 December 2019
<b>“2017 Share Option Scheme”</b>	the share option scheme of the Company adopted on 18 May 2017
<b>“2018 AGM”</b>	the annual general meeting of the Company held on Thursday, 17 May 2018
<b>“2018 Design Services Supplemental Agreement”</b>	the supplemental agreement dated 21 March 2018 entered into between Shunde Country Garden and Elite Architectural which further extended the design services agreement dated 27 March 2007 (as amended and supplemented by the design services supplemental agreements dated 20 June 2008, 17 December 2010, 31 October 2012, 13 December 2013, 30 December 2016 and 22 August 2017) entered into between Shunde Country Garden and Elite Architectural in respect of the provision of survey work, property design and interior design services by Elite Architectural to the Group
<b>“2019 EGM”</b>	the extraordinary general meeting of the Company held on Thursday, 16 May 2019
<b>“2020 AGM”</b>	the annual general meeting of the Company to be held on Thursday, 21 May 2020
<b>“Articles of Association”</b>	the articles of association of the Company
<b>“attributable contracted sales”</b>	the contracted sales of the Group’s subsidiaries, joint ventures and associates attributable to shareholders of the Company
<b>“Audit Committee”</b>	audit committee of the Company
<b>“available cash”</b>	the sum of cash and cash equivalents and restricted cash
<b>“Beijiao Construction Co.”</b>	Shunde Beijiao Construction Company Limited
<b>“Board”</b>	the board of Directors
<b>“CG Services”</b>	Country Garden Services Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 6098), ceased to be a subsidiary of the Company since its spin-off was completed on 19 June 2018
<b>“Chairman”</b>	the chairman of the Board
<b>“Chief Financial Officer”</b>	chief financial officer of the Company
<b>“China Construction”</b>	China State Construction Engineering Corporation

<b>“China Construction Fifth Division”</b>	China Construction Fifth Engineering Division Corp., Ltd.
<b>“CIMA”</b>	Chartered Institute of Management Accountants
<b>“Co-Chairman”</b>	Co-Chairman of the Board
<b>“Company” or “Country Garden”</b>	Country Garden Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2007)
<b>“core net profit attributable to the owners of the Company”</b>	profit attributable to owners of the Company excluding the post-tax gains arising from changes in fair value of and transfer to investment properties, net exchange gains/losses on financing activities, net losses on early redemption of senior notes and convertible bonds and changes in fair value of derivative financial instruments
<b>“Corporate Governance Code”</b>	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
<b>“Corporate Governance Committee”</b>	corporate governance committee of the Company
<b>“current ratio”</b>	a ratio calculated by dividing current assets by current liabilities
<b>“Director(s)”</b>	director(s) of the Company
<b>“Eligible Shareholders”</b>	the Shareholders whose names appear on the register of members of the Company on Thursday, 4 June 2020
<b>“Elite Architectural”</b>	Guangdong Elite Architectural Co., Ltd.
<b>“Employee Incentive Scheme”</b>	employee incentive scheme of the Group adopted on 20 December 2012
<b>“Executive Committee”</b>	executive committee of the Company
<b>“Finance Committee”</b>	finance committee of the Company
<b>“GFA”</b>	gross floor area
<b>“Giant Leap”</b>	Guangdong Giant Leap Construction Co., Ltd.
<b>“Group”</b>	the Company and its subsidiaries
<b>“HKD”</b>	Hong Kong dollar, the lawful currency of Hong Kong
<b>“HKICPA”</b>	Hong Kong Institute of Certified Public Accountants
<b>“Hong Kong” or “HKSAR”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Macau”</b>	the Macau Special Administrative Region of the PRC
<b>“Mainland China”</b>	the People’s Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan
<b>“Model Code”</b>	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
<b>“net current assets”</b>	the value of total current assets after its current liabilities have been subtracted
<b>“net debt”</b>	the value of total debt net of available cash

## GLOSSARY

<b>“net gearing ratio”</b>	a financial leverage calculated as dividing net debt by total equity
<b>“Nomination Committee”</b>	nomination committee of the Company
<b>“PRC” or “China”</b>	the People’s Republic of China
<b>“President”</b>	president of the Company
<b>“Qingyuan CG”</b>	Qingyuan Country Garden Property Development Co., Ltd.
<b>“Remuneration Committee”</b>	remuneration committee of the Company
<b>“RM”</b>	Ringgit Malaysia, the lawful currency of Malaysia
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“SFO”</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“SGX”</b>	Singapore Exchange Securities Trading Limited
<b>“Share(s)”</b>	ordinary share(s) in the capital of the Company with a par value of HKD0.10 each
<b>“Share Option Schemes”</b>	2007 Share Option Scheme and 2017 Share Option Scheme
<b>“Shareholder(s)”</b>	shareholder(s) of the Company
<b>“Shunde Country Garden”</b>	Foshan Shunde Country Garden Property Development Co., Ltd.
<b>“Shunde Sanhe Co.”</b>	Shunde Sanhe Property Development Co., Ltd.
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“THB”</b>	Thai Baht, the lawful currency of Thailand
<b>“USD”</b>	US dollar, the lawful currency of the United States of America
<b>“%”</b>	per cent



[www.countrygarden.com.cn](http://www.countrygarden.com.cn)