



佳兆業集團控股有限公司^{*}
KAISA GROUP HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1638

Annual Report 2019

KAISA
GROUP

^{*} For identification purposes only

CORPORATE OVERVIEW

Established in 1999, Kaisa Group Holdings Limited (the “**Company**” or “**Kaisa**”, which together with its subsidiaries, is referred to as the “**Group**”), is a large-scale integrated property developer. The shares of the Company began trading on the Main Board of The Stock Exchange of Hong Kong Limited on 9 December 2009. As a pioneer in the property market of the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”), Kaisa has anticipated China’s national development strategy and proactively undertaken comprehensive property development, urban redevelopment, operation of commercial properties, hotel management and property management. Its products comprise of residential properties, villas, offices, serviced apartments, integrated commercial buildings and mega urban complexes.

Having established its home base in Shenzhen, Kaisa has been expanding its presence in the Greater Bay Area over the years. With footholds in Shenzhen, Guangzhou, Huizhou, Zhuhai, Foshan, Dongguan and Zhongshan, the Group’s businesses also cover the economically vibrant cities in such regions as the Yangtze River Delta, western and central parts of China and the pan-Bohai Rim. As at 31 December 2019, the Group’s land bank in the Greater Bay Area totaled approximately 13.6 million sq.m., or approximately 51% of its total land bank. By virtue of its rich experience in urban redevelopment, the Group has secured many high-quality urban redevelopment projects in the Greater Bay Area, mainly in such cities as Shenzhen, Guangzhou and Zhongshan, which will lay a solid foundation for the Group’s future development.

Kaisa is committed to the core values of “professionalism, innovation, value creation and responsibility” and manifests them by participating actively in a wide range of urban development projects in China. In recent years, the Group has also capitalized on a series of government policies on national development by diversifying into the fields of cultural activities and sports, health care and technology industry, aiming to achieve synergy between the various businesses. We have built such a good reputation that the “Kaisa” brand is itself guarantee of quality properties and good services. Kaisa’s development will inject more creative energy into China’s urbanization.





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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. KWOK Ying Shing (*Chairman*)
 Mr. SUN Yuenan (*Vice Chairman*)
 Mr. ZHENG Yi
 Mr. MAI Fan
 Mr. WENG Hao

NON-EXECUTIVE DIRECTOR

Ms. CHEN Shaohuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. RAO Yong
 Mr. ZHANG Yizhao
 Mr. LIU Xuesheng

AUDIT COMMITTEE

Mr. RAO Yong (*Chairman*)
 Mr. ZHANG Yizhao
 Ms. CHEN Shaohuan

REMUNERATION COMMITTEE

Mr. ZHANG Yizhao (*Chairman*)
 Mr. RAO Yong
 Mr. KWOK Ying Shing

NOMINATION COMMITTEE

Mr. KWOK Ying Shing (*Chairman*)
 Mr. RAO Yong
 Mr. ZHANG Yizhao

AUTHORISED REPRESENTATIVES

Mr. SUN Yuenan
 Mr. MAI Fan

COMPANY SECRETARY

Mr. YU Kwok Leung

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

Room 3306, Kerry Center
 Ren Min South Road
 Luohu
 Shenzhen
 China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

30/F, The Center
 99 Queen's Road Central
 Central
 Hong Kong



CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKERS

Bank of China Limited
Industrial and Commercial Bank of China Limited
Ping An Bank Company Limited
China Citic Bank Corporation Limited
China Minsheng Banking Corp. Ltd.

LEGAL ADVISERS

As to Hong Kong and U.S. law:

Sidley Austin

As to PRC law:

King & Wood Mallesons

As to Cayman Islands law:

Harney Westwood & Riegels

AUDITOR

Grant Thornton Hong Kong Limited

LISTING INFORMATION

Share Listing

The Company's ordinary shares are listed on the
Main Board of The Stock Exchange of
Hong Kong Limited
(Stock Code: 1638.HK)

COMPANY'S WEBSITE

<http://www.kaisagroup.com>



MILESTONES

I. ANOTHER RECORD HIGH IN CONTRACTED SALES

Kaisa Group's contracted sales hit 100 billion for the first time

On 31 December, Kaisa Group's gross contracted sales in 2019 achieved RMB115 billion, while the attributable amount reached RMB88.1 billion. The Group successfully beat its annual sales target.



II. INTERNATIONALLY RECOGNIZED CREDITPROFILE

In May, Kaisa Group was accredited with "B1", "B" and "B" credit ratings with a "stable" outlook by three reputable international ratings agencies, namely Moody's, S&P and Fitch, respectively. The credit metrics of the Group was further elevated and consolidated.



III. A LEADER IN URBAN REDEVELOPMENT

Conversion of Kaisa Group's first urban renewal project in Shanghai

On 3 July, Kaisa Group successfully acquired the "village-in-city" redevelopment project at Xuhang Town, Jiading District, Shanghai. This project is the first of its kind that a private enterprise participated and successfully completed the demolition and relocation in Jiading District. It's also the largest "village-in-city" redevelopment project in terms of site area in Shanghai to date. The conversion of the project will provide strong support to the Group for its penetration in the Yangtze River Delta region and will also expedite the replication of Kaisa's urban redevelopment model to the whole country.



MILESTONES

IV. EVER MORE SALIENT ROLE AS AN URBAN OPERATION SERVICE PROVIDER

Official Initiation of Tenant Sourcing at Karfun Plaza, Shenzhen Tech City

On 13 April, Kaisa Group organized the “Opening Ceremony of Kaisa City Plaza cum Kick-off Ceremony of Worldwide Tenant Sourcing” in Shenzhen. Meanwhile, Kaisa Commercial Group initiated its tenant sourcing for Karfun Plaza project at Shenzhen Tech City, which symbolized the countdown of opening for the first product of the Karfun series product line.



Successful Launching of Proprietary IP “International Super Cup” by Kaisa Culture & Sports Group

In July, initiated by Kaisa Culture & Sports Group, the International Super Cup, a newly created proprietary IP football tournament, was successfully launched. Subsequently, France Super Cup has been successfully held in Shenzhen for the second consecutive year. The two major international football IP tournaments were both warmly sought after by their supporters. This is the best manifestation of the professional operation capabilities of Kaisa Culture & Sports in high-end tournaments. It's also a successful trial to explore new operational models for international top-class tournaments.



Grand Opening of the First Island Resort Hotel of Shenzhen Oceanus Group

On 24 August, Kaisa Keyu Resort at Dong'ao Island devotedly developed by Shenzhen Oceanus Group was officially open to the public. The resort was the first island resort hotel of Shenzhen Oceanus Group. Shenzhen Oceanus Group adheres to diversified development strategies, relies on sea lanes, continuously expands its coastal tourism business in the Guangdong-Hong Kong-Macau Greater Bay Area and explores the tourism features on the neighbouring islands, thereby making more tourists experience the new ways of more distinctive coastal tourism.



MILESTONES

Successful Launch of Kaisa Airport Tech City

On 25 September, Kaisa Airport Tech City was successfully launched and contracts were signed with over 20 enterprises including, among others, Dansu-China Health Care (武漢金瑞達醫療), being the representative of the first batch of enterprises to set up business there. This showcased the determination of Kaisa in expanding its presence in the technology industry.



Opening of Pullman Huizhou Kaisa

On 21 October, Pullman Huizhou Kaisa, the first hotel under Pullman brand and a cooperation project between Kaisa Hotel Group and Accor Group from France, celebrated its grand opening, which marked a new addition to the international branded hotels under Kaisa.



Official Opening of the First Licenced Sports Rehabilitation Centre in Nanshan District, Shenzhen

On 26 October, Sincerity Healthcare Rehabilitation Centre under Kaisa Health Group (876.HK) commenced operation with a warm welcome. This was the first sports rehabilitation centre with the medical institution license in Nanshan District, Shenzhen. Established in Shenzhen and with its nationwide coverage, Kaisa Health Group actively promoted the popularity of sports rehabilitation and provides high-quality medical services to the public in the country.



MILESTONES

Kaisa Prosperity Acquired Jiangsu Hengyuan Property

On 31 October, Kaisa Prosperity Holdings Limited (2168.HK) announced the acquisition of Jiangsu Hengyuan Property Management Company Limited. Upon the acquisition, Kaisa Prosperity will have a total GFA under management of approximately 45,000,000 square meters and nearly 300 projects under its management, laying a solid foundation for its further expansion of property management portfolio, and increase in its sales revenue, market influence and market share in the Yangtze River Delta region.



Establishment of Kaisa Group's First International Education School in Shenzhen

On 25 November, a ceremony for signing agreement between Kaisa Group and Lawrence Woodmere Academy from the United States successfully took place. Both parties will jointly build the Lawrence Woodmere Academy in Shenzhen in the future, which will be the first high-end international boarding school in pure American style. The collaboration marked Kaisa Group's official expansion in an international education business, actively making contributions to the education industry in China.



V. CORPORATE SOCIAL RESPONSIBILITY

Kaisa Group Made Another Donation of RMB120 million to Support Poverty Alleviation in Guangdong

On 30 June, Kaisa Group made another donation of RMB120 million to support the work of precise poverty alleviation in Guangdong Province in an event of "Guangdong Poverty Relief Day" (廣東扶貧濟困日) in 2019. Up to date, Kaisa Group has made an aggregate donation of RMB340 million for three years for the sole purpose of poverty alleviation in Guangdong Province.



MILESTONES

Kaisa Group's Active Response to the "Youth Employment And Training Programme" Was Recognized by the Committee of Communist Youth League of Guangdong (共青團廣東省委)

On 25 November, Kaisa Group received an acknowledgement from the Committee of Guangdong Communist Youth League, in which they gave full recognition and high recommendation to Kaisa Group for its high degree of emphasis, swift response and dedicated planning in internship projects of "Youth Employment and Training Programme" for Hong Kong students.



10,000 People Celebrate Kaisa Group's 20th Anniversary at Kaisa Run

On 2 June, 2019 THE KAISA RUN, a national running campaign for the 20th anniversary of the establishment of Kaisa Group, started with over 10,000 staff from more than 100 subsidiaries of Kaisa in over 50 cities nationwide energetically in tribute to the 20th anniversary of the establishment of Kaisa Group.



Launch of "Kaisa New Generation 2020" Campus Global Recruitment

On 19 September, the grand opening ceremony of "Kaisa New Generation 2020" Campus Global Recruitment was held, attracting over 1,200 excellent graduates from seven famous colleges to pursue for their dreams. As a "2019 China Real Estate Best Employer Enterprise" (2019中國房地產最佳僱主企業), Kaisa Group will continue to provide its extensive platform for all youths to show their talents.



AWARDS

March 2019

Special Contribution Enterprise for the 40th Anniversary of Reform and Open Up in Guangdong Province

Guangdong Real Estate Association



May 2019

4th of TOP 10 Hong Kong-Listed China-based Property Developers in 2019 in Investment Value

Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy



May 2019

Best Information Disclosure Hong Kong Listed Company

Gelonghui



July 2019

Outstanding Listed Company Award 2019

The Hong Kong Institute of Financial Analysts and Professional Commentators



August 2019

2019 TOP 27 Property Companies in Integrated Capability

Eh-Consulting



August 2019

2019 China's Top 10 Real Estate Enterprises in terms of Capital Investment Value in Guangdong-Hong Kong-Macau Greater Bay Area

Eh-Consulting



AWARDS

September 2019

2019 Leading Brand of China Comprehensive Real Estate Companies – Top 1 in Urban Renewal

Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy



September 2019

29th among 2019 China Top 30 Property Developers Brand Value

China Real Estate Association, Shanghai E-house China R&D Institute China Real Estate Appraisal Centre



November 2019

28th among 2019 Top 100 Private Enterprises of Guangdong Province

People’s Government of Guangdong Province, Guangdong Provincial Committee of the Chinese People’s Political Consultative Conference and All-China Federation of Industry and Commerce



November 2019

2019 Poverty Alleviation Enterprise of the Year

International Financial News of People’s Daily



December 2019

2019 China Securities Golden Bauhinia Awards – The Most Valuable Listed Company

Hong Kong Ta Kung Wen Wei Media Group



December 2019

2019 China Real Estate Enterprise – Best Employer

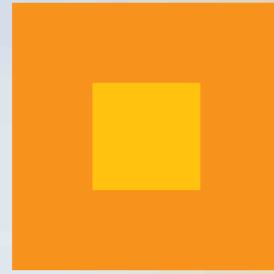
China Real Estate Association, Shanghai E-house China R&D Institute China Real Estate Appraisal Centre and the Employer Appraisal Centre of E-House (China) Enterprise Holding Limited





QUALITY LIVING

Quality plays a pivotal role in an enterprise's development with enduring perseverance creates endless possibilities



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Kaisa Group Holdings Ltd. ("Kaisa" or the "Company", together with its subsidiaries, the "Group"), I hereby present to you the annual results of the Group for the year ended 31 December 2019 (the "Year") together with the comparative figures for the previous year.

RESULTS AND DIVIDEND

During the Year, the Group's revenue and gross profit increased significantly by approximately 24.1% and 24.3% to approximately RMB48,021.7 million and RMB13,830.1 million respectively, as compared to 2018. Profit for the year attributable to owners of the Company and basic earnings per share increased substantially by approximately 67.1% and 66.9% to RMB4,594.3 million and RMB75.6 cents respectively, as compared to 2018. Core net profit attributable to owner of the Company (excluding net gain on repurchase of senior notes, net fair value gain of financial assets at fair value through profit or loss, net exchange losses, loss on disposal of investment properties, fair value gain of investment properties and fair value loss of financial derivatives, and net of respective deferred tax) increased by 2.7% to approximately RMB4,303.4 million in 2019 from approximately RMB4,190.3 million in 2018.

The Board recommended payment of a final dividend of HK10.0 cents per share for the year ended 31 December 2019 (2018: HK9.0 cents per share). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting (the "AGM").

BUSINESS REVIEW

Property Market and Policies

In 2019, China's gross domestic product (GDP) increased by 6.1% to RMB99.0865 trillion from the previous year. The national economy maintained overall stability and made steady progress. The sales of commodity housing grew by 6.5% year on year to RMB15.9725 trillion, while the saleable area decreased slightly by 0.1% to 1,715.58 million sq.m..

During the Year, in the face of the impacts on China's economy brought by US-China trade tensions, the Chinese Government upheld its principle of "housing is for living in, not for speculation", and expressly stated that it would not use the property sector as a short-term stimulus for the economy. Under the stable policy environment, local governments also proactively regulated their respective property markets in a timely manner based on the local conditions, to ensure that local property markets are within a reasonable range.

CHAIRMAN'S STATEMENT

Contracted Sales

During the Year, property market momentum in the first-tier and major second-tier cities in which the Group has established presence was robust in general. Leveraging its good reputation in the regional markets as well as its ever-enhancing product competitiveness, Kaisa satisfied the rigid demands of home buyers and upgraders with high quality products and services. For the year ended 31 December 2019, the Group's attributable contracted sales surged by 26% year on year to approximately RMB88,120 million. According to the "2019 Chinese Property Developers" jointly published by China Real Estate Information Corp ("CRIC") and China Real Estate Appraisal Center, the Group ranked 27th in terms of attributable contracted sales value, up by 10 places from 37th as at the end of 2018.

Benefiting from the central government's policies in respect of the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") and the pilot demonstration area of Shenzhen, the Greater Bay Area market remained as the major contributor to the Group's sales during the Year, accounting for more than 60% of contracted sales. As a leading enterprise in the urban renewal market in the Greater Bay Area, Kaisa capitalised on its premium resources in urban renewal and supplied the Group with quality urban renewal projects, which has laid a solid foundation for the growth of its sales volume. During the Year, Kaisa's urban renewal projects such as Shenzhen Yantian City Plaza, Shenzhen Pinghu Kaisa Plaza, Shenzhen Kaisa Future City, Shenzhen Kaisa Dongmen New World and Shenzhen Bantian Kaisa City Plaza achieved satisfactory sales performance.

Land Bank

The Group continued to replenish its land bank through diversified channels. During the Year, the Group acquired a total of 30 parcels of land, with approximately 4,117,680 sq.m. of attributable gross floor area ("GFA"), for an aggregate attributable consideration of approximately RMB27,214 million. The figure also represented an average land cost of approximately RMB6,609 per sq.m.. In terms of the attributable GFA of such newly acquired lands, those in the Greater Bay Area, Central China and Yangtze River Delta accounted for 53%, 22% and 13% of the total newly acquired land bank of the Group, respectively. Of the newly acquired lands, those in first-tier cities accounted for 41% in terms of attributable consideration.

As of 31 December 2019, the Group had 176 real estate projects in 47 cities nationwide. The Group's land bank totaled approximately 26.8 million sq.m., of which approximately 13.6 million sq.m. are in the Greater Bay Area, accounting for 51% of the Group's overall land bank. The Group's land bank in Shenzhen and Guangzhou, which are the core markets that the Group has intensively developed over the years, accounted for 35% of its land bank in the Greater Bay Area.

It is worth noting that the Group won the bid for a parcel of land for residential use in Castle Peak Bay, Tuen Mun, Hong Kong at the beginning of this year, making the Group's first venture into Hong Kong's residential market. The land, adjacent to Hong Kong Gold Coast and Harrow International School Hong Kong with bright development prospect of infrastructure, is the first land sale launched by the HKSAR Government in 2020. The project occupied a site area of approximately 146,000 sq.ft., with a maximum permissible GFA of approximately 583,000 sq.ft.. Currently, it takes a 20-minute drive from the project site to Shenzhen Bay, and a 30-minute drive to Central. After the opening of the Tuen Mun-Chek Lap Kok Link, driving from the project site to Hong Kong Airport and Hong Kong-Zhuhai-Macau Bridge will only take 15 minutes. Upgrading of transportation infrastructure in the region will enhance the interactions and synergies between the Group's businesses in different cities, further fortifying the Group's foothold in the Greater Bay Area.

CHAIRMAN'S STATEMENT

Urban Renewal

With regards to urban renewal, Kaisa achieved great progress in converting urban renewal projects into land supply during the Year, successfully including six projects in Shenzhen, 1 project in Shanghai and 1 project in Huizhou into the Group's land bank. These six Shenzhen projects, located respectively in Futian, Longhua, Longgang, Bao'an and Guangming districts, enabled the Group to achieve full implementation of the urban renewal projects in all administrative divisions in Shenzhen. Urban renewal has become an important means of the Group to secure quality land resources in the first-tier and major second-tier cities.

In appreciation of Kaisa's efforts and contributions in the urban renewal sector over the years, the Group was granted "1st of Leading Brands of Chinese Comprehensive Real Estate Companies in 2019 – Urban Renewal" by the Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy in September 2019. The award is also a recognition to Kaisa's active participation in China's urbanisation through urban renewal business as well as its efforts in promoting urban industrial upgrading and enhancing the urban value.

Financing and Capital Market Management

In view of the initially loosened but subsequently tightened financing environment in 2019, the Group on one hand accelerated the collection of sales proceeds from property sales, and on the other hand, remained committed to its goal of lowering leverage that set at the beginning of the year. As at 31 December 2019, the Group's cash and bank deposits (including bank deposits, cash and bank balances and restricted cash) amounted to RMB36,978.0 million. And the Group's quick ratio (cash and bank deposits/short-term borrowings) maintained at a satisfactory level of 1.1 times, reflecting its ample liquidity position.

In terms of onshore financing, the Group continued to expand the cooperation with regionally renowned joint-stock banks while deepening the cooperation with the existing banking partners. It also continued to explore new financing channels to improve debt structure, lower financing cost and reinforce its cashflow management. During the Year, the Group obtained approvals from the Shenzhen Stock Exchange to issue more than RMB11 billion worth of asset-backed securities ("ABS") and successfully issued ABS backed by income of shipping business, ABS secured by mortgage balloon payments and ABS linked to supply chain financing in an aggregate amount of RMB2.6 billion. The coupon rate of the aforesaid products ranged from 5.4% to 7.5% with a maturity of 1 to 4 years.

Regarding offshore financing, the Group was granted "B1", "B" and "B" issuer rating with a "Stable" outlook by Moody's Investor Services, Standard and Poor's Rating Services and Fitch Ratings, respectively, in May 2019. With its international credit ratings, the Group took advantage of the market conditions by swapping short-term bonds for long-term bonds in order to reduce its exposure to risks associated with short-term debts, rendering support to the rapid development of the Group. In particular, the transaction of the Group's US\$400 million senior notes due 2022 issued in October 2019 under Securities Act Rule 144A was awarded "Best High-Yield Bond in 2019" by The Asset, an internationally renowned magazine. This issuance is not only the Group's first issuance of senior notes under Rule 144A since 2014, but also the first issuance of senior notes by a Chinese real estate enterprise under Rule 144A since 2015. The overwhelming response of this issuance also reflected the market's strong confidence in Kaisa. In February 2020, leveraging on the Group's prudential financial management and determination in reducing its financing cost, the Company successfully issued US\$400 million 6.75% senior notes due 2021 to strengthen its capability to withstand adversity. Other than this, the Group has also established good business relations with offshore commercial banks. For example, the Group successfully obtained financial support for its newly acquired project in Tuen Mun, Hong Kong, which further strengthened the foundation for its offshore funding channels.

During the Year, the Group repurchased short-term senior notes in an aggregate amount of US\$736 million through tender offer and buy back, in order to manage its debts in a proactive manner.

CHAIRMAN'S STATEMENT

PROSPECTS

Looking ahead, the outbreak of novel coronavirus is expected to exert pressure on the growth of the real estate market in the short run, the Group has made proactive preparations for adversity in light of the current conditions. Pursuant to the government policy, the Group has adjusted its project launch strategy, shifting away from centralized sales launch model. At the same time, the Group organized multiple forms of online marketing, including live streaming, proprietary sales platform wechat mini program, mobile app, and major third-party platforms to facilitate its consumers' housing transaction.

Despite short-term impacts brought by the coronavirus epidemic and volatile US-China trade relations could undermine the steady growth of China's economy, it is believed that the Chinese government will overcome the challenges facing society through a series of systematic reform as well as financial and monetary policies in the long run, and ultimately, will stabilise employment, finance, foreign trade, foreign capital, investment and expectations. At the same time, local governments will optimise their regulatory policies on certain districts, in order to stabilise the local economy and boost market confidence.

In view of the current market conditions, the Group will capture opportunities in land replenishment by prudently participating in bidding, auction and listing as well as acquisition and merger, in order to maintain solid cash flow. In the meantime, the Group will continue to strengthen its capital and budget management, optimise cost and expense management, and explore low-cost and diversified financing channels.

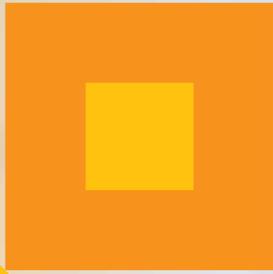
Acknowledgement

The steady development of the Group during the Year depended on the enormous support from the community, as well as the dedication and contribution of our staff members. On behalf of the Board, I would like to take this opportunity to extend my wholehearted gratitude to all shareholders, investors, business partners and customers of the Company for their trust and support. Kaisa Group will closely monitor the latest development of the health crisis. We believe that we can win this battle together by staying united and strong. We will also continue to work hard to fulfil or even exceed our goals so as to maximise the value and returns to our shareholders and investors.

KWOK Ying Shing

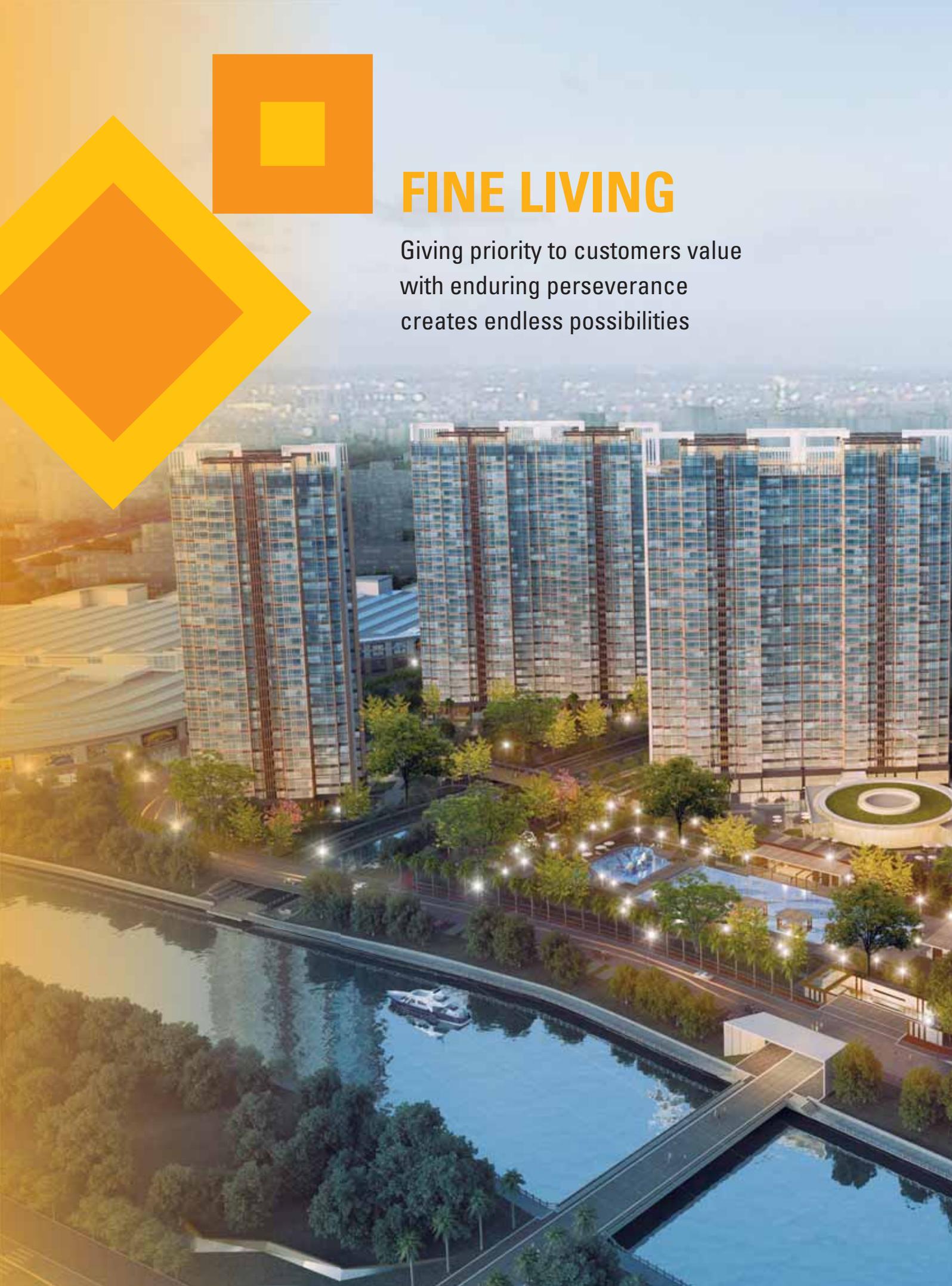
Chairman

Hong Kong, 31 March 2020



FINE LIVING

Giving priority to customers value
with enduring perseverance
creates endless possibilities





MANAGEMENT DISCUSSION AND ANALYSIS



OVERALL PERFORMANCE

During the year ended 31 December 2019, the Group recorded a turnover of approximately RMB48,021.7 million, representing an increase of 24.1% as compared with approximately RMB38,705.0 million in 2018. Profit for the year attributable to owners of the Company amounted to approximately RMB4,594.3 million, representing an increase of 67.1% as compared with 2018. The core net profit attributable to owners of the Company (excluding net gain on repurchases of senior notes, net fair value gain of financial assets at fair value through profit or loss, net exchange losses, loss on disposal of investment properties, fair value gain of investment properties and fair value loss of financial derivatives, and net of respective deferred tax) was amounted to approximately RMB4,303.4 million (2018: approximately RMB4,190.3 million). Basic earnings per share was amounted to RMB75.6 cents (2018: RMB45.3 cents).

The Board recommended the payment of a final dividend of HK10.0 cents per share. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting (the “AGM”) (2018: HK9.0 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted sales in 2019

In 2019, the Group's contracted sales amounted to approximately RMB88,120 million, representing an increase of 25.8% from 2018. Aggregated GFA sold for the year was 4,642,075 sq.m., representing an increase of 21.0% from 2018. Average selling price of the contracted sales in 2019 increased by 4.0% to RMB18,983 per sq.m. from RMB18,261 per sq.m. in 2018. The table below shows the Group's contracted sales by region in 2019:

Region	Contracted sales area (sq.m.)	Contracted sales amount (RMB in millions)
Pearl River Delta	1,830,981	53,641
Yangtze River Delta	427,689	7,724
Central China Region	584,395	9,226
Western China Region	614,681	5,751
Pan-Bohai Bay Rim	1,184,329	11,778
Total	4,642,075	88,120

Property development

Projects completed in 2019

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the Year, the GFA of newly completed projects of the Group amounted to approximately 3.17 million sq.m..

Projects under development

As at 31 December 2019, the Group had 81 projects under development with an aggregate of GFA of approximately 13.94 million sq.m..

Property management

The Group generated revenue from providing property management services. During the year ended 31 December 2019, the Group managed a total GFA of approximately 46.2 million sq.m.. The Group's property management is striving to deliver excellent and professional services to its customers and enhance brand and corporate image. As of 31 December 2019, the Group's property services penetrated into nearly 42 cities nationwide, covering residential, commercial, office, tourism and large-scale stadiums.

Investment properties

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 31 December 2019, the Group held 21 investment property projects, with an aggregate GFA of approximately 1.24 million sq.m., including completed investment properties of GFA of approximately 0.54 million sq.m. for leasing purpose.

Land bank

The Group remained cautious in its replenishing land bank by making reference to the availability of land supply and its existing land bank in the regions. By ways such as acquisition, bidding, auction and listing as well as urban renewal, the Group continues to seek project resources in the regions where economy prospers. The Group acquired a total of 30 parcels of land or related interests. The aggregate attributable consideration for land acquisition amounted to approximately RMB27,214 million, and the average land cost attributable to the total GFA per unit was approximately RMB6,609 per sq.m.. The total attributable GFA per maximum allowed plot ratio attributable to the Group was approximately 4,117,680 sq.m..

As at 31 December 2019, the Group had a total land bank of approximately 26.8 million sq.m. and approximately 50.8% of land bank was located in the Greater Bay Area. The current land bank is sufficient for the Group's development needs for the next five years.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth detailed information of these land acquisitions:

Time of Acquisition	Location	Attributable Interest	Site Area (sq.m.)	Attributable Capacity Building Area (sq.m.)	Attributable Consideration (RMB in millions)	Type
February 2019	Suzhou, Jiangsu	100%	32,006	48,008	891	Residential
February 2019	Hangzhou, Zhejiang	50%	19,175	19,175	316	Residential
April 2019	Qingyuan, Guangdong	100%	343,749	1,183,327	4,661	Residential
April 2019	Xiangang, Hubei	70%	218,814	183,804	47	Industrial
April 2019	Dalian, Liaoning	100%	24,334	85,169	270	Residential
April 2019	Nanjing, Jiangsu	100%	65,697	144,535	940	Residential
April 2019	Nanjing, Jiangsu	51%	73,686	52,612	607	Residential
May 2019	Dongguan, Guangdong	51%	38,096	48,572	529	Residential
May 2019	Chongqing	100%	41,724	104,311	1,050	Residential
June 2019	Guangzhou, Guangdong	100%	47,626	94,960	1,485	Residential
June 2019	Foshan, Guangdong	100%	31,017	93,052	1,163	Residential
June 2019	Wuhan, Hubei	100%	56,900	142,252	538	Residential
June 2019	Shenzhen, Guangdong	70%	9,467	29,820	830	Residential
June 2019	Shanghai	90%	126,923	192,164	2,790	Residential
July 2019	Changsha, Hunan	51%	53,486	120,532	365	Residential and Commercial
July 2019	Guangzhou, Guangdong	100%	17,746	44,364	612	Residential
July 2019	Luoyang, Henan	32%	210,884	188,011	807	Residential
August 2019	Shenzhen, Guangdong	100%	9,321	46,176	790	Residential and Commercial
August 2019	Huizhou, Guangdong	33%	48,179	55,647	156	Residential
August 2019	Huizhou, Guangdong	100%	17,392	78,264	175	Residential
August 2019	Zhuhai, Guangdong	100%	74,729	129,260	434	Residential
August 2019	Chongqing	100%	126,443	252,887	946	Residential
August 2019	Shenyang, Liaoning	51%	12,874	52,524	169	Residential
October 2019	Wuhan, Hubei	100%	129,191	258,382	961	Residential
October 2019	Shenzhen, Guangdong	80%	35,239	120,656	2,223	Residential
November 2019	Shenzhen, Guangdong	100%	6,033	66,600	533	Residential and Commercial
November 2019	Huizhou, Guangdong	51%	27,820	66,768	109	Residential
November 2019	Shenzhen, Guangdong	60%	28,842	83,292	1,666	Residential and Commercial
December 2019	Hefei, Anhui	49%	111,503	98,345	837	Residential
December 2019	Shenzhen, Guangdong	70%	7,590	34,213	315	Residential
			2,046,486	4,117,680	27,214	

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations, (vi) water-way passenger and cargo transportation and (vii) others. Revenue increased by 24.1% to approximately RMB48,021.7 million in 2019 from approximately RMB38,705.0 million in 2018. 91.3% of the Group's revenue was generated from the sales of properties (2018: 93.2%) and 8.7% from other segments (2018: 6.8%).

MANAGEMENT DISCUSSION AND ANALYSIS



Sales of properties

Revenue from sales of properties increased by approximately RMB7,768.1 million, or 21.5%, to approximately RMB43,848.6 million in 2019 from approximately RMB36,080.6 million in 2018. The increase was primarily attributable to an increase in the total delivered GFA from approximately 2,096,568 sq.m. in 2018 to approximately 2,547,961 sq.m. in 2019.

Rental income

Rental income increased by approximately RMB177.1 million, or 63.6%, to approximately RMB455.7 million in 2019 from approximately RMB278.6 million in 2018. The increase was primarily due to more GFA for rental.

Property management

Revenue from property management services increased by approximately RMB396.1 million, or 76.7%, to approximately RMB912.3 million in 2019 from approximately RMB516.2 million in 2018. This increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB27.0 million, or 10.8% to approximately RMB276.9 million in 2019 from approximately RMB249.9 million in 2018. This increase was mainly attributable to the business expansion in this segment.

Cinema, department store and cultural centre operations

Revenue from cinema, department store and cultural centre operations increased by approximately RMB173.3 million, or 35.3%, to approximately RMB664.4 million in 2019 from approximately RMB491.1 million in 2018. The increase was primarily attributable to the business expansion in this segment.

Water-way passenger and cargo transportation

Revenue from water-way passenger and cargo transportation increased by approximately RMB59.2 million, or 7.3%, to approximately RMB869.8 million in 2019 from approximately RMB810.6 million in 2018. The increase was primarily attributable to the business expansion in this segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

As a result of the foregoing, the Group's gross profit increased by approximately RMB2,701.3 million, or 24.3%, to approximately RMB13,830.1 million in 2019 from approximately RMB11,128.8 million in 2018. The Group's gross profit margin remained unchanged in 2019 at 28.8%.

Other gain and losses – net

The Group had net other losses of approximately RMB677.8 million in 2019, as compared to net other losses of approximately RMB638.7 million in 2018. The Group's net other gains and losses in 2019 mainly comprised provision for expected credit loss of approximately RMB478.1 million, loss on disposal of investment properties of approximately RMB193.8 million, impairment loss on intangible assets of approximately RMB473.4 million and write-down of completed properties held for sale and properties under development of approximately RMB367.7 million, written off of debtors and other receivables of approximately RMB275.3 million, loss on derecognition of interest in an associate of approximately RMB252.0 million and offset by net fair value gain on financial assets at fair value through profit or loss of approximately RMB1,380.9 million, and government subsidy income of approximately RMB83.2 million, and net gain on repurchase of senior notes of approximately RMB178.4 million. The Group's net other losses in 2018 mainly comprised provision for expected credit loss of approximately RMB529.3 million, net fair value loss on financial assets at fair value through profit or loss of approximately RMB271.3 million, impairment loss on interest in an associate of approximately RMB658.7 million and write-down of completed properties held for sale and properties under development of approximately RMB220.2 million and offset by government subsidy income of approximately RMB438.6 million, waiver of other payables of approximately RMB406.3 million and net gain on repurchase of senior notes of approximately RMB142.7 million.

Net gain on deemed disposals of subsidiaries

The Group had recorded net gain on deemed disposals of subsidiaries of approximately RMB2,460.6 million in 2019 and approximately RMB2,912.6 million in 2018.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB733.7 million, or 58.1%, to approximately RMB1,996.2 million in 2019 from approximately RMB1,262.5 million in 2018. The increase in selling and marketing costs was in line with the increase in the Group's contracted sales for the year ended 31 December 2019.

Administrative expenses

The Group's administrative expenses increased by approximately RMB749.7 million, or 28.8%, to approximately RMB3,350.8 million in 2019 from approximately RMB2,601.1 million in 2018. The increase was mainly due to increase in legal and professional fees, donations and amortisation of intangible assets.

Net fair value gain of investment properties

The net fair value gain of the Group's investment properties decreased by approximately RMB34.0 million, or 16.0%, to approximately RMB178.4 million in 2019 from approximately RMB212.4 million in 2018. The decrease was mainly due to disposal of certain investment properties during the year ended 31 December 2019.

Fair value loss of financial derivatives

The Group recorded a loss arising from the changes in fair value of financial derivatives of approximately RMB82.2 million in 2019 and nil in 2018. The fair value loss of financial derivatives in 2019 was primarily attributable to the increase in fair value of financial derivatives component of convertible bonds issued in 2019 as result of the rise in share price of the Company.

Finance costs – net

The Group's net finance costs decreased by approximately RMB1,135.8 million or 52.3%, to approximately RMB1,035.0 million in 2019 from approximately RMB2,170.8 million in 2018. The decrease was mainly due to a decrease in exchange loss arising from the U.S. dollar denominated offshore financing as a result of the less depreciation of Renminbi against the U.S. dollar in 2019 as compared with 2018.

Income tax expenses

The Group's income tax expenses increased by approximately RMB826.0 million, or approximately 18.4%, to approximately RMB5,303.6 million in 2019 from approximately RMB4,477.6 million in 2018. The increase was primarily attributable to the increase in operating profit in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year and total comprehensive income for the year

As a result of the foregoing, the Group's profit for the year and total comprehensive income for the year amounted to approximately RMB4,164.0 million and approximately RMB4,138.8 million, respectively (2018: profit for the year and total comprehensive income for the year amounted to approximately RMB3,294.3 million and RMB3,300.9 million, respectively).

Liquidity, financial and capital resources

Cash position

As at 31 December 2019, the carrying amount of the Group's cash and bank deposits was approximately RMB36,978.0 million (31 December 2018: approximately RMB22,924.1 million), representing an increase of 61.3% as compared to that as at 31 December 2018. Certain property development companies of the Group placed a certain amount of pre-sales proceeds to designated bank accounts as collateral for the construction loans. Such collateral will be released after completion of the pre-sales properties or the issuance of the title of the properties, whichever is the earlier. Additionally, as at 31 December 2019, certain of the Group's cash was deposited in certain banks as collateral for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above collateral amounted to approximately RMB6,016.5 million as at 31 December 2019 (31 December 2018: approximately RMB6,792.3 million).

Senior notes

During the year ended 31 December 2019, the Group issued 11.75% senior notes due 2021 with a principal amount of US\$400 million in February 2019; 11.25% senior notes due 2022 with a principal amount of US\$350 million in April 2019; 11.5% senior notes due 2023 with a principal amount of US\$400 million in May 2019; 11.25% additional senior notes due 2022 with a principal amount of US\$200 million in July 2019; 11.5% additional senior notes due 2023 with a principal amount of US\$300 million in July 2019; 10.875% senior notes due 2023 with a principal amount of US\$300 million in July 2019; 11.95% senior notes due 2022 with a principal amount of US\$400 million in October 2019; 11.95% additional senior notes due 2022 with a principal amount of US\$200 million in November 2019; 11.95% senior notes due 2023 with a principal amount of US\$300 million in November 2019; and 10.875% additional senior notes due 2023 with a principal amount of US\$150 million in November 2019.

During the year ended 31 December 2019, the Group repaid 12.0% senior notes due 2019 in principal amount of US\$138.7 million on maturity in December 2019.

During the year ended 31 December 2019, the Group made on-market repurchase of 7.25% senior notes due 2020 with a principal amount of US\$250 million in June 2019; 6.1% senior notes due 2019 with a principal amount of HK\$1,162 million in August 2019; and 7.875% senior notes due 2021 with a principal amount of US\$175 million in November 2019. In August 2019, the Group made a tender offer to repurchase 12% senior notes due 2019 with a principal amount of US\$161.3 million. The repurchased notes were cancelled accordingly.

Details of movement is set out below:

	6.1% senior notes due 2019 HK\$'000	12.0% senior notes due 2019 US\$'000	7.25% senior notes due 2020 US\$'000	7.875% senior notes due 2021 US\$'000	11.75% senior notes due 2021 US\$'000	11.25% senior notes due 2022 US\$'000	8.5% senior notes due 2022 US\$'000	11.95% senior notes due 2022 US\$'000	11.5% senior notes due 2023 US\$'000	10.875% senior notes due 2023 US\$'000	11.95% senior notes due 2023 US\$'000	9.375% senior notes due 2024 US\$'000
At 1 January 2019	1,162,000	300,000	790,000	575,000	-	-	1,147,000	-	-	-	-	3,051,500
New Issuance	-	-	-	-	400,000	550,000	-	600,000	700,000	450,000	300,000	-
Repayment upon maturity	-	(138,700)	-	-	-	-	-	-	-	-	-	-
Repurchase and cancellation	(1,162,000)	(161,300)	(250,000)	(175,000)	-	-	-	-	-	-	-	-
As 31 December 2019	-	-	540,000	400,000	400,000	550,000	1,147,000	600,000	700,000	450,000	300,000	3,051,500

MANAGEMENT DISCUSSION AND ANALYSIS

Convertible bonds

During the year ended 31 December 2019, the Group issued 10.5% convertible bonds in an aggregate principal amount of US\$100 million (equivalent to approximately HK\$783 million) (the “**Convertible Bonds**”). The Convertible Bonds may be converted into conversion shares pursuant to the terms and conditions of the Convertible Bonds. Based on the adjusted conversion price of HK\$4.82 per share and assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 162,448,132 new shares.

Borrowings and charges on the Group's assets

As at 31 December 2019, the Group had aggregate borrowings of approximately RMB117,195.6 million, of which approximately RMB31,892.0 million will be repayable within 1 year, approximately RMB26,068.5 million will be repayable between 1 and 2 years, approximately RMB56,869.6 million will be repayable between 2 and 5 years and approximately RMB2,365.5 million will be repayable over 5 years.

As at 31 December 2019, the senior notes were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key financial ratios

As at 31 December 2019, the Group had a leverage ratio (i.e. its net debts (total borrowings net of cash and bank balances, long-term and short-term bank deposits, and restricted cash) over total assets) of 29.6% (31 December 2018: 37.5%). The Group's net current assets increased by 0.2% from approximately RMB66,703.1 million as at 31 December 2018 to approximately RMB66,819.0 million as at 31 December 2019, the quick ratio (cash and bank deposits divided by short-term borrowings) decreased to 1.1 times as at 31 December 2019 from 1.3 times as at 31 December 2018, and the current ratio decreased to 1.5 times as at 31 December 2019 as compared to 1.7 times as at 31 December 2018.

Cost of borrowings

During the year ended 31 December 2019, the Group's total cost of borrowings (including net exchange losses) was approximately RMB1,035.0 million, representing a decrease of approximately RMB1,135.8 million or 52.3% as compared to the corresponding period in 2018. The decrease was primarily attributable to the decrease in the net exchange losses recorded in the year.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 31 December 2019, the Group had borrowings in US\$ and HK\$ with an aggregate carrying amount of approximately RMB60,093.2 million, which are subject to foreign currency exposure.

The Group does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Financial guarantees

As at 31 December 2019, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB32,816.5 million (31 December 2018: approximately RMB30,587.4 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and remuneration policy

As at 31 December 2019, the Group had approximately 15,300 employees (31 December 2018: approximately 14,200 employees). The related employees' costs (including the directors' remuneration) for the year ended 31 December 2019 amounted to approximately RMB1,888.6 million. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted the share option scheme on 14 June 2019. Further information of share option scheme has been set out in the section head "The New Share Option Scheme" of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

Risks pertaining to the property market in the PRC

The Group's business and revenue growth is dependent on favourable economic conditions in the PRC, particularly the performance of the PRC residential property market in the cities in which the Group develops its property development projects, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where the Group has operations, could have a material adverse effect on its business, results of operations and financial condition.

Operational Risks

The Group's operations are subject to a number of risk factors distinctive to the property related businesses. Shortages of materials, equipment and skilled labour, labour disputes, default on the part of its buyers, contractors and strategic business partners, natural catastrophes, adverse weather conditions, inadequacies or failures of internal processes or other external factors may have various levels of negative impact on the results of the Group's operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to the Group's financial loss, litigation, or damage in reputation.

Further, property development is capital intensive in nature. The Group has financed its property development projects primarily through proceeds from sales of properties and bank borrowings. It may also access the capital markets to raise further financing. Its ability to obtain external financing in the future is subject to a variety of uncertainties, including the condition of the international and domestic financial markets and financing availability and general economic conditions in the PRC. If the Group fails to secure adequate financing or renew its existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on the business, results of operations and financial condition of the Group.

Legal Risk

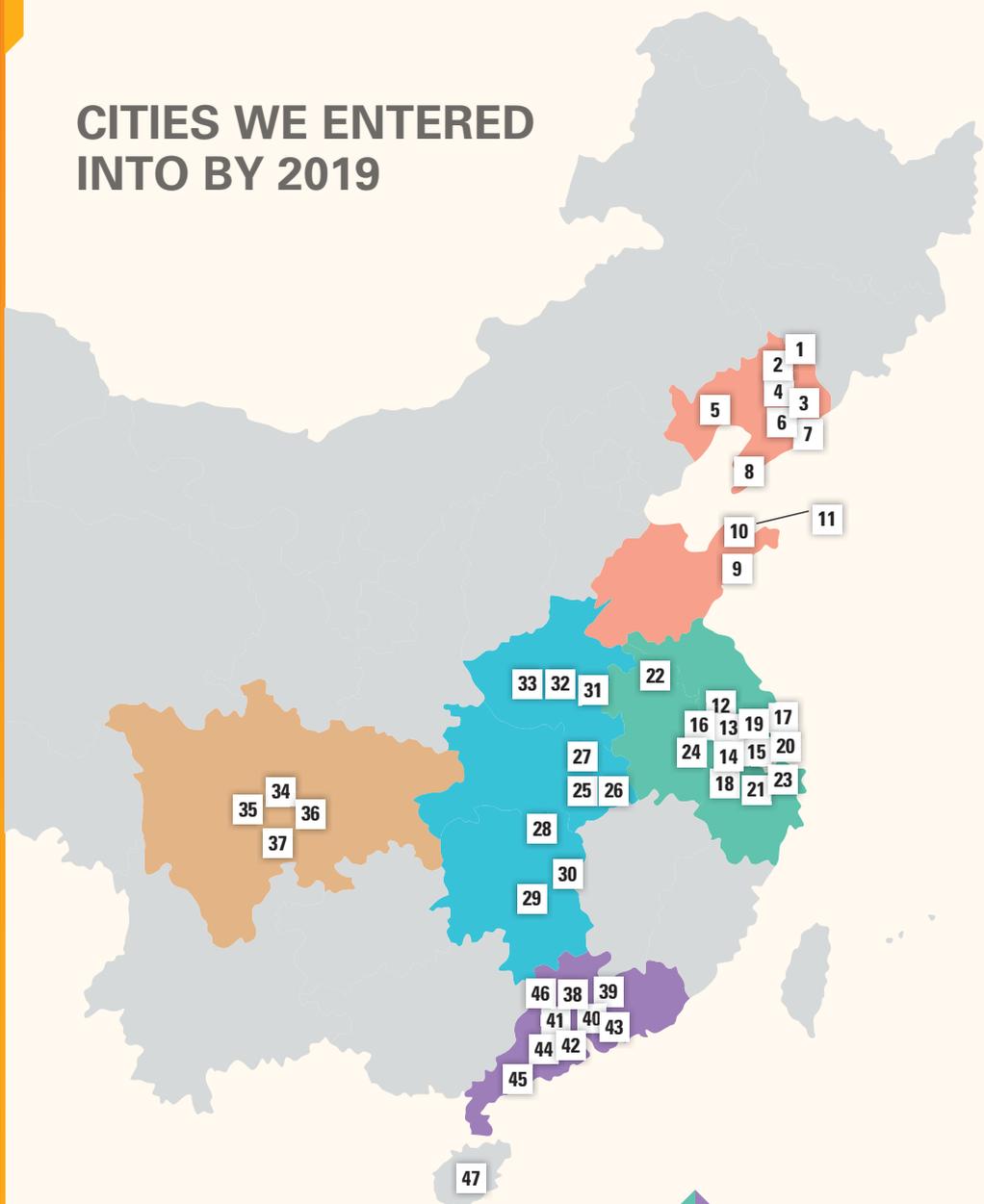
The Company underwent onshore and offshore restructuring exercise and breached the relevant Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as set out in the section headed "Other non-compliances with the Listing Rules" in this report as a result of the prolonged Suspension and therefore may be subject to legal actions, disputes, disciplinary actions and regulatory investigations, which may disrupt or otherwise negatively affect the operations, financial conditions or reputation of the Group. For details of the remedial actions in respect of those breaches, please refer to the section headed "Other non-compliances with the Listing Rules" in the corporate governance report.

Financial Risk

The financial risk management of the Group are set out in note 4 to the consolidated financial statements of the Company.

PROJECT PORTFOLIO — SUMMARY

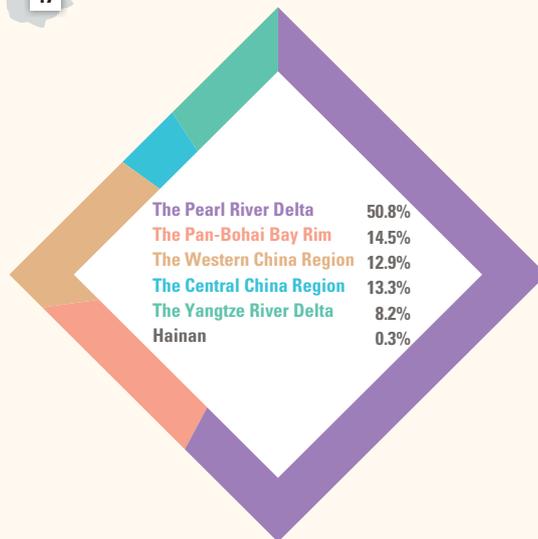
CITIES WE ENTERED INTO BY 2019



- 1 SHENYANG
- 2 ANSHAN
- 3 BENXI
- 4 LIAOYANG
- 5 HULUDAO
- 6 YINGKOU
- 7 DANDONG
- 8 DALIAN
- 9 QINGDAO
- 10 GU'AN
- 11 BAZHOU
- 12 TAIZHOU
- 13 JIANGYIN
- 14 CHANGZHOU
- 15 SUZHOU
- 16 NANJING
- 17 SHANGHAI
- 18 HANGZHOU
- 19 ZHANGJIAGANG
- 20 JIAXING
- 21 SHAOXING
- 22 XUZHOU
- 23 NINGBO
- 24 HEFEI
- 25 WUHAN
- 26 EZHOU
- 27 XIAOGAN
- 28 CHANGSHA
- 29 HENGYANG
- 30 ZHUZHOU
- 31 XINZHENG
- 32 XINXIANG
- 33 LUOYANG
- 34 NANCHONG
- 35 CHENGDU
- 36 CHONGQING
- 37 PENGZHOU
- 38 GUANGZHOU
- 39 HUIZHOU
- 40 DONGGUAN
- 41 FOSHAN
- 42 ZHUHAI
- 43 SHENZHEN
- 44 ZHONGSHAN
- 45 YANGJIANG
- 46 QINGYUAN
- 47 SANYA

Total GFA of approximately

26.8 million sq.m.



PROJECT PORTFOLIO — SUMMARY

We have accumulated substantial experience in developing 176 projects. The map below shows the geographical coverage of our property development projects as at 31 December 2019.

THE PAN-BOHAI BAY RIM – SHENYANG, YINGKOU, ANSHAN, BENXI, HULUDAO, QINGDAO, LIAOYANG, DANDONG, DALIAN, BAZHOU, GU'AN

Shenyang Kaisa Center, Shenyang Kaisa Yuefeng, Shenyang Kaisa Xuefu Mansion No.1, Yingkou Dragon Bay, Anshan Kaisa Monarch Residence, Anshan Kaisa Plaza, Benxi Kaisa Lake View Place, Huludao Suizhong Kaisa Dongdaihe, Qingdao Kaisa Lake View Place, Liaoyang Hot Spring Resort Project, Dandong Kaisa Mansion No. 1, Dalian Kaisa Center, Dalian Kaisa Plaza, Dalian Kaisa No.1, Dalian Kaisa Yuejing, Bazhou Kaisa Peacock City Yuefeng, Gu'an Niutuo Tianci Project

THE YANGTZE RIVER DELTA – JIANGYIN, CHANGZHOU, TAIZHOU, SHANGHAI, HANGZHOU, SUZHOU, NINGBO, NANJING, SHAOXING, XUZHOU, JIAXING, ZHANGJIAGANG, HEFEI

Jiangyin Lake View Place, Jiangyin Gushan Mocha Town, Jiangyin Kaisa Plaza, Jiangyin Zhouzhuang Golden World, Jiangyin Changjing Lake View Waldorf, Jiangyin Tonghui Garden, Jiangyin Fuqiao Homeland, Changzhou Phoenix Lake No.1, Taizhou Kaisa Mansion No.1, Shanghai Shanhuwan Garden, Shanghai Shangpin Garden, Shanghai Kaisa Mansion No. 8, Shanghai Kaisa City Plaza, Shanghai Kaisa Mansion, Shanghai Kaisa Monarch Residence, Shanghai Kaisa City Garden, Shanghai Shangpin Jiayuan, Shanghai Kaisa City Plaza (Phase 4-7), Hangzhou Jade Dragon Court, Hangzhou Kaisa Monarch Residence, Hangzhou Puyu Court, Hangzhou Fuyang Yinhu Project, Hangzhou Kaisa Yunfeng, Suzhou Kaisa Plaza, Suzhou Kaisa Monarch Residence, Suzhou Kaisa Guoyue Mansion, Suzhou Kaisa Yufeng, Ningbo Kaisa Dongchenyipin, Nanjing Kaisa City Plaza, Nanjing Kaisa Sky Mansion, Nanjing Kaisa Yuefeng, Nanjing Kaisa Redsun Lakeside Mansion, Shaoxing Kaisa Monarch Residence, Shaoxing Kaisa Guoyue Mansion, Xuzhou Thriving Spring Villa, Jiaxing Xitang Project, Zhangjiagang Fengming Riverside, HC Kaisa Future City

THE WESTERN CHINA REGION – CHENGDU, NANCHONG, CHONGQING, PENGZHOU

Chengdu Kaisa Monarch Residence, Chengdu Lijing Harbour, Chengdu Modern Town, Chengdu Kaisa Mansion No. 8, Chengdu Kaisa City Plaza, Chengdu Kaisa Leading Town, Chengdu Kaisa Yuefu, Chengdu Kaisa Imperial Jade, Chengdu Kaisa Tianyue Mansion, Nanchong Kaisa Plaza, Nanchong Monarch Residence, Chongqing Kaisa Plaza, Chongqing Kaisa Bright Harbour, Chongqing Fengming Riverside, Chongqing Kaisa Zhuanshan Fortune Garden, Chongqing Kaisa Riverside Seasons, Chongqing Kaisa Yuebanshan, Pengzhou Kaisa Golden Metro

THE CENTRAL CHINA REGION – CHANGSHA, ZHUZHOU, HENGYANG, WUHAN, XIAOGAN, EZHOU, XINXIANG, XINZHENG, LUOYANG

Changsha Kaisa Lake View Place, Changsha Kaisa Times Square, Changsha Kaisa Meixi Lake Project, Changsha Kaisa Plaza, Changsha Kaisa Yunding Mansion, Changsha Kaisa Sunshine Residence, Zhuzhou Kaisa Golden World, Hengyang Kaisa Yuefeng, Wuhan Golden World, Wuhan Kaisa Mansion No.1, Wuhan Kaisa Plaza, Wuhan Kaisa Yuefu, Wuhan Kaisa Bright Harbour, Wuhan Kaisa Waterfront Jade Garden, Ezhou Kaisa Zhongliang the One Mansion, Xiaogan Kaisa Airport Science and Technology City, Xinxiang Kaisa Yuefeng, Xinzheng Kaisa Yuefeng, Luoyang HYC Kaisa Lake View Place

THE PEARL RIVER DELTA – SHENZHEN, GUANGZHOU, FOSHAN, HUIZHOU, DONGGUAN, ZHUHAI, ZHONGSHAN, YANGJIANG, QINGYUAN

Shenzhen Woodland Height, Shenzhen Mocha Town, Shenzhen Kaisa Center, Shenzhen Lake View Place, Shenzhen Xiangrui Garden, Shenzhen Mingcui Garden, Shenzhen Jincui Garden, Shenzhen Shangpin Garden, Shenzhen Kaisa Financial Technology Center, Shenzhen Metro City, Shenzhen Kaisa City Plaza, Shenzhen Kaisa Metropolitan Homeland, Shenzhen Dapeng Kaisa Peninsula Resort, Shenzhen Kaisa Yuefeng Garden, Shenzhen Yantian Kaisa City Plaza, Shenzhen Kaisa Golden Bay International Park, Shenzhen Marriot Hotel Golden Bay, Shenzhen Kaisa Qianhai Plaza, Shenzhen Pinghu Kaisa Plaza, Shenzhen Kaisa Future City, Shenzhen Nan'ao Project, Shenzhen Kaisa Dongmen New World, Shenzhen Kaisa E Cube, Shenzhen Nam Tai Inno Park, Shenzhen Nam Tai Technology Center, Shenzhen Nam Tai Inno Valley, Shenzhen Futian Border Project, Shenzhen Kaisa Yuebanshan, Shenzhen Tongda Huixuan, Shenzhen Futian Dongshan Project (P1), Shenzhen Jiayu, Shenzhen Kaisa Sky-high Summit, Guangzhou Kaisa Plaza, Guangzhou Kaisa Monarch Residence, Guangzhou Kaisa Mansion No. 1, Guangzhou Kaisa Sky Villa, Guangzhou Kaisa Sky Mansion, Guangzhou Kaisa City Plaza, Guangzhou Kaisa Future City, Guangzhou Kaisa Center, Guangzhou Xiaoping Village Project, Guangzhou Kaisa Yuejiang Mansion, Guangzhou Zengcheng Project, Foshan Shunde Kaisa Golden World, Foshan Kaisa Metro City, Foshan Kaisa E Cube, Foshan Lishui Project, Foshan Kaisa Yuefeng, Dongguan Zhongyang Haomen, Dongguan Dongjiang Haomen, Dongguan Shui'an Haomen, Dongguan Dijingwan, Dongguan Le Grand Bleu, Dongguan Oasis Town, Dongguan Yulongshan Garden, Dongguan Shilong Project, Dongguan Riverside Woods Palace, Dongguan Riverside Hillview Palace, Dongguan Kaisa Glamorous Riverside, Huizhou Kaisa Mansion No. 1, Huizhou Kaisa Center, Huizhou Yuanzhou Project, Huizhou Kaisa Riverbank New Town, Huizhou Kaisa Mountain Bay, Huizhou Kaisa Times Mocha Town, Huizhou Kaisa Dong River Garden, Huizhou Longmen Longquan Dajing, Huizhou Kaisa Monarch Residence, Huizhou Kaisa Jade Garden, Huizhou Kaisa Yunzhu, Huizhou Kaisa Yunfeng, Zhuhai Kaisa Lake View Waldorf Garden, Zhuhai Kaisa Golden World, Zhuhai Kaisa Monarch Residence, Zhuhai Kaisa Yuefeng Garden, Zhuhai Kaisa Golden Metro Garden, Zhongshan Kaisa Xiangshan Royal Palace, Zhongshan Kaisa Shangpin Garden, Zhongshan Kaisa Metro City, Zhongshan Kaisa Fortune Garden, Yangjiang Kaisa Riverside No.1, Qingyuan Kaisa City Plaza

HAINAN – SANYA

Sanya Nantian Project, Sanya Haitang Bay Project

PROJECT PORTFOLIO — SUMMARY

PROJECT PORTFOLIO – AS AT 31 DECEMBER 2019

No. Projects	Address	Location	Type ⁽¹⁾
The Pearl River Delta			
1	Shenzhen Woodland Height	Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District	Shenzhen Residential
2	Shenzhen Mocha Town	Busha Road, Longgang District	Shenzhen Residential
3	Shenzhen Kaisa Center ⁽²⁾	East of Shangbu Nan Road and North of Nanyuan Road, Futian District	Shenzhen Residential
4	Shenzhen Lake View Place	Junction of Xincheng Road and Pingxi Road, Longgang District	Shenzhen Residential
5	Shenzhen Xiangrui Garden	North of Beihuan Highway, Nanshan District	Shenzhen Residential
6	Shenzhen Mingcui Garden	Ping'an Avenue, Liang'antian Community, Pinghu Sub-district, Longgang District	Shenzhen Residential
7	Shenzhen Jincui Garden	Cuizhu Road, Luohu District	Shenzhen Residential
8	Shenzhen Shangpin Garden	Bantian Community, Bantian Street, Longgang District	Shenzhen Residential
9	Shenzhen Kaisa Financial Technology Center	Shennan Avenue, Futian District	Shenzhen Commercial
10	Shenzhen Metro City ⁽²⁾	Buji Station, Shenhui Road, Nanmendun, Buji Town, Longgang District	Shenzhen Residential
11	Shenzhen Kaisa City Plaza	Banxuegang Avenue, Longgang District	Shenzhen Residential
12	Shenzhen Kaisa Metropolitan Homeland ⁽²⁾	Mumianwan Station, Longgang Avenue, Buji, Longgang District	Shenzhen Residential
13	Shenzhen Dapeng Kaisa Peninsula Resort	Yingbin Avenue, Dapeng New District	Shenzhen Commercial
14	Shenzhen Kaisa Yuefeng Garden	Bulong Road, Bantian, Longgang District	Shenzhen Residential
15	Shenzhen Yantian Kaisa City Plaza	Mingzhu Avenue, Yantian District	Shenzhen Residential
16	Shenzhen Kaisa Golden Bay International Park	Xiasha Community, Dapeng Street, Dapeng New District	Shenzhen Commercial
17	Shenzhen Marriott Hotel Golden Bay	No.8 Jinsha Road, Xiasha Community, Dapeng Street, Dapeng New District	Shenzhen Commercial
18	Shenzhen Kaisa Qianhai Plaza	Junction of Yueliangwan Avenue and Mianshan Road, Nanshan District	Shenzhen Residential
19	Shenzhen Pinghu Kaisa Plaza	Junction of Shouzhen Street and Pinghu Avenue, Pinghu Street, Longgang District	Shenzhen Residential
20	Shenzhen Kaisa Future City	Junction of Ruyi Road and Dayun Road, Longcheng Street, Longgang District	Shenzhen Residential
21	Shenzhen Nan'ao Project ⁽³⁾	Shuitousha Beach, Nan'ao Street, Dapeng New District	Shenzhen Commercial
22	Shenzhen Kaisa Dongmen New World ⁽²⁾	Dongmen Street, Luohu District	Shenzhen Commercial & Residential
23	Shenzhen Kaisa E Cube	Junction of Huanguan Nan Road and Guantian Road, Guanlan Street, Longhua District	Shenzhen Commercial & Residential
24	Shenzhen Nam Tai Inno Park	West Wing of Guangming High-tech Industrial Park, Guangming District	Shenzhen Industrial
25	Shenzhen Nam Tai Technology Center	East of Nantai Road, Xixiang Street, Bao'an District	Shenzhen Industrial
26	Shenzhen Nam Tai Inno Valley	East of Nantai Road, Xixiang Street, Bao'an District	Shenzhen Industrial
27	Shenzhen Futian Border Project	Intersection of Honghua Road and Xiangzhang Road, Futian District	Shenzhen Residential

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA			Interest attributable to us
			Completed Properties (sq. m.)	Under Development (sq. m.)	Future Development (sq. m.)	
1-8	160,514	580,135	580,135	—	—	100%
1-7	185,724	735,299	735,299	—	—	100%
—	5,966	98,241	98,241	—	—	100%
1-5	182,064	388,626	388,626	—	—	100%
—	57,984	143,796	143,796	—	—	100%
1-4	102,439	394,663	394,663	—	—	100%
—	9,066	105,830	105,830	—	—	100%
—	45,829	231,572	231,572	—	—	100%
1	14,411	142,000	—	142,000	—	100%
1-4	5,241	124,479	124,479	—	—	100%
1-4	179,642	1,084,854	825,271	259,583	—	100%
1-4	19,393	138,892	138,892	—	—	100%
1-2	48,256	186,466	186,466	—	—	100%
1-2	47,890	165,455	165,455	—	—	100%
1-3	170,311	694,042	299,206	301,608	93,228	100%
1-4	869,838	516,400	—	333,910	182,490	51%
1	34,449	77,834	77,834	—	—	100%
1-2	49,582	295,749	295,749	—	—	51%
1-2	118,488	475,000	198,595	276,405	—	100%
1-2	48,773	279,003	122,024	156,979	—	80%
1	25,966	51,930	—	—	51,930	50%
1	5,992	50,556	50,556	—	—	72%
1	34,129	160,970	—	160,970	—	39%
1	103,739	331,832	—	331,832	—	24%
1	22,364	194,595	—	194,595	—	24%
1	22,367	170,200	—	—	170,200	24%
1	9,467	42,600	—	—	42,600	70%

PROJECT PORTFOLIO — SUMMARY

No.	Projects	Address	Location	Type ⁽¹⁾
28	Shenzhen Kaisa Yuebanshan	Junction of Jiuwei Road and Huangmabu Road, Bao'an District	Shenzhen	Residential
29	Shenzhen Tongda Huixuan ⁽²⁾	Junction of Jianhui Road and Zhicheng Road, Longhua District	Shenzhen	Commercial & Residential
30	Shenzhen Futian Dongshan Project (P1)	No.8008 Binhe Avenue, Futian District	Shenzhen	Residential
31	Shenzhen Jiayu ⁽²⁾	Buji Street, Longgang District	Shenzhen	Commercial & Residential
32	Shenzhen Kaisa Sky-high Summit	Guangming Avenue, Guangming District	Shenzhen	Commercial & Residential
33	Guangzhou Kaisa Plaza ⁽²⁾	No.191 Tiyu West Road, Tianhe District	Guangzhou	Commercial
34	Guangzhou Monarch Residence	No.99 Jiangnan Avenue Central, Haizhu District	Guangzhou	Residential
35	Guangzhou Kaisa Mansion No.1	No.505 Huangpu Avenue, Financial Center, Tianhe District	Guangzhou	Residential
36	Guangzhou Kaisa Sky Villa	Tongbao Road, Guangzhou Avenue North, Baiyun District	Guangzhou	Residential
37	Guangzhou Sky Mansion	Lot No.20, Meihua Garden, Shatai Road, Baiyun District	Guangzhou	Residential
38	Guangzhou Kaisa City Plaza	Lot No.49, Nangang, Yunpu Industrial Zone, Huangpu District	Guangzhou	Residential
39	Guangzhou Kaisa Future City	No.3889 Huangpu Avenue East, Huangpu District	Guangzhou	Commercial
40	Guangzhou Kaisa Center	East of Beihao Yong, Northwest to the Luoxi Bridge, Haizhu District	Guangzhou	Commercial
41	Guangzhou Xiaoping Village Project	West of Baiyun New Town, South of Huangshi West Road, and East of Shicha Road, Baiyun District	Guangzhou	Residential
42	Guangzhou Kaisa Yuejiang Mansion	Lingshan Island, MingZhu Bay, Nansha Free Trade Zone	Guangzhou	Residential
43	Guangzhou Zengcheng Project	Huangniukan, Wuyi Village, Licheng Street, Zengcheng District	Guangzhou	Residential
44	Qingyuan Kaisa City Plaza	South of Guangqing Avenue, Longtang Town, Qingcheng District	Qingyuan	Residential
45	Foshan Shunde Kaisa Golden World	West of Waihuan Road, Ronggui Town, Shunde District	Foshan	Residential
46	Foshan Kaisa Metro City	No.169 Guangfo Road, Huangqi Town, Nanhai District	Foshan	Commercial
47	Foshan Kaisa E Cube	No. 97 Yanbu Huanzhen North Road, Dali Town, Nanhai District	Foshan	Commercial
48	Foshan Lishui Project ⁽³⁾	Junction of Liguang Road and Foshan First Ring Road, Lishui Town, Nanhai District	Foshan	Commercial
49	Foshan Kaisa Yuefeng	South of Kuiqi West Road, West of Zhenzhong Road, Shiwan Sub-district, Chancheng District	Foshan	Residential
50	Dongguan Zhongyang Haomen	Longsheng Road, Xincheng District, Shilong Town	Dongguan	Residential
51	Dongguan Dongjiang Haomen	South of Dongjiang Road, Yangwu Village and Qishi Village, Qishi Town	Dongguan	Residential
52	Dongguan Shui'an Haomen	Fengshen Avenue, Fenggang Town	Dongguan	Residential
53	Dongguan Dijingwan	Jinshawan Square, Xincheng District, Shilong Town	Dongguan	Residential
54	Dongguan Le Grand Bleu	Xinwei Village Group, Qisha Village, Shatian Town	Dongguan	Residential
55	Dongguan Oasis Town	Junction of Huancheng Road and Green Road, Xiping Community, Nancheng District	Dongguan	Residential
56	Dongguan Yulongshan Garden	Jinzhou Community, Humen Town	Dongguan	Residential

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA			Interest attributable to us
			Completed Properties (sq. m.)	Under Development (sq. m.)	Future Development (sq. m.)	
1	35,239	150,820	—	—	150,820	40%
1	9,321	46,176	—	46,176	—	18%
1	7,590	48,875	—	48,875	—	70%
1	6,033	66,600	—	—	66,600	100%
1	28,842	138,820	—	—	138,820	50%
1-9	14,192	233,322	233,322	—	—	100%
—	7,707	56,666	56,666	—	—	49%
1	15,178	86,138	—	86,138	—	59%
1-2	65,627	230,577	230,577	—	—	49%
—	19,671	80,854	80,854	—	—	49%
1-4	190,742	776,318	680,533	95,785	—	95%
1-3	321,261	547,995	370,358	—	177,637	49%
1-3	78,644	315,343	—	—	315,343	50%
1-4	179,000	507,650	—	—	507,650	55%
1-2	47,626	94,960	—	—	94,960	49%
—	17,746	44,364	—	—	44,364	100%
1-5	343,749	1,183,327	—	308,365	874,962	100%
1-9	197,584	645,921	643,202	—	2,719	49%
—	14,406	101,398	—	101,398	—	49%
—	15,271	61,082	—	61,082	—	30%
—	13,828	55,313	—	—	55,313	35%
—	31,017	94,960	—	94,960	—	100%
—	82,742	377,481	377,481	—	—	100%
1	86,324	243,296	243,296	—	—	100%
1	70,734	200,386	200,386	—	—	80%
1-2	46,474	155,432	155,432	—	—	100%
1-4	239,050	717,084	360,281	356,803	—	100%
1-4	65,021	150,772	150,772	—	—	100%
1-2	33,910	109,180	109,180	—	—	100%

PROJECT PORTFOLIO — SUMMARY

No.	Projects	Address	Location	Type ⁽¹⁾
57	Dongguan Shilong Project ⁽³⁾	Junction of Jiangnan Middle Road and Xihu No.1 Road, Xihu District, Shilong Town	Dongguan	Residential
58	Dongguan Riverside Woods Palace ⁽³⁾	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential
59	Dongguan Riverside Hillview Palace ⁽³⁾	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential
60	Dongguan Kaisa Glamorous Riverscape	Douchi Island, Zhongtang Town	Dongguan	Residential
61	Huizhou Kaisa Mansion No.1	Gutang'ao, Miaozaikeng	Huizhou	Residential
62	Huizhou Kaisa Center	No.18 Sub-district, Jiangbei, Huicheng District	Huizhou	Commercial
63	Huizhou Yuanzhou Project ⁽³⁾⁽⁴⁾	Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Boluo County	Huizhou	Residential
64	Huizhou Kaisa Riverbank New Town	Jiangnan Section, Cui Mei countryside Committee, Hengkeng, Luoyang Town, Boluo County	Huizhou	Residential
65	Huizhou Kaisa Mountain Bay	Huangbujiao, Lianfeng Village, Renshan Town, Huidong County	Huizhou	Residential
66	Huizhou Kaisa Times Mocha Town	Junction of Zhongkai Avenue and Jinbang Road, Huicheng District	Huizhou	Residential
67	Huizhou Kaisa Dong River Garden	Jiangnanxincheng, Luoyang Town, Boluo County	Huizhou	Residential
68	Huizhou Longmen Longquan Dajing	Laiwu Village, Longtian Town, Longmen County	Huizhou	Residential
69	Huizhou Kaisa Monarch Residence	Junction of Huifeng West Second Road and Hechang West Fifth Road, Huicheng District	Huizhou	Residential
70	Huizhou Kaisa Jade Garden	Longsu Road, Center of Longxi Town, Boluo County	Huizhou	Residential
71	Huizhou Kaisa Yunzhu	Shangpu Road, Longxi Street, Boluo County	Huizhou	Residential
72	Huizhou Kaisa Yunfeng	Junction of Dongxiang South Road and Xinglian West Road	Huizhou	Residential
73	Zhuhai Lake View Waldorf Garden ⁽³⁾	Shangsha Street, Wanzai, Xiangzhou District	Zhuhai	Residential
74	Zhuhai Golden World	North of Huangyang Avenue, South of Wangbao Reservoir and Jintai Temple, Doumen Town, Doumen District	Zhuhai	Residential
75	Zhuhai Kaisa Monarch Residence	North of Zhufeng Avenue, Qianwu Town, Doumen District	Zhuhai	Residential
76	Zhuhai Kaisa Yuefeng Garden	East of Xiewei village and South of Golden Coast Road, Golden Coast, Sanzao Town, Jinwan District	Zhuhai	Residential
77	Zhuhai Kaisa Golden Metro Garden	Southeast of Nanda West Road, Northeast of Gangtong Second Road, Nanshui Town, Gaolangang	Zhuhai	Residential
78	Zhongshan Kaisa Xiangshan Royal Palace	No.3 Jinzhong Road, Jinzhong Village, Banfu Town	Zhongshan	Residential
79	Zhongshan Kaisa Shangpin Garden	No.1 Nanhu Road, Nanlang Town	Zhongshan	Residential
80	Zhongshan Kaisa Metro City	Junction of Xingbao Road and Yunsheng Road, Shaxi Town	Zhongshan	Residential
81	Zhongshan Kaisa Fortune Garden	No. 68 Guangfu Avenue, Dongsheng Town	Zhongshan	Residential
82	Yangjiang Kaisa Riverside No. 1	Longtang Road, Yangdong District	Yangjiang	Residential

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA			Interest attributable to us
			Completed Properties (sq. m.)	Under Development (sq. m.)	Future Development (sq. m.)	
—	5,567	10,131	—	—	10,131	100%
—	62,802	155,693	—	—	155,693	85%
—	64,743	202,294	—	—	202,294	90%
—	38,096	95,239	—	—	95,239	51%
1-10	89,998	260,577	260,577	—	—	55%
1-3	70,859	722,945	722,945	—	—	55%
—	20,400	61,200	—	—	61,200	100%
1-13	1,663,969	4,326,239	2,017,425	467,744	1,841,070	55%
1-3	169,331	361,653	—	361,653	—	55%
1-6	281,066	641,781	—	629,213	12,568	51%
1-4	176,724	441,810	—	196,332	245,478	55%
1-4	386,891	630,000	—	285,982	344,018	70%
1	22,201	71,043	—	71,043	—	55%
1	17,392	78,264	—	78,264	—	55%
1	48,179	168,627	—	—	168,627	18%
1	27,820	130,918	—	—	130,918	28%
1-4	164,354	550,431	416,799	78,162	55,470	100%
1-4	192,710	316,037	200,835	115,202	—	100%
—	16,088	28,958	—	28,958	—	100%
1	21,970	73,816	—	73,816	—	100%
1	74,729	129,260	—	129,260	—	100%
1	21,061	69,794	—	69,794	—	100%
1	22,307	82,397	—	82,397	—	50%
1-2	61,873	211,608	92,434	119,174	—	80%
1-2	51,340	128,347	—	—	128,347	100%
1-2	78,452	159,025	—	118,910	40,115	49%

PROJECT PORTFOLIO — SUMMARY

No.	Projects	Address	Location	Type ⁽¹⁾
The West China Region				
83	Chengdu Kaisa Monarch Residence	Erjiangsi Village, Huayang Town, Shuangliu County	Chengdu	Residential
84	Chengdu Lijing Harbour	Group 1 and 2, Huafeng Village, Yongquan Sub-district, Wenjiang District	Chengdu	Residential
85	Chengdu Modern Town	Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County	Chengdu	Commercial
86	Chengdu Kaisa Mansion No.8	South Sanzhiqiu Area, Dongsheng Street, Shuangliu County	Chengdu	Residential
87	Chengdu Kaisa City Plaza	Group 1 and 2, Machang Village, Wenjia Sub-district Office, Qingyang District	Chengdu	Residential
88	Chengdu Kaisa Leading Town	Group 6 and 7, Taiji Community, Gongping Sub-district Office, Wenjiang District	Chengdu	Residential
89	Chengdu Kaisa Yuefu	Junction of Fengxiang Avenue and Fenghuang Avenue, Qingbaijiang District	Chengdu	Residential
90	Chengdu Kaisa Imperial Jade	No. 977, South of Fengxi Avenue, Liucheng, Wenjiang District	Chengdu	Residential
91	Chengdu Kaisa Tianyue Mansion	No. 64 Jinxing Road, Jinjiang District	Chengdu	Commercial & Residential
92	Pengzhou Kaisa Golden Metro	West of Chengde Avenue (Beixin Avenue), Mengyang Town	Pengzhou	Residential
93	Nanchong Kaisa Plaza	No.39 Zhengyang East Road, Shunqing District	Nanchong	Residential
94	Nanchong Monarch Residence	No.308 Baituba Road, Shunqing District	Nanchong	Residential
95	Chongqing Kaisa Plaza	Longzhouwan Street, Banan District	Chongqing	Residential
96	Chongqing Kaisa Bright Harbour	Baqiao Town, Dadukou District	Chongqing	Residential
97	Chongqing Kaisa Fengming Riverside	Ertang Village, Jingkou Street, Jingkou Town, Shapingba District	Chongqing	Residential
98	Chongqing Kaisa Zhuanshan Fortune Garden	North end of Changjiang River Bridge, Jiangjin District	Chongqing	Residential
99	Chongqing Riverside Seasons	East of Ganghua Middle Road, Dadukou District	Chongqing	Residential
100	Chongqing Kaisa Yuebanshan	Biquan Street, Bishan High-tech District	Chongqing	Residential
The Pan-Bohai Bay Rim				
101	Shenyang Kaisa Center	East of Qingnian Avenue, Shenhe District	Shenyang	Commercial
102	Shenyang Kaisa Yuefeng	Changbai South Road, Heping District	Shenyang	Residential
103	Shenyang Kaisa Xuefu Mansion No.1	East of Xuzhou Street and North of Zhonghua Road, Heping District	Shenyang	Residential
104	Yingkou Dragon Bay	Junction of Bohai Street and Xinxin Road, Laobian District	Yingkou	Residential
105	Anshan Kaisa Monarch Residence	South of Ziyou Dong Road, East of Anqian Road, Lishan District	Anshan	Residential
106	Anshan Kaisa Plaza ⁽²⁾	Renmin Road, Tiexi District	Anshan	Commercial
107	Benxi Kaisa Lake View Place	Binhe North Road, Mingshan District	Benxi	Residential
108	Huludao Suizhong Kaisa Dongdaihe ⁽³⁾	South of Binhai Road, Dongdaihe New District, Suizhong County	Huludao	Residential
109	Qingdao Kaisa Lake View Place	East of Zhongjiang Second Road, West of Wangsha Road and South of Baishahe, Xiazhuang Street, Chengyang District	Qingdao	Residential
110	Dandong Kaisa Mansion No.1	South of Huanghai Avenue, Zhenxing District	Dandong	Residential

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA			Interest attributable to us
			Completed Properties (sq. m.)	Under Development (sq. m.)	Future Development (sq. m.)	
1-3	182,666	1,041,531	1,041,531	—	—	100%
1	150,071	761,542	761,542	—	—	100%
1-2	133,269	362,420	362,420	—	—	100%
1-5	120,570	610,744	342,647	268,097	—	100%
1-4	112,194	460,901	460,901	—	—	100%
1-2	57,836	342,533	342,533	—	—	100%
1-2	113,411	447,537	—	447,537	—	100%
1	34,088	68,175	—	68,175	—	51%
1	3,286	26,290	—	26,290	—	100%
1-4	104,964	278,191	—	278,191	—	100%
1-2	29,541	116,634	116,634	—	—	100%
1-3	256,187	813,746	813,746	—	—	100%
1-3	119,767	481,362	369,035	112,327	—	100%
1-10	324,327	989,399	461,390	528,009	—	100%
1	56,778	141,945	—	—	141,945	50%
1-3	77,543	225,097	—	—	225,097	50%
1	41,724	104,311	—	—	104,311	50%
1-2	126,443	252,887	—	105,231	147,656	100%
1	21,423	292,331	292,331	—	—	100%
1-2	12,947	38,844	38,844	—	—	100%
1	12,874	102,989	—	—	102,989	51%
1-2	220,669	607,354	347,443	259,911	—	100%
1-4	129,242	240,688	61,994	86,716	91,978	100%
1-2	11,238	85,148	85,148	—	—	50%
1	122,200	324,480	324,480	—	—	100%
1-13	1,647,042	2,976,942	566,091	1,164,216	1,246,635	100%
1-3	229,865	381,418	381,418	—	—	100%
1-4	133,340	331,542	214,261	117,281	—	100%

PROJECT PORTFOLIO — SUMMARY

No. Projects	Address	Location	Type ⁽¹⁾
111	Liaoyang Kaisa Hot Spring Resort Project	Tanghe Town, Gongchangling District	Liaoyang Residential
112	Dalian Kaisa Center	No. 24 Zhujin Street, Donggang Business District, Zhongshan District	Dalian Commercial
113	Dalian Kaisa Plaza	No.271 Tianjin Street, Zhongshan District	Dalian Commercial
114	Dalian Kaisa Mansion No. 1	Junction of Zhonggang North Road and Hugang Road, Dalian Free Trade Zone	Dalian Commercial & Residential
115	Dalian Kaisa Yuejing	East of Shengli Road, JinPu New District	Dalian Residential
116	Bazhou Kaisa Peacock City Yuefeng	West of Rose Garden Hot Spring Resort, Development District	Bazhou Residential
117	Gu'an Kaisa Fengyuan Tianci Project	Near the Niutuo Hot Spring Peacock City, Niutuo Town	Gu'an Residential
The Central China Region			
118	Changsha Kaisa Lake View Place	Jinping Village, Tiaoma County	Changsha Residential
119	Changsha Kaisa Times Square	Yingpan East Road, Furong District	Changsha Residential
120	Changsha Kaisa Plaza	Wuyi Road, Furong District	Changsha Commercial
121	Changsha Kaisa Meixi Lake Project	Meixi Lake, Yuelu District	Changsha Residential
122	Changsha Kaisa Yunding Mansion	Junction of Huahou Road and Xiangzhang Road, Gaotie New Town, Yuhua District	Changsha Commercial
123	Changsha Kaisa Sunshine Residence	Southeast Corner of Wanjiaili Road and Xiangfu Road, Yuhua District	Changsha Residential
124	Zhuzhou Kaisa Golden World	Liyu Central Business District, Tianyuan District	Zhuzhou Residential
125	Hengyang Kaisa Yuefeng	North of Chuanshan West Road, South of Lixin Avenue, West of Cailun Avenue	Hengyang Residential
126	Wuhan Kaisa Golden World	Junction of Baisha Road and Qingling East Road, Qingling County, Hongshan District	Wuhan Residential
127	Wuhan Kaisa Mansion No.1	North of Zhiyin Avenue, West of Yangcheng West Road, Hangyang District	Wuhan Residential
128	Wuhan Kaisa Plaza	No.336 Wuluo Road, Wuchang District	Wuhan Residential
129	Wuhan Kaisa Yuefu	North of Jinbei No.1 Road and East of Wuxingxian, Jinghe Street, Dongxi Lake District	Wuhan Residential
130	Wuhan Kaisa Bright Harbour	South of Shefa Shan Road, East of the 2nd Chuanjiang Chi Road, Economic and Technology Development Area	Wuhan Residential
131	Wuhan Kaisa Waterfront Jade Garden	East of Jintai Road, West of Fenghua Road and North of Guanhu Road, Xinzhou District	Wuhan Residential
132	Ezhou Zhongliang Kaisa The One Mansion	West of Yingbin Avenue, Echeng District	Ezhou Residential
133	Xiaogan Kaisa Airport Science and Technology City	Airport Economic Development Zone	Xiaogan Industrial
134	Xinzheng Kaisa Yuefeng	West of Wenhua Road, South of Zhongxing Road	Xinzheng Residential
135	Xinxiang Kaisa Yuefeng	West of Hongyuan Street, North of Guihua road, Hongqi District	Xinxiang Residential
136	Luoyang HYC Kaisa Lake View Place	Junction of Simaguang Road and Liujinxiang, Luolong District	Luoyang Residential

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA			Interest attributable to us
			Completed Properties (sq. m.)	Under Development (sq. m.)	Future Development (sq. m.)	
1-10	372,427	259,713	—	108,570	151,143	100%
1-2	26,610	156,239	118,589	37,650	—	100%
—	15,955	78,454	78,454	—	—	100%
1	41,150	104,392	—	104,392	—	100%
1	24,334	85,169	—	85,169	—	100%
1	36,576	54,859	—	54,859	—	51%
1	32,484	48,726	—	48,726	—	49%
1-4	673,536	938,203	938,203	—	—	100%
—	21,770	108,731	108,731	—	—	50%
1	14,324	221,603	—	221,603	—	50%
1-6	253,693	892,604	672,151	220,453	—	100%
1-2	50,161	283,789	—	114,626	169,163	60%
1-2	53,486	236,337	—	69,408	166,929	46%
1-3	222,182	597,728	597,728	—	—	100%
1	50,054	160,648	—	160,648	—	51%
1-3	181,493	605,941	605,941	—	—	100%
—	40,351	156,763	156,763	—	—	100%
1	26,861	142,355	—	142,355	—	100%
1-2	128,539	352,480	—	352,480	—	50%
1	56,901	142,252	—	142,252	—	50%
1-2	129,191	258,382	—	—	258,382	31%
1	103,176	281,669	—	281,669	—	35%
4	218,814	357,528	—	—	357,528	70%
1-2	69,499	156,620	—	156,620	—	100%
1	23,165	85,686	—	85,686	—	51%
1-3	210,884	587,534	—	225,586	361,948	16%

PROJECT PORTFOLIO — SUMMARY

No. Projects	Address	Location	Type ⁽¹⁾
The Yangtze River Delta			
137	Jiangyin Lake View Place	South of Xinhua Road, West of Dongwaihuan Road, and North of Renmin East Road	Jiangyin Residential
138	Jiangyin Gushan Mocha Town	South of Golden Gushan Garden and West of Xingfu Avenue, Gushan Town	Jiangyin Residential
139	Jiangyin Kaisa Plaza	No.1091 Renmin East Road	Jiangyin Residential
140	Jiangyin Zhouzhuang Golden World	East of Zhouxi Dong Road, Zhouzhuang Town	Jiangyin Residential
141	Jiangyin Changjing Lake View Waldorf	East of Xinglong Road and South of Dongshun Road, Changjing Town	Jiangyin Residential
142	Jiangyin Tonghui Garden	North of Tonghui Road, West of Tongjiang Road, and South of Tongfu Road	Jiangyin Residential
143	Jiangyin Fuqiao Homeland	North of Chengxi Road, West of Tongdu Road, and South of Binjiang Road	Jiangyin Residential
144	Changzhou Phoenix Lake No.1	South of Qingyang Road, Xuejia Town, Xinbei District	Changzhou Residential
145	Taizhou Kaisa Mansion No.1	North of Chenzhuang Road and West of No.11 Road, Taizhou Economic Development Area	Taizhou Residential
146	Shanghai Shanhuwan Garden	No.4333 Alley, Haima Road, Haiwan Town, Fengxian District	Shanghai Residential
147	Shanghai Shangpin Garden	Kangfeng North Road and Kangnian Road, Malu Town, Jiading District	Shanghai Residential
148	Shanghai Kaisa Mansion No.8	No.99 Alley, Juting Road, Zhuanghang Town, Fengxian District	Shanghai Residential
149	Shanghai Kaisa City Plaza	Junction of Shengzhu East Road and Chengliu Road, Xuhang Town, Jiading District	Shanghai Residential
150	Shanghai Kaisa Mansion	Junction of Minsheng Road and Middle Yanggao Road, Pudong New District	Shanghai Commercial
151	Shanghai Kaisa Monarch Residence	Junction of Songjian Road and Fumao Road, Chonggu Town, Qingpu District	Shanghai Residential
152	Shanghai Kaisa City Garden	East of Qiyuan Road, West of Xiaoxin River, South of Shupindong Road and North of Xinjian No.1 Road, Xuhang Town, Jiading District	Shanghai Residential
153	Shanghai Shangpin Jiayuan	East of Xiaoxin River, West of base boundary, South of Gengpu River and North of Xinjian No.1 Road, Xuhang Town, Jiading District	Shanghai Residential
154	Shanghai Kaisa City Plaza (Phase 4-7)	Xuhang Town, Jiading District	Shanghai Residential
155	Hangzhou Jade Dragon Court	North of Zhennan Road, Zhijiang National Holiday Resort, West Lake District	Hangzhou Residential
156	Hangzhou Kaisa Monarch Residence	North of Shitang Road and West of Donghu Road, Qiaosi Street, Yuhang District	Hangzhou Residential
157	Hangzhou Puyu Court	Jingfeng Community, Wuchang Street, Yuhang District	Hangzhou Residential
158	Hangzhou Fuyang Yinhu Project	Dashanjiao Village, Yinhu Street, Fuyang District	Hangzhou Residential
159	Hangzhou Kaisa Yunfeng	Xianlin Street, Yuhang District	Hangzhou Residential
160	Shaoxing Kaisa Guoyue Mansion	Lanting Street, Keqiao District	Shaoxing Residential
161	Shaoxing Kaisa Monarch Residence	Fuquan Street, Keqiao District	Shaoxing Residential
162	Suzhou Kaisa Plaza	West of Tayuan Road and South of Zhuyuan Road, Shishan Street, High-tech District	Suzhou Residential
163	Suzhou Kaisa Monarch Residence	South of Xingye Road and East of Sudai Road, Huangqiao Street, Xiangcheng District	Suzhou Residential
164	Suzhou Kaisa Guoyue Mansion	West of Xinhua Road, South of Xiangyanghe Road, Mushu Town, Wuzhong District	Suzhou Residential

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA			Interest attributable to us
			Completed Properties (sq. m.)	Under Development (sq. m.)	Future Development (sq. m.)	
1-3	225,533	272,274	272,274	—	—	49%
1-4	76,465	132,849	132,849	—	—	100%
1-3	158,240	553,177	553,177	—	—	100%
1-2	103,589	182,656	112,889	31,936	37,831	100%
1-2	93,275	149,763	149,763	—	—	100%
—	41,440	73,615	73,615	—	—	100%
—	35,801	134,535	134,535	—	—	100%
1-2	101,819	253,356	253,356	—	—	100%
1-7	192,505	322,836	75,193	247,643	—	51%
1-4	104,796	140,151	140,151	—	—	100%
—	23,307	84,448	84,448	—	—	50%
1-2	143,053	240,499	116,474	124,025	—	100%
1-3	117,256	331,724	331,724	—	—	100%
1	11,088	77,811	77,811	—	—	100%
1-2	90,642	212,240	212,240	—	—	100%
1	23,638	55,429	—	55,429	—	75%
1	44,590	80,262	—	80,262	—	75%
1-4	126,923	213,515	—	213,515	—	90%
—	39,376	98,041	98,041	—	—	100%
—	36,595	100,849	100,849	—	—	100%
1	74,779	207,476	207,476	—	—	100%
1	26,000	23,326	—	—	23,326	100%
1	19,175	38,350	—	38,350	—	50%
1	61,233	46,660	—	46,660	—	36%
1	19,852	72,448	72,448	—	—	70%
1-2	33,234	123,216	123,216	—	—	100%
1-2	59,629	197,069	197,069	—	—	100%
1	32,006	48,008	—	48,008	—	100%

PROJECT PORTFOLIO — SUMMARY

No. Projects	Address	Location	Type ⁽¹⁾
165	Suzhou Kaisa Yufeng	Southwest of the junction of Pangshan Road and Huxin West Road, Wujiang District	Suzhou Residential
166	Zhangjiagang Fengming Riverside	Southwest Corner of the Junction of Yingshan Road and Jingu Road, Phoenix Town	Zhangjiagang Residential
167	Ningbo Kaisa Dongchenyipin	Junction of Century Avenue and Min'an Road, Yinzhou District	Ningbo Commercial
168	Nanjing Kaisa City Plaza	Junction of Nanjing Foreign Language School and Taiqing Road, South of Hexi Area, Jianye District	Nanjing Residential
169	Nanjing Kaisa Sky Mansion	No. 560 Heyan Road, Xixia District	Nanjing Residential
170	Nanjing Kaisa Yuefeng	East of Vanke City Area, Lishui District	Nanjing Residential
171	Nanjing Kaisa Redsun Lakeside Mansion	18 Huqin Road, Lukou Avenue, Jiangning District	Nanjing Residential
172	Jiaxing Xitang Project	East of Hongfu Road and South of Nanyuan Road, Xitang Town	Jiaxing Residential
173	Xuzhou Thriving Spring Villa	West of Guangshan Park, East of Sanhuan East Road, Yunlong District	Xuzhou Residential
174	Hefei HC Kaisa Future City	Southwest of Jianghuai Avenue and Zhenzhu Road, Shangpai Town, Feixi	Hefei Residential
Hainan			
175	Sanya Kaisa Begonia Seasons	Nantian Hot Spring Resort Area, North of Haitang District	Sanya Commercial & Service
176	Sanya Kaisa Begonia Mountain	Dongfeng Branch, Nantian Farm, Haitang Bay Town	Sanya Residential
Total			

Notes:

- 1 Residential properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities.
- 2 The projects are renovation developments of once distressed assets and partially completed properties.
- 3 Including
 - (i) Shenzhen Nan'ao Project;
 - (ii) Foshan Lishui Project;
 - (iii) Dongguan Shilong project;
 - (iv) Dongguan Riverside Woods Palace;
 - (v) Dongguan Riverside Hillview Palace;
 - (vi) Huizhou Yuanzhou project;
 - (vii) A portion of land for Zhuhai Lake View Waldorf Garden;
 - (viii) A portion of land for Huludao Suizhong Kaisa Dongdaihe for which as at 31 December 2019, the Group has not obtained the land use right certificate, but has entered into land grant contracts or obtained confirmation from the relevant land and resources bureau.
- 4 The projects are based on our internal plans, but subject to the governmental approval.
- 5 As at 31 December 2019, the GFA of total completed properties for sale reached 2,383,775 sq. m.

PROJECT PORTFOLIO — SUMMARY

Project Phase	Site Area (sq. m.)	Total GFA (sq. m.)	Total GFA			Interest attributable to us
			Completed Properties (sq. m.)	Under Development (sq. m.)	Future Development (sq. m.)	
1	29,911	81,945	–	81,945	–	100%
1	31,666	37,999	–	37,999	–	100%
1	15,086	56,285	–	56,285	–	30%
1-3	109,832	411,636	274,203	137,433	–	100%
1	27,376	89,476	–	89,476	–	50%
1	65,698	144,535	–	–	144,535	51%
1	73,686	103,160	–	103,160	–	51%
1	38,881	64,857	64,857	–	–	51%
1	132,397	172,115	–	172,115	–	50%
1-2	111,503	200,705	–	–	200,705	49%
1	42,585	42,585	–	33,207	9,378	60%
1	36,943	44,332	–	–	44,332	44%
	19,209,859	51,667,815	27,285,650	13,935,550	10,446,615	

PROJECT PORTFOLIO — SUMMARY

PROPERTIES UNDER DEVELOPMENT

The table below sets forth certain information of our property projects or project phases under development as at 31 December 2019. We have obtained land use rights certificates and construction works commencement permits for all of our properties under development.

Project	City	Project Phase	Total GFA or Estimated Total GFA (sq. m.)	Saleable GFA or Estimated Total Saleable GFA (sq. m.)
Shenzhen Kaisa Financial Technology Center	Shenzhen	1	142,000	129,640
Shenzhen Kaisa City Plaza	Shenzhen	3(5), 3(6)	259,583	154,573
Shenzhen Yantian Kaisa City Plaza	Shenzhen	2	301,608	217,541
Shenzhen Kaisa Golden Bay International Park	Shenzhen	1-2	333,910	59,010
Shenzhen Pinghu Kaisa Plaza	Shenzhen	1-2	276,405	155,223
Shenzhen Kaisa Future City	Shenzhen	1	156,979	149,194
Shenzhen Kaisa E Cube	Shenzhen	1	160,970	151,098
Shenzhen Nam Tai Inno Park	Shenzhen	1	331,832	265,000
Shenzhen Nam Tai Technology Center	Shenzhen	1	194,595	125,572
Shenzhen Tongda Huixuan	Shenzhen	1	46,176	32,775
Shenzhen Futian Dongshan Project (P1)	Shenzhen	1	48,875	23,585
Guangzhou Kaisa Mansion No.1	Guangzhou	1	86,138	37,853
Guangzhou Kaisa City Plaza	Guangzhou	1(3)	95,785	95,785
Qingyuan Kaisa City Plaza	Qingyuan	1	308,365	308,365
Foshan Kaisa Metro City	Foshan	—	101,398	72,031
Foshan Kaisa E Cube	Foshan	—	61,082	60,593
Foshan Kaisa Yuefeng	Foshan	—	94,960	94,960
Dongguan Le Grand Bleu	Dongguan	3-4	356,803	274,447
Huizhou Riverbank New Town	Huizhou	1,11,12	467,744	440,356
Huizhou Kaisa Mountain Bay	Huizhou	1-3	361,653	292,998
Huizhou Kaisa Times Mocha Town	Huizhou	1-6	629,213	620,389
Huizhou Kaisa Dong River Garden	Huizhou	1-2	196,332	188,898
Huizhou Longmen Longquan Dajing	Huizhou	1-2	285,982	225,251
Huizhou Kaisa Monarch Residence	Huizhou	1	71,043	70,673
Huizhou Kaisa Jade Garden	Huizhou	1	78,264	77,164
Zhuhai Lake View Waldorf Garden	Zhuhai	2	78,162	35,563
Zhuhai Golden World	Zhuhai	2,4	115,202	92,507
Zhuhai Kaisa Monarch Residence	Zhuhai	—	28,958	23,146
Zhuhai Kaisa Yuefeng Garden	Zhuhai	1	73,816	73,079
Zhuhai Kaisa Kaisa Golden Metro Garden	Zhuhai	1	129,260	114,729
Zhongshan Kaisa Xiangshan Royal Palace	Zhongshan	1	69,794	47,761
Zhongshan Kaisa Shangpin Garden	Zhongshan	1	82,397	63,168
Zhongshan Kaisa Metro City	Zhongshan	2	119,174	83,195
Yangjiang Riverside No. 1	Yangjiang	1	118,910	97,117
Chengdu Kaisa Mansion No.8	Chengdu	4-5	268,097	180,798
Chengdu Kaisa Yuefu	Chengdu	1-2	447,537	339,688
Chengdu Kaisa Imperial Jade	Chengdu	1	68,175	66,831
Chengdu Kaisa Tianyue Mansion	Chengdu	1	26,290	19,711
Pengzhou Kaisa Golden Metro	Pengzhou	1-4	278,191	276,080
Chongqing Kaisa Plaza	Chongqing	3	112,327	112,327
Chongqing Kaisa Bright Harbour	Chongqing	5-10	528,009	369,744

PROJECT PORTFOLIO — SUMMARY

Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
Apr-18	Not yet obtained	2020 4Q	100%
Dec-17	Yes	2020 2Q	100%
Nov-17	Yes	2020 4Q	100%
Oct-18	Not yet obtained	2020 2Q	51%
Aug-18	Yes	2020 2Q	100%
Nov-17	Yes	2020 2Q	80%
Dec-18	Yes	2020 1Q	39%
May-17	Not yet obtained	2020 4Q	24%
Jul-19	Not yet obtained	2022 1Q	24%
Oct-19	Not yet obtained	2022 2Q	18%
Jan-20	Not yet obtained	2022 4Q	70%
Apr-16	Yes	2020 3Q	59%
Dec-16	Yes	2020 4Q	95%
Jun-19	Yes	2022 3Q	100%
Oct-19	Not yet obtained	2021 3Q	49%
May-19	Not yet obtained	2020 4Q	30%
Dec-19	Not yet obtained	2022 1Q	100%
Jul-18	Not yet obtained	2021 2Q	100%
Jan-19	Yes	2020 4Q	55%
Aug-18	Yes	2021 4Q	55%
Nov-17	Yes	2020 1Q	51%
Mar-19	Not yet obtained	2020 4Q	55%
May-19	Yes	2022 3Q	70%
May-19	Yes	2020 4Q	55%
Dec-19	Not yet obtained	2021 2Q	55%
Feb-18	Yes	2020 2Q	100%
Sep-18	Yes	2020 1Q	100%
Jan-18	Yes	2020 1Q	100%
Dec-19	Yes	2021 2Q	100%
Dec-19	Not yet obtained	2021 2Q	100%
Sep-18	Yes	2020 2Q	100%
Dec-18	Yes	2020 3Q	50%
Sep-18	Yes	2021 1Q	80%
Jan-19	Yes	2020 3Q	49%
Jan-18	Yes	2020 2Q	100%
Feb-18	Yes	2020 2Q	100%
Feb-19	Yes	2021 2Q	51%
Feb-18	Yes	2020 3Q	100%
Nov-18	Yes	2020 2Q	100%
Oct-17	Yes	2020 1Q	100%
Jun-17	Yes	2020 2Q	100%

PROJECT PORTFOLIO — SUMMARY

Project	City	Project Phase	Total GFA or Estimated Total GFA (sq. m.)	Saleable GFA or Estimated Total Saleable GFA (sq. m.)
Chongqing Kaisa Yuebanshan	Chongqing	1	105,231	105,231
Yingkou Dragon Bay	Yingkou	1	259,911	95,939
Anshan Kaisa Plaza	Anshan	2, 3	86,716	83,706
Huludao Suizhong Kaisa Dongdaihe	Huludao	1-7	1,164,216	944,852
Dandong Kaisa Mansion No.1	Dandong	3-4	117,281	96,589
Liaoyang Hot Spring Resort Project	Liaoyang	1-2	108,570	38,611
Dalian Kaisa Center	Dalian	2	37,650	37,650
Dalian Kaisa Mansion No. 1	Dalian	1	104,392	103,792
Dalian Kaisa Yuejing	Dalian	1	85,169	82,908
Bazhou Kaisa Peacock City Yuefeng	Bazhou	1	54,859	52,261
Gu'an Kaisa Fengyuan Tianci Project	Gu'an	1	48,726	46,826
Changsha Kaisa Plaza	Changsha	1	221,603	169,780
Changsha Meixi Lake Project	Changsha	6	220,453	178,032
Changsha Kaisa Yuding Mansion	Changsha	1	114,626	113,721
Changsha Kaisa Sunshine Residence	Changsha	1	69,408	68,113
Hengyang Kaisa Yuefeng	Hengyang	1	160,648	159,679
Wuhan Kaisa Plaza	Wuhan	1	142,355	104,922
Wuhan Kaisa Yuefu	Wuhan	1-2	352,480	257,067
Wuhan Kaisa Bright Harbour	Wuhan	1	142,252	142,252
Ezhou Zhongliang Kaisa The One Mansion	Ezhou	1	281,669	281,669
Xinzheng Kaisa Yuefeng	Xinzheng	1-2	156,620	152,834
Xinxiang Kaisa Yuefeng	Xinxiang	1	85,686	80,002
Luoyang HYC Kaisa Lake View Place.	Luoyang	1-3	225,586	224,127
Jiangyin Zhouzhuang Golden World	Jiangyin	2	31,936	31,936
Taizhou Kaisa Mansion No.1	Taizhou	3-7	247,643	244,250
Shanghai Kaisa Mansion No.8	Shanghai	2	124,025	75,231
Shanghai Kaisa City Garden	Shanghai	1	55,429	42,590
Shanghai Shangpin Jiayuan	Shanghai	1	80,262	77,768
Shanghai Kaisa City Plaza (Phase 4-7)	Shanghai	4-7	213,515	155,384
Hangzhou Kaisa Yunfeng	Hangzhou	1	38,350	32,623
Shaoxing Kaisa Guoyue Mansion	Shaoxing	1	46,660	45,930
Suzhou Kaisa Guoyue Mansion	Suzhou	1	48,008	46,867
Suzhou Kaisa Yufeng	Suzhou	1	81,945	59,237
Zhangjiagang Fengming Riverside	Zhangjiagang	1	37,999	37,036
Ningbo Kaisa Dongchenyipin	Ningbo	1	56,285	38,268
Nanjing Kaisa City Plaza	Nanjing	3	137,433	4,665
Nanjing Kaisa Sky Mansion	Nanjing	1	89,476	51,233
Nanjing Kaisa Redsun Lakeside Mansion	Nanjing	1	103,160	96,360
Xuzhou Thriving Spring Villa	Xuzhou	1	172,115	164,926
Sanya Kaisa Begonia Mountain	Sanya	1	33,207	33,207
Total			13,935,550	11,176,492

PROJECT PORTFOLIO — SUMMARY

Commencement Time	Status of Pre-sale permit	Estimated Completion Time	Interest Attributable to us
Aug-19	Not yet obtained	2020 2Q	100%
Apr-18	Not yet obtained	2021 1Q	100%
Dec-17	Yes	2020 1Q	100%
Sep-14	Yes	2020 3Q	100%
Dec-17	Yes	2020 2Q	100%
Jan-17	Yes	2020 1Q	100%
Oct-18	Not yet obtained	2020 2Q	100%
Jun-18	Yes	2020 3Q	100%
Jun-19	Yes	2022 2Q	100%
Mar-19	Yes	2021 4Q	51%
Sep-18	Yes	2020 4Q	49%
Jun-17	Yes	2020 3Q	50%
Nov-17	Yes	2020 4Q	100%
Sep-19	Yes	2021 3Q	60%
Nov-19	Not yet obtained	2021 4Q	46%
Feb-19	Yes	2020 2Q	51%
Sep-17	Yes	2020 1Q	100%
Sep-18	Yes	2020 1Q	50%
Dec-19	Not yet obtained	2021 4Q	50%
Oct-18	Yes	2020 3Q	35%
May-18	Yes	2020 2Q	100%
Apr-19	Yes	2021 4Q	100%
Sep-19	Yes	2021 4Q	16%
Jul-19	Yes	2020 4Q	100%
Sep-19	Yes	2022 2Q	51%
Apr-19	Yes	2020 3Q	100%
Jun-18	Not yet obtained	2020 2Q	75%
Apr-19	Not yet obtained	2021 3Q	50%
Dec-19	Not yet obtained	2021 4Q	90%
Jul-19	Not yet obtained	2021 3Q	50%
Dec-18	Yes	2020 4Q	36%
Sep-19	Yes	2020 4Q	100%
Jan-18	Not yet obtained	2020 1Q	100%
Nov-18	Yes	2020 2Q	100%
Oct-18	Yes	2020 3Q	30%
Apr-16	Yes	2020 3Q	100%
Feb-18	Not yet obtained	2020 4Q	100%
Oct-19	Not yet obtained	2023 4Q	51%
Jan-19	Yes	2020 4Q	50%
May-19	Not yet obtained	2021 3Q	60%

PROJECT PORTFOLIO — SUMMARY

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The table below sets forth certain information of our property projects held for future development as at 31 December 2019.

Project
Shenzhen Yantian Kaisa City Plaza
Shenzhen Kaisa Golden Bay International Park
Shenzhen Nan'ao Project
Shenzhen Nam Tai Inno Valley
Shenzhen Futian Border Project
Shenzhen Kaisa Yuenbanshan
Shenzhen Jiayu
Shenzhen Kaisa Sky-high Summit
Guangzhou Kaisa Future City
Guangzhou Kaisa Center
Guangzhou Xiaoping Village Project
Guangzhou Kaisa Yuejiang Mansion
Guangzhou Zengcheng Project
Qingyuan Kaisa City Plaza
Foshan Shunde Kaisa Golden World
Foshan Lishui Project
Dongguan Shilong Project
Dongguan Riverside Woods Palace
Dongguan Riverside Hillview Palace
Dongguan Kaisa Glamorous Riverscape
Huizhou Yuanzhou Project
Huizhou Riverbank New Town
Huizhou Kaisa Times Mocha Town
Huizhou Kaisa Dong River Garden
Huizhou Longmen Longquan Dajing
Huizhou Kaisa Yunzhu
Huizhou Kaisa Yunfeng
Zhuhai Lake View Waldorf Garden
Zhongshan Kaisa Fortune Garden
Yangjiang Riverside No. 1
Chongqing Kaisa Fengming Riverside
Chongqing Kaisa Zhuanshan Fortune Garden
Chongqing Riverside Seasons
Chongqing Kaisa Yuebanshan
Shenyang Kaisa Xuefu Mansion No.1
Anshan Monarch Residence
Huludao Suizhong Kaisa Dongdaihe
Liaoyang Hot Spring Resort Project
Changsha Yunding Mansion
Changsha Kaisa Sunshine Residence
Wuhan Kaisa Waterfront Jade Garden
Xiaogan Kaisa Airport Science and Technology City
Luoyang HYC Kaisa Lake View Place
Jiangyin Zhouzhuang Golden World
Hangzhou Fuyang Yinhu Project
Nanjing Kaisa Yuefeng
Hefei HC Kaisa Future City
Sanya Kaisa Begonia Seasons
Sanya Kaisa Begonia Mountain
Total

Note:

- For projects with multiple phases, the estimated time for completing the first phase of the project.

PROJECT PORTFOLIO — SUMMARY

Location	Project Phase	Estimated Total GFA (sq. m.)	Estimated Completion Time ⁽¹⁾
Shenzhen	1-3	93,228	2021
Shenzhen	2-4	182,490	2021
Shenzhen	1	51,930	2021
Shenzhen	1	170,200	2025
Shenzhen	1	42,600	2022
Shenzhen	1	150,820	2022
Shenzhen	1	66,600	2021
Shenzhen	1	138,820	2022
Guangzhou	3	177,637	2020
Guangzhou	1-3	315,343	2022
Guangzhou	1-4	507,650	2021
Guangzhou	1-2	94,960	2021
Guangzhou	—	44,364	2022
Qingyuan	2-5	874,962	2023
Foshan	9	2,719	2020
Foshan	—	55,313	2022
Dongguan	—	10,131	2024
Dongguan	—	155,693	2024
Dongguan	—	202,294	2024
Dongguan	—	95,239	2021
Huizhou	—	61,200	2022
Huizhou	1-13	1,841,070	2021
Huizhou	3, 5, 6	12,568	2021
Huizhou	3-4	245,478	2021
Huizhou	3-4	344,018	2023
Huizhou	1	168,627	2022
Huizhou	1	130,918	2021
Zhuhai	3-4	55,470	2022
Zhongshan	1-2	128,347	2021
Yangjiang	2	40,115	2022
Chongqing	1	141,945	2022
Chongqing	1-3	225,097	2020
Chongqing	1	104,311	2023
Chongqing	2	147,656	2022
Shenyang	1	102,989	2023
Anshan	3-4	91,978	2021
Huludao	4, 7	1,246,635	2020
Liaoyang	3-10	151,143	2022
Changsha	2	169,163	2021
Changsha	2	166,929	2021
Wuhan	1-2	258,382	2022
Xiaogan	1-4	357,528	2022
Luoyang	1-3	361,948	2021
Jiangyin	2	37,831	2020
Hangzhou	1	23,326	2022
Nanjing	1	144,535	2022
Hefei	1-2	200,705	2022
Sanya	1	9,378	2021
Sanya	1	44,332	2022
		10,446,615	

PROJECT PORTFOLIO — SUMMARY

SHENZHEN

1. SHENZHEN KAISA CITY PLAZA (深圳佳兆業城市廣場)

Shenzhen Kaisa City Plaza is an urban redevelopment project and is located at Banxuegang Avenue, Longgang District, Shenzhen. This project has a total site area of approximately 180,000 sq.m. with a total GFA of approximately 1,080,000 sq.m.. The project will be constructed into a large-scale integrated complex including residential and commercial buildings, hotel, a kindergarten, a nine-year integrated curriculum school and other ancillary facilities. The project is divided into four phases.



2. SHENZHEN YANTIAN KAISA CITY PLAZA (深圳鹽田佳兆業城市廣場)

Shenzhen Yantian Kaisa City Plaza is an urban redevelopment project and is located at the hinterland of Yantian Port, Yantian District, Shenzhen. This project has a site area of approximately 170,000 sq.m. with a total GFA of approximately 690,000 sq.m. The project is planned to be the largest urban complex in the district and is comprised of residential, commercial, apartment and office buildings. The project is divided into three phases.



PROJECT PORTFOLIO — SUMMARY

3. SHENZHEN KAISA GOLDEN BAY INTERNATIONAL PARK (深圳佳兆業金沙灣國際樂園)

Shenzhen Kaisa Golden Bay International Park is located at Xiasha Community, Dapeng Street, Dapeng New District. This project has a total site area of approximately 870,000 sq.m. with a total GFA of approximately 520,000 sq.m.. The project is for comprehensive use and expected to be developed as a coastal eco-tourism resort comprising commercial streets, tourism and cultural attractions, hotel and business apartments. The project is divided into four phases.



4. SHENZHEN KAISA YUEBANSHAN (深圳佳兆業樾伴山)

Shenzhen Kaisa Yuebanshan is an urban redevelopment project and is located at Xixiang, Bao'an District, Shenzhen with a total site area of approximately 35,000 sq.m. and a total GFA of approximately 150,000 sq.m.. Benefitted from the spillover effect from the favourable policies in the Greater Qianhai, the project is encompassed by excellent natural landscape like Tiegang Reservoir, Fenghuangshan and the Jingangding mountains. It is planned to be developed into high-rise residential properties and community businesses, thereby creating cosy living for residents and serving as high-quality benchmarking properties in the district.



PROJECT PORTFOLIO — SUMMARY

5. SHENZHEN NAMTAI INNO PARK (深圳南太雲創谷)

Shenzhen Namtai Inno Park is situated at Fenghuangcheng, Guangming District with Guangming Avenue in the immediate vicinity. With a site area of approximately 100,000 sq.m. and a total GFA of approximately 330,000 sq.m., the project will be developed into a large-scale eco-science park comprising industrial parks, offices and commercial properties. As a model of operational restructuring, the project strives for integrating the IOT industrial resources, thereby constructing whole-chain industrial services.



PROJECT PORTFOLIO — SUMMARY

HUIZHOU

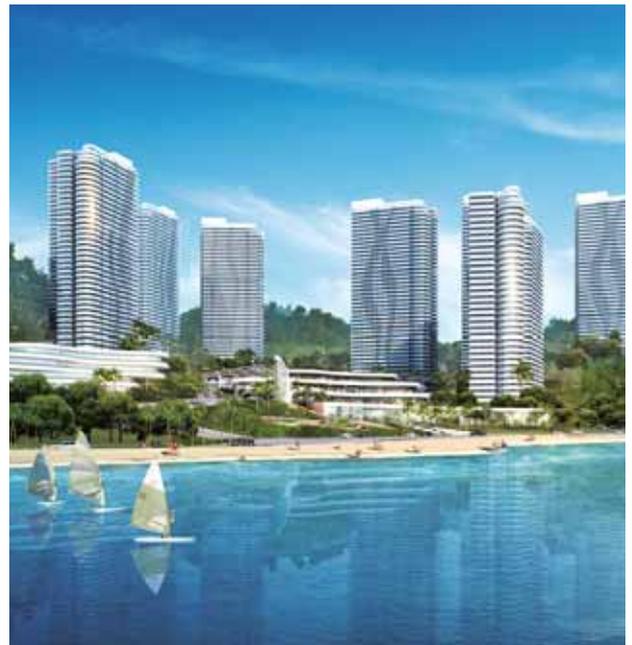
1. HUIZHOU KAISA RIVERBANK NEW TOWN (惠州佳兆業東江新城)

Huizhou Kaisa Riverbank New Town is located in Boluo County, Huizhou and adjacent to Binjiang Park. This project has a total site area of approximately 1,660,000 sq.m. with a total GFA of approximately 4,300,000 sq.m.. This project is a residential-commercial integrated project, mainly comprising villas, townhouses, multi-level and high-rise residential, hotel and commercial ancillary properties. The project is expected to be divided into 13 phases.



2. HUIZHOU KAISA MOUNTAIN BAY (惠州佳兆業山海灣)

Huizhou Kaisa Mountain Bay is located at Binhai Area, Yapojiao, Huidong, Huizhou. This project has a total site area of approximately 170,000 sq.m. with a total GFA of approximately 360,000 sq.m.. This project is expected to be a popular beachfront vacation spot in Southern China and mainly consists of small size beachfront resort apartments and townhouses.



PROJECT PORTFOLIO — SUMMARY

GUANGZHOU

1. GUANGZHOU KAISA SKY VILLA (廣州佳兆業天墅)

Guangzhou Kaisa Sky Villa is located at Tongbao Road, North of Guangzhou Avenue, Baiyun District in Guangzhou, with Tonghe Station of Guangzhou Metro Line No. 3 in the vicinity. The project has a total site area of approximately 70,000 sq.m. with a total GFA of approximately 230,000 sq.m.. This project is comprised of high-rise residential and villas with supplementary commercial space.



2. GUANGZHOU KAISA FUTURE CITY (廣州佳兆業未來城)

Guangzhou Kaisa Future City is situated at a prime location in downtown Guangzhou. With a total GFA of approximately 550,000 sq.m., the project is a major landmark commercial complex in the district developed by the Group. The project creates a large sports park which is rare in Huangpu and is surrounded by well-equipped ancillary facilities. It comprises quality resources such as sports, entertainment, recreation, leisure with great accessibility and convenience.



PROJECT PORTFOLIO — SUMMARY

3. GUANGZHOU KAISA XIAOPING VILLAGE PROJECT (廣州佳兆業小坪村項目)

Guangzhou Kaisa Xiaoping Village Project is an urban redevelopment project. It is Kaisa's first urban redevelopment project in Guangzhou as well as the Group's largest urban redevelopment project therein. The project is located at the western extension area of Baiyun New Town, enjoying sophisticated ancillary facilities plus a prime geographical location. It covers a site area of approximately 180,000 sq.m. and a total GFA of approximately 510,000 sq.m. The project is expected to be divided into three phases.



DONGGUAN

DONGGUAN KAISA GLAMOUROUS RIVERSCAPE (東莞佳兆業時代水岸風華)

Dongguan Kaisa Glamorous Riverscape is a project jointly developed between Kaisa and Times China. The project is located at Douchizhou, Zhongtang Town, Shuixiang District, Dongguan with a site area of approximately 40,000 sq.m. and a total GFA of approximately 100,000 sq.m.. It comprises 9 residential buildings and 2 one-storey buildings for commercial purposes.



PROJECT PORTFOLIO — SUMMARY

ZHUHAI

ZHUHAI KAISA GOLDEN METRO GARDEN (珠海佳兆業金域都薈花園)

Zhuhai Kaisa Golden Metro Garden is located at Gaolan Port Economic Zone, Zhuhai, and is beside Zhuhai Avenue, the main artery of the city, with Jinzhou Primary School in the immediate vicinity. The project covers a total GFA of approximately 130,000 sq.m. and is planned to be developed into small high-rise and high-rise apartments with one- to three-bedroom ranging from 50 to 90 sq.m. each, as well as commercial properties. Upon completion, the project will become a benchmark project at Gaolan Port with one-stop living ancillary facilities including catering, education, children's playgrounds, running tracks, etc., thereby promoting the idea of healthy exercise and living and bringing a new image to the district.



ZHONGSHAN

ZHONGSHAN KAISA FORTUNE GARDEN (中山佳兆業香山熙園)

Kaisa Fortune Garden is located at the centre of Dongsheng Town and is in close proximity to Guangfu Avenue, the main road of the town. The project covers a site area of approximately 50,000 sq.m. with a total GFA of approximately 130,000 sq.m.. It is divided into two phases and mainly planned for high-rise apartments with new Chinese style design.



PROJECT PORTFOLIO — SUMMARY

QINGYUAN

QINGYUAN KAISA CITY PLAZA (清遠佳兆業城市廣場)

Qingyuan Kaisa City Plaza is located at the south of Qingcheng District, Qingyuan where Guangzhou and Qingyuan intersect. The project occupies a site area of approximately 340,000 sq.m. with a total GFA of approximately 1,200,000 sq.m.. The project is divided into five phases with a nine-year integrated curriculum school, a large flower park, an amusement castle for children, a large healthcare service centre, and an exotic gourmet commercial street, etc.



CHENGDU

1. CHENGDU KAISA YUEFU (成都佳兆業悅府)

Chengdu Kaisa Yuefu is located at the central residential area of Qingbaijiang District. There are large supermarkets and a cinema in the district with convenient transportation and well-developed ancillary facilities. The project covers a site area of approximately 110,000 sq.m. with a total GFA of approximately 450,000 sq.m.. It is planned for high-rise apartments and townhouses, aiming for upgrade demand. As the first "Yue" series properties of Kaisa, the project aims to create high quality living experience while striking a balance between spatial layout and practicability in its housing design.



PROJECT PORTFOLIO — SUMMARY

2. CHENGDU KAISA IMPERIAL JADE (成都佳兆業瓏璽)

Chengdu Kaisa Imperial Jade is located at Fengxi Avenue, Wenjiang District with a site area of approximately 30,000 sq.m. and a GFA of approximately 70,000 sq.m.. As the first pioneering high-end luxury property of the Group in Chengdu, the project features submerging garden landscape, premier clubhouses, high-level overhead pan-level clubhouses, and luminous running tracks, etc.



CHONGQING

1. CHONGQING KAISA ZHUANSHAN FORTUNE GARDEN (重慶佳兆業篆山熙園)

Chongqing Kaisa Zhuanshan Fortune Garden is located in Jiangjin District with a total site area of approximately 80,000 sq.m. and a total GFA of approximately 230,000 sq.m.. It is planned as a benchmarking Hong Kong-style high-quality park community in the district incorporating high-rise residentials, commercial buildings, and kindergartens, etc.



PROJECT PORTFOLIO — SUMMARY

2. CHONGQING KAISA RIVERSIDE SEASONS (重慶佳兆業濱江四季)

Chongqing Kaisa Riverside Seasons is located at the core commercial rim of Dadukou District with a total site area of approximately 40,000 sq.m. and a total GFA of approximately 100,000 sq.m.. The project ranks rather highly in Chongqing in terms of numerous dimensions including its locality, transportation, commercial facilities, education, and healthcare, etc. It nestles at a core land lot rarely available in the inner ring region of the city recently and will be developed as the exemplar of quality living in western Chongqing.



DALIAN

DALIAN KAISA YUEJING (大連佳兆業悅璟)

Dalian Kaisa Yuejing is situated at Jinzhou, Dalian with a total site area of approximately 20,000 sq.m. and a total GFA of approximately 90,000 sq.m.. With its close proximity to Jinzhouwan new airport, it enjoys huge benefits brought about by the new airport commercial district. The project comprises 6 high-rise residentials and 1 townhouse while it features standard fitting out units with GFA ranging from 85 to 120 sq.m..



PROJECT PORTFOLIO — SUMMARY

WUHAN

1. WUHAN KAISA BRIGHT HARBOUR (武漢佳兆業濱江新城)

Wuhan Kaisa Bright Harbour is located at the Economic and Technological Development Area of Wuhan with a total GFA of approximately 140,000 sq.m.. The project nestles between the Yangtze River and Yellow River and is closely adjacent to Chuanjiangchi Ecological Park. Leaning against the administrative service centre in the intellectual ecological city, it is located at the core centre of the city. Adhering to the living concept of “Hong Kong-style craftsmanship with villa-class enjoyment”, the project is planned to be developed into properties including ultra-high-rise residentials, high-rise residentials and townhouses, which will become the benchmarking properties of high quality in the district.



2. WUHAN KAISA WATERFRONT JADE GARDEN (武漢佳兆業浣溪璞園)

Wuhan Kaisa Waterfront Jade Garden is located at Yangluo Street, Xinzhou District, Wuhan with a total site area of approximately 130,000 sq.m. and a total GFA of approximately 260,000 sq.m.. It is planned to construct 26 blocks of residential buildings and commercial properties.



PROJECT PORTFOLIO — SUMMARY

CHANGSHA

CHANGSHA KAISA SUNSHINE RESIDENCE

(長沙佳兆業湘府熙園)

Changsha Kaisa Sunshine Residence is located in Yuhua District, Changsha with a site area of approximately 50,000 sq.m. and a total GFA of approximately 240,000 sq.m.. It is positioned to represent the development achievement at Wuguang and Bantang for enjoying its metro transportation and commercial prosperity, thereby creating a decent residential community for the city.

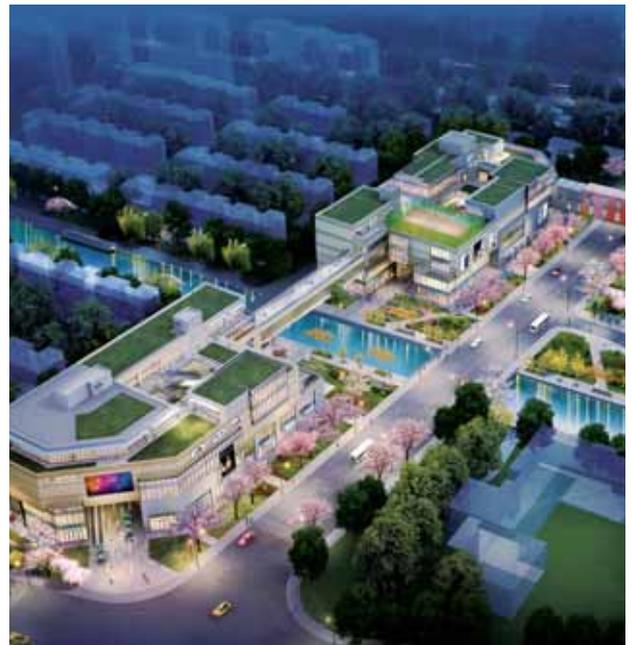


SHANGHAI

1. SHANGHAI KAISA CITY PLAZA (PHASE 4-7)

(上海佳兆業城市廣場(4-7期))

Shanghai Kaisa City Plaza (Phase 4-7) is a “village-in-city” redevelopment project at Xuhang Town, Shanghai. It is located at the north-eastern part of Jiading District with a total site area of approximately 130,000 sq.m. and a total GFA of approximately 210,000 sq.m.. This project is the first of its kind that a private enterprise participates in Jiading District and also the largest “village-in-city” redevelopment project in terms of land area in Shanghai to date. It is expected that the project is divided into 4 phases.



PROJECT PORTFOLIO — SUMMARY

2. SHANGHAI KAISA MANSION (上海佳兆業大廈)

Shanghai Kaisa Mansion is located at the junction of Minsheng Road and Middle Yanggao Road, Pudong New District, which is the core of the international business district at Lujiazui, Shanghai. Situated right above two metro lines, the project covers a total site area of approximately 10,000 sq.m. with a total GFA of approximately 80,000 sq.m.. The project is superb 5A first-class offices to attract worldwide top-class financial tenants.



SUZHOU

SUZHOU KAISA GUOYUE MANSION (蘇州佳兆業國越府)

Suzhou Kaisa Peaceful Yard is located at the section of Jinfeng Road, South Shishan with a total site area of approximately 30,000 sq.m. and a total GFA of approximately 50,000 sq.m.. It is planned to construct over 340 residential units with GFA ranging from 117 to 167 sq.m., with the greening rate of 37%, the project aims to create a low-density improved community in the district.



PROJECT PORTFOLIO — SUMMARY

HANGZHOU

HANGZHOU KAISA YUNFENG (杭州佳兆業雲峰)

Hangzhou Kaisa Yunfeng is located at the south of Hangzhou Future Sci-Tech City, the junction between Jingyu Line and Xianming Road. It is adjacent to Hangzhou Xixi National Wetland Park. The project covers a total GFA of approximately 40,000 sq.m., which will be developed into residentials with GFA ranging from approximately 90 to 115 sq.m.. It adopts modern and simple architectural style to create a cosy living environment.



NANJING

1. NANJING KAISA YUEFENG (南京佳兆業悅峰)

Nanjing Kaisa Yuefeng is located at a land lot at the south gate of Lishui where one can enjoy the stunning view of Qinhuaiyuan Park. The project covers a site area of approximately 70,000 sq.m. with a total GFA of approximately 140,000 sq.m.. It is planned for a total of approximately 1,200 households completed in the form of modern Chinese residentials with GFA ranging from approximately 95 to 140 sq.m..



PROJECT PORTFOLIO — SUMMARY

2. NANJING KAISA REDSUN LAKESIDE MANSION (南京佳兆業弘陽雲溪璟園)

Nanjing Kaisa Redsun Lakeside Mansion is situated at the Nanjing national airport economic demonstration area. The project covers a site area of approximately 70,000 sq.m. with a total GFA of approximately 100,000 sq.m.. Comprising 23 blocks of 11-storey small high-rise residential buildings, the project will provide standard fitting out units of GFA ranging from approximately 85 to 122 sq.m. with great daylighting and ventilation from the south to north throughout the entire unit. Kitchen and bathroom system, air-conditioning system, storage system and the like are readily available therein, compatible with functionality and practicability.



SANYA

SANYA KAISA BEGONIA SEASONS (三亞海棠四季)

Sanya Kaisa Begonia Seasons occupies a total GFA of approximately 40,000 sq.m.. The project is planned for small high-rise healthcare hotels and low-rise hot spring eldercare hotels to provide whole-lifecycle multi-dimension services for tourists and travellers. As the pioneering work of the Group in Haitang Bay, the project will be crafted into a one-stop healthcare resort destination to serve as a leader of whole-region cultural and tourism services.



DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As at the date of this report, the board of directors (the “**Board**”) of the Company consists of nine directors (the “**Directors**”), three of whom are independent non-executive Directors. The Board has the general powers and duties for the management and conduct of the business. The Company has entered into service contracts with each of the Directors.

The table below sets forth certain information regarding the Directors:

Name	Age	Position
KWOK Ying Shing	55	Chairman and Executive Director
SUN Yuenan	56	Vice Chairman and Executive Director
ZHENG Yi	39	Executive Director
MAI Fan	41	Executive Director and Chief Executive Officer
WENG Hao	39	Executive Director
CHEN Shaohuan	54	Non-Executive Director
ZHANG Yizhao	49	Independent Non-Executive Director
RAO Yong	61	Independent Non-Executive Director
LIU Xuesheng	56	Independent Non-Executive Director

Chairman and Executive Director

KWOK Ying Shing (郭英成), aged 55, is the Chairman of the Company, an executive Director, chairman of the Nomination Committee and a member of the Remuneration Committee. He is one of the founders of the Group and was the Chairman and a Director since its inception in 1999. He resigned as the Chairman and an executive Director in December 2014 and was re-appointed as the Chairman and an executive Director in April 2015. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of the Group. Mr. Kwok has extensive experience in real estate development, investment and financing management.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

SUN Yuenan (孫越南), aged 56, is an executive Director, a Vice Chairman and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Sun is primarily responsible for investment and management of the Group. Mr. Sun joined the Group in July 2001 as chief administrative director of Kaisa Group (Shenzhen) Co., Ltd. (“**Kaisa Group (Shenzhen)**”) and has held various positions within the Group, including senior vice president of the Group, deputy general manager of Kaisa Group (Shenzhen) and general manager of Guangzhou Jinmao Property Development Co., Ltd. Mr. Sun has extensive regulatory and business administration experience in the real estate industry. From 1993 to 2001, Mr. Sun served in various positions, including deputy chief of administrative office, deputy chief of legal division and deputy chief of personnel division, in Hengyang Municipal Bureau of Land Resources, which oversaw land resources in the city of Hengyang, Hunan Province. Mr. Sun received a bachelor’s degree in law from the Correspondence Institute of the Academy of the Central Committee of the Communist Party of China in December 2001.

ZHENG Yi (鄭毅), aged 39, is an executive Director of the Company. He is in charge of internet marketing and health care business. Mr. Zheng joined the Group in July 2007 and has served as investment deputy manager, president secretary and president of the real estate department among other positions. Prior to joining the Group, Mr. Zheng worked in Land and Real Estate Trading Center of Shenzhen. Mr. Zheng received the bachelor’s degree in law from Zhongnan University of Economics and Law in the PRC in July 2003.

MAI Fan (麥帆), aged 41, is an executive Director, the Chief Executive Officer and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Mai is responsible for the overall management and daily operations of the Group. Mr. Mai also serves as the chairman of Urban Renewal Group, Education Group, Shenzhen Football Club and Poverty Alleviation Group. Prior to joining the Group in August 2015, Mr. Mai served at the Shenzhen Municipal Highway Bureau and Futian Government, Shenzhen from July 2001 to July 2015. Mr. Mai received his bachelor of laws from the Sun Yat-sen University in 2001 and received the qualification of legal profession in 2002.

WENG Hao (翁昊), aged 39, is an executive Director of the Company. Mr. Weng is responsible for the management of Real Estate Group, Real Estate Group (Shanghai Region) and International Park Group. Mr. Weng joined the Group in June 2003, and has served as the assistant general manager of project management department of the Group, general manager of Nanjing branch of Real Estate Group, executive vice president and president of Real Estate Group, chairman and president of the Shanghai region of real estate business, executive vice president of the Company etc. Mr. Weng graduated from Southeast China University in 2003 and obtained the degree of bachelor of engineering.

Non-Executive Director

CHEN Shaohuan (陳少環), aged 54, has been a non-executive Director of the Company since 26 December 2013. She received a Diploma in Economics and Management from the Social Science Faculty of South China University of Technology in the People’s Republic of China in July 1987. Ms. Chen joined Sino Life Insurance Co., Ltd. (生命人壽保險股份有限公司) (“**Sino Life Insurance**”) from December 2013 to November 2016 and was the deputy general manager of the asset management centre of Sino Life Insurance. Prior to joining Sino Life Insurance, Ms. Chen was the manager of the investment division of Shenzhen Fengsheng Investment Group Company Limited* (深圳市豐盛投資集團有限公司) from June 1995 to November 2013. Ms. Chen was also the deputy general manager of a subsidiary of Shenzhen Wuzhi Group Company* (深圳市物資總公司) engaging in construction material business from September 1983 to May 1995.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

ZHANG Yizhao (張儀昭), age 49, has been an independent non-executive Director of the Company since 17 November 2009. Mr. Zhang is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. He is also a director of China Carbon Graphite Group Inc. (OTC BB: CHGI) and HH Biotechnology Holdings Company (OTC BB: HHBT). Mr. Zhang has over 19 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang was the CFO or director at various public companies listed in the US, Hong Kong and Tokyo. Mr. Zhang also had experiences in portfolio management and asset trading at Guangdong South Financial Services Corporation from 1993 to 1999. He is a Certified Public Accountant of the State of Delaware, and a member of the American Institute of Certified Public Accountants (AICPA). He also has the Chartered Global Management Accountant (CGMA) designation. Mr. Zhang graduated with a bachelor's degree in economics from Fudan University, Shanghai in 1992 and received a Master of Business Administration with concentrations in financial analysis and accounting from the State University of New York at Buffalo in 2003.

RAO Yong (饒永), aged 61, has been an independent non-executive Director of the Company since 17 November 2009. Mr. Rao is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Rao is currently a director of Shenzhen Pengcheng Certified Public Accountants Co. Ltd. He is a member of the Chinese Institute of Certified Public Accountants (CICPA) and a certified public valuer in China. Mr. Rao has over 28 years of experience in accounting and auditing. Mr. Rao was a director of the Audit Bureau of Shenzhen City from 1991 to 1997 and a head of the Audit Bureau of Wuzhou City, Guangxi Province from 1987 to 1990. Mr. Rao has also been a director of The Chinese Institute of Certified Public Accountants since 1996, a director of the Shenzhen Institute of Certified Public Accountants since 1996 and its president since 2005, a forensic accounting expert of Shenzhen City since 2002 and the deputy secretary-general of the Asset Evaluation Association of Shenzhen City since 1997. Mr. Rao received a diploma in accounting from Guangxi College of Finance and Economics, China in July 1980.

LIU Xuesheng (劉雪生), aged 56, has been an independent non-executive Director of the Company since 28 February 2017. Mr. Liu joined Shenzhen Institute of Certified Public Accountants (深圳市註冊會計師協會) ("SZICPA") since February 1999 and is currently the deputy secretary general. Prior to joining the SZICPA, Mr. Liu was the accountant of OCT Group (深圳華僑城集團) from April 1992 to February 1999. Mr. Liu graduated from Jiangxi Institute of Finance and Economics (江西財經學院) (now known as the Jiangxi University of Finance and Economics (江西財經大學)) with a bachelor degree in 1989 and graduated from Shanghai University of Finance and Economics (上海財經大學) majoring in accounting and obtained a master degree in economics in 1992. He was admitted as Certified Public Accountants in the People's Republic of China in 1995. Mr. Liu is currently an independent non-executive director of Telling Telecommunication Holdings Co., Ltd. (天音通信控股股份有限公司), Huafu Top Dyed Melange Yarn Co., Ltd. (華孚色紡股份有限公司) and EDAN Instruments, INC. (深圳市理邦精密儀器股份有限公司), which are companies listed on the Shenzhen Stock Exchange. From June 2008 to June 2011, Mr. Liu was the independent non-executive director of Dongjiang Environmental Company Limited (stock code: 895), a company listed in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

As at the date of this report, the senior management members are LAU Fu Keung, LI Haiming, WAN Bing, LIU Ce, ZHANG Runshen, ZHAI Xiaoping, LIU Xianhua, WU Jianxin, SONG Wei, JIE Pingsheng, LI Aiguo, XU Hao, LEE Kin Ping, CHEN Yankun, CHEN Siying, XIAO Zhijun, LIU Lihao, XIE Binhong and YANG Ming. The table below sets forth certain information regarding the senior management members:

Name	Age	Position
LAU Fu Keung	40	Chief Financial Officer
LI Haiming	45	Executive President
WAN Bing	55	Executive Vice President
LIU Ce	35	Chief Strategy Officer
ZHANG Runshen	63	Senior Vice President
ZHAI Xiaoping	39	Senior Vice President
LIU Xianhua	38	Senior Vice President
WU Jianxin	41	Senior Vice President
SONG Wei	35	Senior Vice President
JIE Pingsheng	58	Senior Vice President
LI Aiguo	54	Vice President
XU Hao	35	Vice President
LEE Kin Ping	38	Vice President
CHEN Yankun	44	Vice President
CHEN Siying	35	Vice President
XIAO Zhijun	41	Vice President
LIU Lihao	36	Vice President
XIE Binhong	36	Vice President
YANG Ming	35	Vice President

Please refer to the section headed "(A) The Board of Directors" of the corporate governance report for further information on the changes in the senior management of the Group during the year and up to the date of this report.

LAU Fu Keung (劉富強), aged 40, was appointed as the Chief Financial Officer of the Group in June 2018. He is primarily responsible for corporate finance, investment and financing strategies, investor relations and capital management of the Group. Mr. Lau has over 15 years of experience in investment banking, consulting and accounting across a wide spectrum of financial products including public and private equity and debt capital markets, loans and structured finance. Mr. Lau received his Bachelor of Business Administration (with Distinction) degree major in Finance and a Master of Accounting (with Distinction) degree from the Ross School of Business, University of Michigan, Ann Arbor, U.S.. Mr. Lau is a U.S. (Delaware) Certified Public Accountant Certificate holder. Prior to joining the Group in June 2018, he worked as a Director of Loans and Structured Credit team in the Global Credit Trading group. Prior to that, he was the Head of Equity Capital Markets, Greater China at Barclays Capital, and Vice President of Equity Capital Markets team at Deutsche Bank. Mr. Lau began his career as Senior Consultant at PricewaterhouseCoopers and Auditor at Ernst & Young respectively.

LI Haiming (李海鳴), aged 45, is an executive president of the Group. He is in charge of investment and operations management of the real estate sector of the Group. Since March 2020, he also serves as senior management of various subsidiaries of the Group, including as the chief executive officer of Urban Renewal Services Ltd* (城市更新服務有限公司), the chairman of each of APEX Parks and Entertainment Services Ltd. (鼎盛樂園娛樂集團服務有限公司) and International Park Group* (國際樂園集團); the chairman and president of Kaisa Services Co., Ltd* (佳兆業服務有限公司), and Kaisa Group (International) Co., Ltd* (佳兆業集團(國際)有限公司), the general manager of Kendu Project Development Co., Ltd* (肯渡專案開發公司). Mr. Li joined the Group in July 2002, and has served in various positions in Kaisa Group, including as the executive vice-president of Kaisa Group from July 2017 to January 2019, regional senior management of the Shenzhen sector from May 2015 to July 2017, regional senior management of the Changsha sector from July 2007 to April 2015. Mr. Li graduated from the Party School of the Guangdong Provincial Committee of the CPC (廣東省委黨校) with a Bachelor's degree in Business Management in July 2000. He also specialised in Architecture and graduated from Chongqing Jianzhu College (重慶建築工程學院) in July 1994.

DIRECTORS AND SENIOR MANAGEMENT

WAN Bing (萬兵), aged 55, is an executive vice president of the Group and Kaisa Wealth Management Group, and is mainly responsible for the management. He joined the Group in April 2009 and served as chairman of the board in Liaoning branch, group vice president and group executive vice president. Prior to joining the Group, Mr. Wan had worked in China Merchants Bank, the People's Bank of China and Ping An Bank and mainly responsible for management. He graduated from Shenzhen University in July 1987 and received a bachelor's degree in Economics.

LIU Ce (劉策), aged 35, is a chief strategy officer of the Group. Mr. Liu joined the Group in January 2018 and served as the dean of Kaisa Economic Research Institute and the chief growth officer of the Group, etc. Before joining the Group, Mr. Liu worked on researching and consulting for Shanghai Tacter Management Consulting Company and Mingyuan Real-estate, respectively. Mr. Liu graduated from Northwest University with a master's degree of Management in July 2009.

ZHANG Runshen (張潤深), aged 63, is a senior vice president of the Group and the chairman of Shenzhen Kaisa Financial Group and general manager of the equity fund company. Mr. Zhang joined the Group in March 2017 and served as vice chairman and the chairman of Shenzhen Kaisa Financial Group. Prior to joining the Group, Mr. Zhang had worked in the Shenzhen branch of the People's Bank of China, Shenzhen Development Bank and the Shenzhen branch of Huaxia Bank, mainly responsible for general management. Mr. Zhang graduated from Jinan University with a bachelor's degree in Arts in 1982.

ZHAI Xiaoping (翟曉平), aged 39, is a senior vice president of the Group and the president of the investment department of the Group, and is mainly responsible for the investment of the Group. Ms. Zhai joined the Group in July 2007 and served as the president of the Group's investment and financing management department, vice president of the Investment and Financing Group and vice president of Shenzhen Kaisa Financial Group. Ms. Zhai graduated from Peking University with a bachelor's degree in law in 2007.

LIU Xianhua (劉先華), aged 38, is a senior vice president of the Group, and is mainly responsible for financing management. Mr. Liu joined the Group in January 2019 and served as the vice president of the Group. Before joining the Group, Mr. Liu had worked for Shenzhen Branch of People's Bank of China and Shenzhen Branch of China CITIC Bank. Mr. Liu received a master's degree in Business Administration and a bachelor's degree in Management from Zhejiang Gongshang University in June 2003.

WU Jianxin (吳建新), aged 41, is a senior vice president of the Group, and is mainly responsible for finance, taxation and fund management. Mr. Wu joined the Group in August 2015 and served as the general manager of the capital management department, the general manager of the financial management department, the assistant president and vice president of the Group. Before joining the Group, Mr. Wu successively engaged in capital management in Shenzhen Zhongdian Investment Co., Ltd., Huawei Technology Co., Ltd. and Country Garden Holding (Group) Co., Ltd. Mr. Wu graduated from Zhongnan University of Economics and Law with a bachelor's degree in Economics in July 2001.

SONG Wei (宋偉), aged 35, is a senior vice president of the Group. Mr. Song is primarily responsible for urban renewal work. Prior to joining the Group in November 2015, Mr. Song has successively engaged in news and planning in Hubei Daily Media Group and Evergrande Real Estate Group. Mr. Song has received a bachelor's degree in Journalism & Communication from Hubei University in 2007.

JIE Pingsheng (揭平勝), aged 58, is a senior vice president of the Group, and the chairman and president of Guangzhou City Renewal Group, and is mainly responsible for the management. He joined the Group in February 2008 and served as chairman of the board and general manager of Kaisa Real Estate Zhuhai branch, chairman of the board and president of Guangzhou Zhiye Group, chairman of the board of Zhiye Group and chairman of City Renewal Group. Before joining the Group, he sequentially worked for Shenzhen Mingju Real Estate Co., Ltd. as deputy general manager, Xinhe Group as vice president and Shenzhen Anneng Real Estate Company as deputy general manager. He graduated from Shenzhen University in 1987.

DIRECTORS AND SENIOR MANAGEMENT

LI Aiguo (李愛國), aged 54, is a vice president of the Group, and is responsible for the management of Securities Funds. Mr. Li joined the Group in December 2016 and served as vice president of Financial Group and vice president of Investment and Financing Center. Before joining the Group, Mr. Li worked for the Ministry of public security of the PRC and HNA Group. Mr. Li graduated from the PLA Logistics Command College in July 2006, majored in Financial Management.

XU Hao (許昊), aged 35, is a vice president of the Group, and the president of the Kaisa Financial Group, and is responsible for the management. Mr. Xu joined the Group in August 2015 and served as the assistant president of Kaisa Financial Group and the vice president of Kaisa Group (International). Before joining the Group, Mr. Xu successively engaged in investment and financing business and management in Fangyuan Real Estate Holding Co., Ltd. and Hong Kong Jinghua Capital Co., Ltd. Mr. Xu graduated from Cambridge University with a master's degree in Real Estate Finance in July 2006.

Lee Kin Ping (李健萍), aged 38, is a vice president of the Group and the vice president of Kaisa Financial Group, and is responsible for the management of financial law department and administration department of Kaisa Financial Group. Ms. Lee joined the Group in 2005 and served as the general manager of administration and human resources department of Hong Kong office, the general manager of public relations and investor relations department, the assistant president of Kaisa Group (International), the vice president of Kaisa Financial Group in Hong Kong, etc. Ms. Lee received her associate bachelor's degree of Computer Science in 2004 and currently being awarded the master's degree of Corporate Compliance in The University of Hong Kong.

CHEN Yankun (陳燕坤), aged 44, is a vice president of the Group and the chairman of Real Estate Group (Guangzhou Region), and is responsible for the management. Mr. Chen joined the Group in September 2017 and served as the vice chairman of Guangzhou Finance Group, the vice chairman of the Greater Bay Area Group, etc. Before joining the Group, Mr. Chen had worked for the politics and law system for a long time.

CHEN Siying (陳思穎), aged 35, is a vice president of the Group and the president of Real Estate Group (Beijing Region), and is responsible for the management. Mr. Chen joined the Group in July 2007 and served as the chairman of Beijing Real Estate Company, the chairman of Beijing Kaisa Hotel Management Company, the executive vice president of Real Estate Group (Beijing Region), etc. Mr. Chen graduated from Tongji University with bachelor's degree in Engineering in 2007.

XIAO Zhijun (肖志軍), aged 41, is a vice president of the Group and the president of Real Estate Group (Guangzhou Region), and is responsible for the management. Mr. Xiao joined the Group in July 2005 and served as the assistant president of Real Estate Group (Shenzhen Region), the president of Hainan Group, etc. Before joining the Group, Mr. Xiao worked on engineering management successively in Citic Real Estate Co., Ltd. and Helenburg Group Holding Co., Ltd. Mr. Xiao graduated from Chongqing University with a bachelor's degree in Engineering in June 2005.

DIRECTORS AND SENIOR MANAGEMENT

LIU Lihao (劉立好), aged 36, is a vice president of the Group and president of Shenzhen region, and is responsible for the management. Mr. Liu joined the Group in August 2012 and served as the assistant president of Real Estate Group (Beijing Region) and the vice president of Real Estate Group (Shanghai Region), etc. Before joining the Group, Mr. Liu worked on commercial real estate analysis and operating management successively in DTZ holdings and Guangming Technology Park Co., Ltd. of China Merchants Group. Mr. Liu graduated from Jiangxi University of Finance and Economics with bachelor's degrees of Economics and Laws.

XIE Binhong (謝斌鴻), aged 36, is a vice president of the Group and chief human resources officer. He is responsible for the human resources management. Mr. Xie joined the Group in 2011 and served as the assistant president of Kaisa Commercial Group and the vice president of Kaisa Real Estate Group (Shenzhen Region), etc. Before joining the Group, Mr. Xie worked for Financial Street Huizhou Real Estate Co., Ltd. and other companies. Mr. Xie graduated from Peking University, with a master's degree in Business Administration in June 2018.

YANG Ming (楊明), aged 35, is a vice president of the Group, and is responsible for legal and risk management work. Ms. Yang joined the Group in April 2016 and served as deputy general manager of the legal compliance department of the Real Estate Group and general manager of the legal compliance department of the Group. Prior to joining the Group, Ms. Yang had successively worked in CIMC, Glorious Property Holdings Limited and Shum Yip Land Company Limited responsible for legal and risk management. Ms. Yang graduated from Wuhan University in July 2004 with a bachelor's degree in law.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PREPARATION GUIDELINES ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following section solely provides advanced guidelines for the environmental, social and corporate governance report of the Company, which is for reference for the management of the Group:

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- III. Communication with Stakeholders
- IV. Materiality Assessment
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 - A3: Environmental and Natural Resources
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 - B2: Health and Safety
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 - B4: Labor Standards
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 - B6: Product Responsibility
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 - B8: Community Investment
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- VIII. Reference to Stock Exchange ESG Reporting Guide

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THIS REPORT

OBJECTIVES OF THE REPORT

This environmental, social and governance (“ESG”) report (“this report” or the “ESG Report”) published by Kaisa Group Holdings Limited and its subsidiaries (“Kaisa Group”, the “Group” or “We”) aims to provide the performance of the Group in respect of the environmental, social and governance aspects in a transparent and open manner over the past year, in response to the concerns and expectations of all stakeholders on the sustainable development of the Group.

REPORTING SCOPE

This report covers the period from 1 January 2019 to 31 December 2019 (the “Reporting Period” or the “Year”), which is in conformity with the Group’s financial year. This report focuses on the Group’s management approach, performance and measures in respect of the environmental, social and governance aspects. In particular, the environmental KPIs disclosed in this report cover selected core functional units¹ including its offices, sales centres, construction sites and canteens. The GFA of the projects under the management of its core functional units amounted to approximately 15.21 million square metres (sq. m.). The social KPIs cover its overall business scope. Due to the business expansion during the Reporting Period, the number of the Group’s subsidiaries and the property development projects under their management increased, and hence, the reporting scope becomes much more extensive than that in last fiscal year. The number of core functional units increased from 13 in the report for last fiscal year to 20 and regions covered increased from four to five in this report.

REPORTING STANDARDS

This report has been prepared in accordance with the requirements set out in the “Environmental, Social and Governance Reporting Guide” (the “Guide”) contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. During the process of preparation of this report, we summarized the Group’s performance in corporate and social responsibilities based on the principles of “Materiality, Quantitative, Balance and Consistency”. Please refer to the table below for our understanding and response to such reporting principles.

Reporting Principles	Implications	Our Responses
Materiality	If the Board decided that the threshold at which ESG issues become sufficiently important to investors and other stakeholders, they should be reported by the issuer.	This report provided procedures for stakeholders engagement and materiality assessment and stated the provisions of “Comply or explain” in relation to the matters not to be disclosed as they are not material to the Group and the reasons for making this decision.
Quantitative	The disclosure of KPIs needs to be measurable. The data of standards, methods and assumption or calculation on emissions and energy consumption, as well as standards for reporting emissions and energy consumption as well as conversion factors used shall be disclosed	This report made quantitative disclosure about KPIs, and reported the standards, methods, assumption or data for calculation of emissions and energy consumption, as well as the conversion factors used.
Balance	The ESG report should provide an unbiased picture of the issuer’s performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.	This report discussed our achievements and challenges in sustainability.
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	This report adopted, as much as practicable, consistent methodologies and provided explanation on any differences in the methodologies adopted last fiscal year.

¹ The selected core functional units are the companies of the Group located in the Pearl River Delta, Yangtze River Delta, Central China, West China and Bohai Economic Rim, principally engaged in property development business.

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Source of Information

The information disclosed in this report is derived from the Group's formal documents, statistics or public information. The Board is responsible for the truthfulness, accuracy and completeness of its contents.

II. SUSTAINABLE DEVELOPMENT PHILOSOPHY AND GOVERNANCE

Development Goals of Sustainable Governance

Kaisa Group is committed to undertaking high standards of social and environmental responsibilities and regards sustainable governance as an integral part. We are committed to becoming a responsible corporate citizen and fulfilling our responsibilities of environmental protection and contributing to social projects. We actively control the impacts on the environment and the communities caused during the course of operation, in order to construct a harmonious community and create long-term benefits and value for all stakeholders, the entire society and the environment, thereby creating a sustainable future.

Sustainable Governance Strategies

In achieving and maintaining social and environmental sustainability, we incorporate this development mission into our daily business operation and management plan. To protect the environment, we promoted resources protection by integrating sustainable building designs and environmental friendly materials into project development and actively implemented energy- and water-saving measures, to reduce the direct and indirect impacts on the environment with concrete actions. To perform our social responsibility, we leverage our own brand influence to bring benefits to our community by continuously participating in various kinds of charitable events and speeding up urban renewal to facilitate local development. In terms of talent development, the Group provides not only a happy, open and safe working environment, but also diversified training opportunities and competitive remuneration package in the industry, thereby achieving mutual growth and development achievements with our employees.

Board Involvement

The Board of the Group is composed of executive directors, non-executive directors and independent non-executive directors of different qualifications and background. In making a decision, the directors fully take into consideration of concerns and expectations of all stakeholders. The Board is responsible for leading and guiding the Group's ESG policies and the management of departments are responsible for implementing such policies during daily operation and promoting the Group's sustainable development. The Board, together with the management identify and evaluate the opportunities and risks in achieving sustainable governance on an ongoing basis, and review the effectiveness of its risk management and internal control based on the internal and external changes as and when appropriate, in order to effectively manage and regulate relevant risks and consequences.

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III. COMMUNICATION WITH STAKEHOLDERS

Fully recognizing the importance of communication with stakeholders, we encourage major stakeholders, including shareholders and investors, the government, our employees, customers, suppliers and the community, to communicate with us through diverse channels such as issuing reports, opinion surveys or other platforms, in order to understand their concerns and take into consideration and respond to their needs and expectations in our day-to-day operation and when making decision.

The table below summarizes our communication channels with stakeholders, and our concerns and action plans in place.

Stakeholder Group	Communication Ways/Channels	Major Requirements/Concerns	Our Action Plans
Shareholders and investors	<ul style="list-style-type: none"> • General meetings • Annual and interim reports • Analyst meetings • Emails • Investor hotline and meetings 	<ul style="list-style-type: none"> • Maintain profitability • Formulate sustainable development policy • Transparency of the Company's information • Protection of rights and interest of shareholders and investors 	<ul style="list-style-type: none"> • Convene regular general meetings • Convene board meetings • Meeting with investors • Make disclosure on-time in accordance with law
The government	<ul style="list-style-type: none"> • Public consultations • Seminars • Reports • Online survey • Interviews 	<ul style="list-style-type: none"> • Ensure operational compliance • Pay taxes in compliance with laws • Response to national policies • Support local development • Promote employment 	<ul style="list-style-type: none"> • Facilitate urban development plans • Comply with the national laws and regulations • Create more job opportunities • Pay taxes in full and on time
Employees	<ul style="list-style-type: none"> • Staff activities and mailboxes • Company's intranet • Online opinion survey 	<ul style="list-style-type: none"> • Career development • Training opportunities • Compensation benefits • Corporate culture • Health and safety 	<ul style="list-style-type: none"> • Continue to optimize the training and development system, covering professional development, occupational skills and safety regulations • Understand employees' personal development needs and appraise their performance in an impartial and objective manner • Provide competitive remuneration package • Provide psychological counseling

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Stakeholder Group	Communication Ways/Channels	Major Requirements/Concerns	Our Action Plans
Customers	<ul style="list-style-type: none"> Collect feedbacks on services Return visits Customer satisfaction survey 	<ul style="list-style-type: none"> High-quality products and after-sales services Comfortable living experience Protection of privacy 	<ul style="list-style-type: none"> Regulate and standardize products and services Conduct regular satisfaction survey Promptly handle customer complaints Ensure protection of customers' privacy
Suppliers	<ul style="list-style-type: none"> Supplier performance review and evaluation Online opinion survey 	<ul style="list-style-type: none"> Transparent procurement procedures Business integrity Performance of contract On-time payment 	<ul style="list-style-type: none"> Conduct routine communication Implement fair and ethical business practice Provide suppliers with equal opportunities Comply with contractual provisions
The community	<ul style="list-style-type: none"> Community charitable activities Voluntary activities 	<ul style="list-style-type: none"> Investment in public welfare Green operation Participation of community building Care for the vulnerable groups 	<ul style="list-style-type: none"> Establish a charity fund Encourage employees to participate in voluntary activities Organize charitable events Integrate green concept and environmental protection elements into designs

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IV. MATERIALITY ASSESSMENT

To determine the key points to be disclosed in this report, we have conducted materiality assessment on ESG issues with stakeholders. The procedures of the materiality assessment are set out as below:

Step One: Identification of Potential ESG Issues

The Group identified the following 19 issues in accordance with the disclosure requirements set out in the “Environmental, Social and Governance Reporting Guide” and based on the business characteristics and daily operation of Kaisa Group. These issues are considered to have impacts on the environment and the society during our operation.

ESG Aspects	No.	ESG Issues
A. Environmental	Aspect A1: Emissions	1 Emissions of air pollutants
		2 Greenhouse gas emissions
		3 Waste management
	Aspect A2: Use of Resources	4 Energy consumption
		5 Water consumption
		6 Use of construction materials
	Aspect A3: Environmental and Natural Resources	7 Management of risks associated with environmental and natural resources
B. Social	Aspect B1: Employment	8 Equal opportunity
		9 Employee benefits
	Aspect B2: Health and Safety	10 Occupational health and safety
	Aspect B3: Development and Training	11 Employee development
	Aspect B4: Labor Standards	12 Prevention of child labor and forced labor
	Aspect B5: Supply Chain Management	13 Selection and evaluation of suppliers
		14 Control and management on environmental and social risks along the supply chain
	Aspect B6: Product Responsibility	15 Complaint handling
16 Product quality and safety		
17 Customer data privacy and data security		
Aspect B7: Anti-corruption	18 Anti-corruption	
Aspect B8: Community Investment	19 Community engagement	

Step Two: Materiality Assessment

The Group’s management conducted internal meetings based on the opinions collected from the communications with stakeholders to score the degree of relevance and importance of every ESG issues from 0 to 5 marks (0 represents irrelevant; 5 represents most important).

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Step Three: Priority

Based on the evaluation result, we prioritized the issues in two dimensions, namely, “importance to stakeholders” and “importance to our operation” and prepared the materiality matrix as below:



No. ESG Issues

- 1 Emissions of air pollutants
- 2 Greenhouse gas emissions
- 3 Waste management
- 4 Energy consumption
- 5 Water consumption
- 6 Use of construction materials
- 7 Management of risks associated with environmental and natural resources
- 8 Equal opportunity
- 9 Employee benefits
- 10 Occupational health and safety
- 11 Employee development
- 12 Prevention of child labor and forced labor
- 13 Selection and evaluation of suppliers
- 14 Control and management on environmental and social risks along the supply chain
- 15 Complaint handling
- 16 Product quality and safety
- 17 Customer data privacy and data security
- 18 Anti-corruption
- 19 Community engagement

As the Group is principally engaged in property development, greenhouse gas emissions, waste management, product quality and safety, and community engagement are the key issues. Bearing in mind its environmental and social responsibilities, the Group will continue to communicate with different stakeholders and regularly update the list of key issues to form a more comprehensive materiality matrix and review its approach for sustainability, while effectively respond to stakeholders’ concerns and practically optimize our long-term development strategy.

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V. ENVIRONMENTAL ASPECTS

Aspect A1: Emissions

As the global climate changes and driven by the concept of low-carbon economic growth, Kaisa Group took an active initiative to reduce emissions and consumption and by using the natural resources effectively to minimize the negative impacts on the environment. Kaisa Group strictly complies with the laws and regulations related to our business operation such as the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Energy Conservation Law of the People's Republic of China (中華人民共和國節約能源法), Air Pollution Law of the People's Republic of China (中華人民共和國大氣污染法), Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) and Law of the People's Republic of China on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), which clearly state the requirements in relation to the emission of pollutants and energy-saving management for enterprises. In view of this, we formulated the Guidance on Kaisa Group Office Supplies Management (佳兆業集團控股辦公用品管理工作指引) and Kaisa Group Office Environment and Security Management System (佳兆業集團控股辦公環境及安全保衛管理制度) to give guidance on the measures to reduce energy consumption and wastes within office area, with an aim to minimise the impact on the environment.

Emissions of Air Pollutants and Greenhouse Gas

Emissions of greenhouse gas and other air pollutants are inevitable during the course of property development. During the Reporting Period, the total greenhouse gas emission of the Group's 20 core functional companies amounted to approximately 21,050 tons CO₂e, which was mainly generated from the externally purchased electricity within the office area, sales centres and construction sites, accounted for more than 92% of the total emission. In order to offset the greenhouse gas emissions, the Group planted a total of nearly 4,000 trees during the Reporting Period, reducing approximately 92 tons of CO₂. Other air pollutants emitted were mainly from fuel for vehicles. During the reporting period, nitrogen oxides, sulphur oxides, inhalable particulates, fine particulates, carbon monoxide and hydrocarbon generated by the Group amounted to approximately 5,365 kg, 6 kg, 161 kg, 145 kg, 2,915 kg and 203 kg.

Hazardous and Non-hazardous Wastes

Our day-to-day operation does not generate material hazardous waste¹. Non-hazardous wastes are mainly construction wastes, concrete and steel generated during the course of construction. During the Reporting Period, the Group generated approximately 512,865 tons of non-hazardous wastes. In view of the impacts on the environment by wastes, we implemented multi-front measures to reduce wastes being disposed of, including requiring construction units to group the construction wastes on site and clear up regularly. Wastes such as paper packaging, rebar and glasses, are classified and handled by recycling companies. We standardized temporary construction facilities and processed construction materials to increase the possibility of reuse. Within the office area, we promote paperless office and encourage two-sided black and white printing to reduce at source monthly average paper consumption and number of paper printed.

A2: Use of Resources

Kaisa Group has always pursued management strategies of the good use of resources, striving to seek effective measures to reduce the use of resources in the course of operation. In order to monitor and improve the management of resources consumption, we formulated the Guidelines on Design of a System of Electricity Consumption and Energy Efficiency for Energy Conservation for Investment Properties of Kaisa Group Holdings (佳兆業集團控股自持項目機電能耗能效系統節能設計指引), providing guidelines for employees in their energy consumption data collection, maintenance and analysis.

¹ The "Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, 1989." has defined the category of hazardous wastes, including medical and chemical wastes and wastes generated from manufacture and use of inks, dyes, pigments and paints. For details, please see https://www.epd.gov.hk/epd/tc_chi/international_conventions/hazardous_wastes/hazardous_wastes_main.html

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Use of Energy

During the Reporting Period, energy directly consumed in the course of daily operation was gas, gasoline and diesel used for vehicles and gas stove in staff canteen, while energy indirectly consumed was from the use of purchased electricity. To enhance efficiency for the use of energy, we adopted the construction design of natural ventilation and natural light and installed LED sound-activated lights in basements, staircase and areas of lighter foot traffic. Turning on or off the lights by monitoring the surroundings with smart devices reduced energy consumption and extended the lifespan of light bulbs, thereby lowering our operation cost. We also encouraged our staff to utilize video or telephone conferencing so as to reduce carbon footprint arising from business trips and transportation. In addition, we installed smart meters and electricity monitoring points at construction sites and office areas respectively, by which designated personnel monitored daily usage of electricity and developed proposals for electricity conservation accordingly based on the statistics.



Smart meter



Smart electricity conservation system for construction sites

Use of Water Resources

The tap water of the Group was purchased from municipal water agency, thus we did not encounter any difficulty in ensuring the availability of sources of water. Notwithstanding the abovementioned, Kaisa Group recognized that water is a precious and limited natural resources, therefore we sought to enhance the efficiency of water consumption through various means and even maximized to reuse water, for instance, putting on labels and notices to remind staff to form a good habit of water conservation, and making use of a rainwater collection system to reuse water resources, in turn reducing the usage of tap water. During the Reporting Period, the Group's water consumption was approximately 812,304 cubic meters.

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A3: Environmental and Natural Resources

The impact on environment and natural resources caused by the business activities of the Group mainly involves the consumption of electricity, water resources, construction materials and office supplies in the course of office and construction work. In light of the above, Kaisa Group proactively adopts its environmental philosophy in its daily operations by implementing a series of environmental conservation measures to reduce emission and consumption, and promotes green construction to diminish or remove the impact on environment caused by its business in the long term.

Green office

- Promoting the use of emails and e-office systems as well as black-and-white and double-sided printing mode to reduce paper consumption;
- Adopting double-sided printing and reducing the font size before printing so as to reduce the usage of papers and toners;
- Checking regularly the utilization level of materials and considering the feasibility of internal asset transfer before purchasing or reimbursing;
- Setting the minimum temperature of air conditioning system at 26°C;
- Checking and repairing pipes regularly to avoid damages and leakage of water pipes, thereby reducing waste of water resources;
- Reducing the standby energy consumption of appliances and equipment, employees should turn off their electricity-consuming devices such as personal computers, appliances, printers and air conditioners in time before leaving for the day; and
- Promoting the use of video conferencing to reduce carbon emission during trips.

Green construction

- At the early stage of projects, entrusting professional firms to conduct a comprehensive examination for environmental impact and ecology conservation of lands intended to be developed, formulating soil and water conservation plans and finalizing monitoring measures in the process;
- Planning roads and ventilation throughout regions and designing noise reduction and dustproof lights to effectively alleviate the impact caused by construction;
- Taking measures such as soil cover, excavation by stages and water sprinkling to reduce dust pollution at construction sites;
- Building noise reduction walls and soundproofing booths and making use of low noise instruments and technologies to reduce the noise caused in the course of construction;
- Laying vibration reduction mats and excavating seismic isolation ditches to lessen the impact on surrounding community caused by mechanical movement in the course of construction;
- Integrating, coordinating and arranging the transportation of materials during non-peak traffic hours to reduce the emission of carbon dioxide and greenhouse gases by large vehicles;
- Using energy-saving and environmentally-friendly materials such as lightweight partition boards and high precision building blocks and adopting new environmentally-friendly handicrafts such as aluminum stencils, prefabricated construction and plaster-free external and internal walls;
- Vigorously promoting the delivery mode of fit-out construction and reducing the environmental pollution caused by secondary decoration²;
- Using instrumental, standardized and programmed equipment in temporary facilities to re-use materials of temporary houses and temporary walls at construction sites; and
- Building a rainwater collection system at construction sites of projects, which is used for water sprinkling to reduce dust, maintaining and spraying the concretes and testing of spraying water on external walls.

² During the Year, the Group commenced mass fit-out construction for a total of GFA amounting to approximately 7,864,000 square meters.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Example: Recognition of Green Construction

Kaisa Group obtained 5 green construction design logo certificates in 2019 with a green construction area amounting to approximately 977,208 square meters. Going forward, we would strive to obtain more recognition of green construction for our properties.

	Project Type	Project	Granting Institutions	Certificate Level	Area with certificate (square meters)
1	Commercial construction	Shenzhen Kaisa Financial Technology Center	U.S. GREEN BUILDING COUNCIL	LEED v4 golf badge certified	142,000
2	Public and residential construction	Xuzhou Thriving Spring Villa ³	Chinese Society for Urban Studies	Three-star	238,600
3	Residential construction	Shenzhen Kaisa Yantian City Plaza Phases 2 and 3	Shenzhen Green Building Association	Two-star	137,900
4	Residential construction	Block 1-34, Basements in Areas A and B, Phase 9, Huizhou Kaisa Riverbank New Town	Huizhou Green Building and Energy Conservation Association	One-star	237,653
5	Residential construction	Land B and Basements of Phase 1, Phase 3 and Basements of Huizhou Kaisa Times Mocha Town	Huizhou Green Building and Energy Conservation Association	One-star	221,055

³ Area with certificate of Xuzhou Thriving Spring Villa includes Blocks 1-3, 5-23, 25, 26, B1-B3, B5-B13, B15-B23, B25-B33, B35 and B36 and kindergarten(s).

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As an enterprise with property development as its core businesses, Kaisa Group endeavours to develop and build quality property projects. At the same time, one of our missions for sustainable development is to create a more comfortable living environment for future generations. In response to long-term resources conservation and protection of the Earth, the Group has set various objectives to reduce environment pollution.

Objectives for sustainable development		Plans adopted
Emission of greenhouse gases	<ul style="list-style-type: none"> • reduce average electricity consumption 	<ul style="list-style-type: none"> • speed up replacing fluorescent tubes with low energy-consuming LED lights • enhance regular repair and upgrades for equipment to optimize energy efficiency • continuous promotion of paperless office, for example, office automation system approval and transmit and circulate documents to each other by e-mail
Waste	<ul style="list-style-type: none"> • reduce generation of waste 	<ul style="list-style-type: none"> • increase types and facilities for waste classification and recycling at construction sites and office areas to encourage staff to take part in source separation of waste, thus increasing collection of recycled materials and reducing disposal of waste • reduce the use of disposables and re-use materials of temporary facilities such as temporary railings and windows • encourage internal asset transfer to increase utilization rate
Use of resources	<ul style="list-style-type: none"> • further resources conservation 	<ul style="list-style-type: none"> • continue to encourage staff to turn off idle equipment so as to reduce power consumption • post labels and posters to emphasize the importance of energy saving
Use of water	<ul style="list-style-type: none"> • lower average water consumption 	<ul style="list-style-type: none"> • grew drought-enduring plants • check and repairing pipes and water supply system regularly to avoid leakage • continue to encourage staff to build a good habit of water conservation
Green projects	<ul style="list-style-type: none"> • promote green construction • green projects 	<ul style="list-style-type: none"> • strengthen scientific management and use of advanced technology to seek the best approach for energy conservation at construction sites • continue to use energy-saving and environmentally-friendly materials and adopt new environmentally-friendly technologies • continue to promote the delivery of standard fitting out products • grow a broader range of different plants to enhance environmental quality

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. SOCIAL ASPECT

B1: Employment

Kaisa Group considers talents as a valuable asset for corporate development, striving to develop its core competitiveness with abundant and quality human resources and hence facilitating its sustainable development. We strictly abide by the laws and regulations related to the Labour Law of the People's Republic of China (中華人民共和國勞動法), the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法), the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) and the Social Security Law of the People's Republic of China (中華人民共和國社會保障法), which safeguard the lawful interests of our staff in terms of working hours system, leave and holiday system, welfare and remuneration management, dismissal of staff, signing of labour contracts, etc.. Meanwhile, we formulated and implemented a series of human resources internal management policies, including Kaisa Group Holdings Recruitment Management System (佳兆業集團控股招聘管理制度), Kaisa Group Holdings Employees' Overtime Work Management System (佳兆業集團員工加班管理制度), Kaisa Group Holdings Remuneration Management System (佳兆業集團控股薪酬管理制度), Kaisa Group Holdings Welfare Management System (佳兆業集團控股福利管理制度) and Kaisa Group Holdings Attendance Management System (佳兆業集團控股考勤管理制度) etc., covering the standard procedures of recruitment, rules of overtime work hours, staff remuneration structure and various standards of benefits, striving for offering a sound, inclusive and energetic working environment for our staff to improve staff quality continuously and realize mutual growth and development between our staff and the Group.

Recruitment, Promotion and Remuneration

Our recruitment procedures was in strict compliance with the regulations of Kaisa Group Holdings Recruitment Management System, we recruited and selected talents on an open and fair basis by adopting the same standard to candidates regardless of their backgrounds, conducting comprehensive examinations and fully considering their competence and potential for future development, and they will only be employed after passing such examinations. The Group also adheres to the employment principle of hiring by merit rather than nepotism, meaning that staff members with relative relationships shall not work in the same company, so as to maintain the objectivity and fairness of recruitment.

As for staff promotion, we set requirements and promotion conditions for various positions and functions at various levels and performing performance assessment for our staff regularly based on their work performance, capability and attitude to decide whether the staff get promoted. We believe that a fair and comprehensive mechanism can raise the core competitiveness for the Group and its employees, achieving mutual growth between the staff and the Group.

In addition, we complied with Kaisa Group Holdings Remuneration Management System by making reasonable adjustments to staff salary regularly with reference to market salary survey and study, striving for offering a competitive remuneration package in the market.

Working Hours and Holidays

To ensure our staff to have sufficient rest so that they can be well-rested for work and dedicated to work, we implemented five-day work system in office with not exceeding 40 hours of standard working hours per week. If employees work overtime due to work needs, we pay overtime working wages or offer alternative leave based on the overtime working approved under the national requirements and Kaisa Group Holdings Employees' Overtime Work Management System. In addition, in accordance with the Kaisa Group Holdings Welfare Management System, our employees are entitled to all kinds of paid leaves such as statutory festivals and holidays, marriage leave, funeral leave, maternity leave, nursing leave and annual leave. We also adjust the number of annual leaves based on the seniority of our staff.

Equal Opportunities, Diversity and Anti-discrimination

Regardless of recruitment, promotion, dismissal, trainings, work performance assessment and remuneration and benefits, we adhere to the principles of openness, justice and fairness and fight against discrimination in relation to religion, race, gender, age and disability. For example, during job interviews, discussion on personal and private issues that are unrelated to job performance shall be avoided, and the recruitment assessment shall be conducted in an objective and impartial manner and decisions shall be made solely based on their work performance.

Furthermore, in order to introduce more talents and achieve diversity of talents, Kaisa Group strengthened its efforts in recruiting talents by recruiting individuals with different qualifications, backgrounds and experiences through various channels including campus recruitment, business recruitment websites and newspapers. The Group also formulated the Board Diversity Policy, covering policies which can achieve the diversity of the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria regardless of gender, age, cultural and educational background, professional experience, skills and knowledge.

As of 31 December 2019, the Board comprised a total of 9 members, among which male members accounted for approximately 88% and female members accounted for approximately 12%, of the total. We had a total of 15,281 staff, among which the proportions of male staff and female staff were approximately 68% and 32%, respectively. No cases of discrimination were recorded during the Reporting Period.

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B2: Health and Safety

Kaisa Group highly values the safety and health of its staff and facilitates the sustainable development between the Group and its staff in a responsible manner. We strictly complied with relevant laws and regulations relating to labor safety and sanitation, including the Production Safety Law of the People's Republic of China (中華人民共和國安全生產法), Fire Control Law of the People's Republic of China (中華人民共和國消防法), Industrial Injury Insurance Regulations of the People's Republic of China (中華人民共和國工傷保險條例), and prepared multiple internal management policies such as the Measures for Supervision and Administration on Safety Production of Kaisa Group (佳兆業集團安全生產監督管理辦法), Measures on Safety Management of Properties Projects on Kaisa Group Holdings (佳兆業集團控股地產項目施工安全管理辦法) and Catalogue on Safe and Civilized Construction on Properties Projects of Kaisa Group Holdings (佳兆業集團控股項目安全文明施工圖冊) to further regulate the articles and procedures on safety construction and organize staff to participate in trainings on safety knowledge and various drills of contingency plans on a regular basis.

We implemented the following measures during the course of construction to eliminate and prevent safety incidents:

- Identify source of danger before the construction of project, identify material sources of danger and formulate contingency plans;
- Prepare specific contingency plans and on-site treatment plans, conduct contingency drills at least once in half-year and review and analyse in respect to the process and results of the drill;
- Engage third-party inspection agency to conduct checks on the project safety management once a quarter, and to conduct inspection, supervision and follow-up on key safety risk sources;
- Conduct comprehensive inspection at least once a month on the safety management of projects;
- Pay attention to the weather report and prepare contingency measures in advance, prepare emergency supplies, counter measures and conduct on-site checks.

In the event that safety incidents have occurred, relevant responsible departments are required to report and document in a timely, active and accurate manner, supervise and assist the on-site rescue work and cooperate with the investigation of the incident afterwards. For staff member who injures while on duty, other than sending him/her for medication immediately and following up by visiting the injured staff member, the Group would also apply for benefits in the form of consolation money on behalf of injured staff members in accordance with the local laws and regulations, as well as the Kaisa Group Holdings Welfare Management System at the same time.

Kaisa Group cares a lot about both the mental and physical health of its staff that it provides regular body checks, and sets up various sports clubs including the fitness club, football club, badminton club and basketball club to encourage staff to do exercises. Moreover, in order to eliminate and prevent the harm of smoking cigarette, the Group formulated the Management Measures on Prohibiting Smoking of Kaisa Group Holdings (佳兆業集團控股禁煙管理辦法) in the Year to completely ban smoking in office area and to proactively promote the non-smoking culture.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3: Development and Training

Outstanding talents are essential to the sustainable development of the Group, therefore we attach great importance to the improvement of their occupational skills and provide them with relevant trainings in helping them to fully unleash their expertise and potential in the long run. In order to establish and increase the competitiveness and quality of all employees, we assist them in skills enhancement, career development and improvement in interpersonal and management skills.

The Talent Pool Development System of Kaisa Group Holdings (佳兆業集團控股人才梯隊建設制度) is set for constructing and refining the talent development systems. Through exploring, developing and cultivating potential and elite personnel, we prepare the talent pool to support the realization of the Group’s strategic targets with intellectual capital, as well as enable the employees to achieve their career plans together with the Group’s development. The human resources department of the Group selects potential and elite personnel every year and trains them through a mentoring scheme, thematic seminars and on-job education according to the need of the company in operational development.

The Group provides diverse talent training activities. We expect to fulfill the current and future demand in development of the Group and to pass on the existing experiences and skills to benefit our employees. To ensure the quality of trainings, the Group formulated internal policies including the Training Management System of Kaisa Group Holdings (佳兆業集團控股培訓管理制度), Management Measures of Lecturers of Kaisa College (佳兆業學院講師管理辦法) and Management Measures of Lectures of Kaisa College (佳兆業學院課程管理辦法) to regulate the formulation of training plans, training assessment, selection and management of lecturers, curriculum set-up requirements and lectures development procedures. Moreover, we have set up “Kaisa College” in 2009 to coordinate and implement talent cultivation, and enhance employee competence and capabilities enhancement. In particular, the online learning platform “Cloud College” provides flexible learning pathways for employees to integrate themselves into the Company and to enhance their management ability and professional skills.



Outstanding fresh graduates are also a driving force to the Group’s development. The “Kaisa College” provides lectures with a clear goal in a focused manner through “Training System for Kaisa New Generation” (新佳族培養體系) and to help graduates with the transformation from a student to an employee. They may learn from different positions and departments by job rotation and are able to show and explore talents in different mentors project teams and hence discover their direction in career development. Graduates will also be guided by experienced mentors to integrate into the Company and will be offered help and guidance on work or living that they can better grow in Kaisa Group.

 <p>A Team of Professional Lecturers</p> <p>To provide trainings on various professional skills, corporate culture, and leadership by internal and external professional lecturers</p>	 <p>Cloud College</p> <p>Case library, reference books, instructional procedure system, training materials, videos, micro-lectures and other sharing resources</p>	<p>Kaisa College</p>
 <p>Four-Level Talent Training System</p> <p>Training System for Kaisa New Generation, Training System for potential personnel, Training System for elite personnel, Training System for outstanding management members which cover every stages of the career life</p>	 <p>IDP (Individual Development Plan)</p> <p>A tailor-made customized personal development opportunity according to the development need of the Company and individuals</p>	
 <p>Regular cross-professional and interdisciplinary training</p> <p>Job rotation, observation and exchange in benchmark enterprises, leader training camps, executives training camps and further study in well-known institutions of higher education both at home and abroad</p>	 <p>Lecturing and mentoring</p> <p>An one-on-one mentoring system, responsible for the career development throughout the whole training stage for fresh graduates with senior business experts as mentors to enhance their professional level</p>	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B4: Labor Standards

Kaisa Group strictly prohibits child labor and forced labor. It is in strict compliance with laws and regulations in protecting the lawful rights of employees including the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and Provisions on the Prohibition of Using Child Labor (禁止使用童工規定). It conscientiously carries out the human resources management according to the internal policy such as the Kaisa Group Holdings Recruitment Management System and Kaisa Group Holdings Employees' Overtime Work Management System. It is required to check on valid identity documents to verify the identity of applicants and ensure that they have reached the statutory age limit of employment during the Group's recruitment process to avoid any illegal child labor. The Group respects human rights and hence we entered into labor contracts or agreements with our employees clearly stating the terms about working location, hours and salary. If overtime work is needed, we would consider if the employee would obtain sufficient rest. Overtime allowances will be provided and alternative leave will be arranged after overtime work to ensure that employees receive lawful and reasonable compensation. Moreover, we conduct quarterly analysis in respect to the overtime working of employees, enhance the human resources planning and streamline the work process to avoid unnecessary overtime work.

B5: Supply Chain Management

We closely cooperate with various suppliers. In addition to facilitating the common goal of business development, the Group also expects to construct a better environment and society together with the suppliers through effective supply chain management.

In order to promote an open, transparent and objective procurement, the Group implements strict policies on procurement and tendering that require all personnel engaged in procurements must strictly comply with the "Eight Prohibitions on Procurement" with integrity and honesty, and must not act against the interest of the Group. For any violation once verified, stringent follow-up and punishment will be given.

During the supplier selection process, our Kaisa Properties Group Suppliers Management Measures (佳兆業地產集團供應商管理辦法) stipulate that apart from obtaining the business licenses, certificates of professional qualifications, permits of safety production and other recognized certificates in relation to management systems for document verification, the operating results, qualifications and background of suppliers would also be reviewed. On official establishment of cooperative relations, our business contract will state the Group's principles on sustainable development and minimum requirements, including the compliance of local laws and regulations, labor laws, health and safety standards, and anti-corruption behaviors, etc.

We conduct performance assessment on cooperating suppliers annually to monitor and assess their work progress and quality as well as their performance on sustainable development, thereby performing grading and classification management for the suppliers. Suppliers who do not meet the Group's requirements, such as those with recorded breach of the laws, regulations, and the self-regulatory rules or regulations stipulated by Group, malpractices, provision of false information and concealment of truth, etc., will be terminated permanently. During the Reporting Period, there were 252 suppliers passing our stringent annual performance assessment and becoming our strategic and outstanding suppliers.

To implement the Group's persistence in sustainable development and environmental protection, we will first consider to cooperate with the suppliers upholding similar visions. When inspecting a supplier, we will require it to present its relevant certification reports, such as Environmental Management System Certification (ISO14001), Quality Management System Certification (ISO9001) and Occupational Safety & Health Management System Certification (OSHMS). On the premise that the quality standard is satisfied, we will adhere to the principle of using materials available in close proximity as much as possible, opting for local or neighboring suppliers of construction materials to reduce the energy consumption during the transportation process of materials. We also engage independent third parties to conduct regular inspection for the cooperating suppliers, make an appraisal through comparison between the suppliers based on the Kaisa Properties Group Management Measures on the Quarterly Appraisal and Surveillance for Projects (佳兆業地產集團工程季度評估檢查管理辦法) on a quarterly basis, strictly control the environment and safety, etc. We also formulate the Kaisa Group Holdings Management Measures on Incoming Materials and Engineering Samples Acceptance for Real Estate Projects (佳兆業集團控股地產項目進場材料及工程樣板驗收管理辦法), which requests the on-site personnel of the project to check the incoming materials from suppliers and send the materials for inspection on a random basis, so as to ensure that the materials meeting the requirements on environmental protection.

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B6: Product Responsibility

We uphold the principles of “quality as our lifeline and customer value-oriented” and regard providing excellent product and fulfilling product responsibility as the cornerstone of our business.

Quality Management

Kaisa Group strictly complies with the laws and regulations in relation to our business, such as the provisions in respect of construction project quality and safety supervision management in the Construction Law of the People’s Republic of China (中華人民共和國建築法) and the Regulation on the Quality Management of Construction Projects of the People’s Republic of China (中華人民共和國建設工程質量管理條例) and formulated a series of management measures on quality management including the Kaisa Group Holdings Management Measures on Incoming Materials and Engineering Samples Acceptance for Real Estate Projects and Kaisa Properties Group Management Measures on the Quarterly Appraisal and Surveillance for Projects that we can standardize the quality management, conduct comprehensive and strict control on product quality management in every session and keep the highest standard in terms of product and service quality in the industry. The Procurement and Quality Management Department launched various special checks on quality and safety, and carry out independent quarterly inspection on the construction and projects under management properties with a third-party assessment agency to form complementary effect in preventing risky problems, thereby effectively mitigating quality risk which may affect customer satisfaction and enhancing the quality of the delivered products and the reputation among customers.

During the Reporting Period, the passing rate of the main body of the Group’s projects amounted to 92.25%, representing an increase of 0.79% as compared to 2018. We strictly forbid the delivery of failing products. Any delivery of products has to go through comprehensive rectification and pass the reassessment by third-party units.

Quality Control of Sales Information

Kaisa Group fully understands that responsible information management is very important during the marketing process. The “Provisions on the Release of Real Estate Advertisements” and the “Advertising Law of the People’s Republic of China” clearly require that real estate advertisements must be true, lawful and accurate. There should be no false, misleading or confusing content. Therefore, we have complied with relevant laws and implemented the “Real Estate Sector Project Promotion Red Line Manual of Kaisa” (《佳兆業地產板塊項目推廣宣傳紅線手冊》), in accordance with two dimensions of law and internal control. Control of external promotion has been strengthened to ensure that the promotion and publicity comply with national laws and regulations. This avoids possible violations and customers’ risks caused by excessive publicity, in order to ensure that the sales information is transparent and true.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Handling Complaints from Customers

The Group highly recognizes the importance of its customers' satisfaction and their feedbacks on its products and services. Customers could communicate with us effectively through different channels, such as supervision service hotline, email and so on. We have formulated the "Implementation Regulations for Complaints and Claim Services of Kaisa Group Holdings" (《佳兆業集團控股客戶投訴、理賠服務實施細則》) to standardize the handling processes of customers' crisis events, major complaints, important complaints and general complaints. These ensure that customers' complaints could be dealt with in a timely and effective manner. This could achieve resolution, improve customers' satisfaction and maintain the Company's goodwill and image. When we receive a complaint, we would follow the guidance of the "Implementation Regulations for Complaints and Claim Services of Kaisa Group Holdings", including the following principles:

- To observe the laws, regulations and relevant regulatory policies, ascertain the facts, clarify responsibilities, and negotiate fairly;
- To respond to complaints in a timely manner and handle them within the prescribed time limit, and while handling, to communicate and give feedbacks promptly to avoid repeated complaints;
- Not to make casual or false promises, but to perform seriously according to the outcome of the complaint and follow up with visits;
- To keep strict confidentiality of customer information, complaints, claim needs, final settlement plans and mediation means.

Protection of Customers' Privacy

Kaisa Group spares no effort in protecting the privacy of customers' personal data. The collected customer information is handled, managed and protected in accordance with the Group's internal guidelines such as "File Management System of Kaisa Group Holdings" (《佳兆業集團控股檔案管理制度》), "Confidentiality Management System of Kaisa Group Holdings" (《佳兆業集團控股保密管理制度》), "Computer Management Measures of Kaisa Group Holdings" (《佳兆業集團控股電腦管理辦法》) and "Marketing Informatization Examination Management Measures of Kaisa Group" (《佳兆業集團營銷信息化考核管理辦法》). Customers' privacy is strictly protected, and information leakage is prevented. Our system permission setting is also based on employees' job responsibilities and roles so as to allocate the accessibility of customers' information. Without the approval of the management, employees must not transfer customers' information to other units within the Group for use, reducing the risks of customers' information losses or leakage. For newly-hired employees, we have added the relevant contents of the confidentiality system to the recruitment exam to ensure that they fully understand the standards and procedures for handling customers' information.

Six 'Nots' in Professional Ethics

- Not to accept banquet invitations and entertainments of stakeholders and individuals.
- Not to accept any form of business gifts or presents or monetary gifts.
- Not to, by any means, have bribery by individuals and relatives and economic interaction with cooperating parties.
- Not to engage in business operating activities that conflict with the Company's interests.
- Not to misappropriate or embezzle the Company's assets, and provide external guarantees for violation of regulations of the Company.
- Not to fabricate or disseminate false information which may damage the Company's image and the interests of the others.

During the Reporting Period, the Group did not receive any complaints about violations of customers' privacy or loss of customers' information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7: Anti-corruption

Kaisa Group always regards standardization and honest management as the foundation of its business. We insist on emphasizing good professional ethics as the primary standard for recruiting employees. Any behavior that violates professional ethics would be subject to severe punishments. This ensures that employees would not engage in any inappropriate behaviors or organized malfeasance that hurts the interests of shareholders, investors, customers and the general public. We also strictly comply with laws and regulations in relation to business ethics and prohibition of operators to reach monopoly agreement or to abuse the predominate position in the market under “Anti-Unfair Competition Law of the People’s Republic of China”, “Interim Provisions on Prohibiting Commercial Bribery” and “Anti-Monopoly Law of the People’s Republic of China”. Accordingly, we have formulated and implemented the “Professional Ethics and Codes of Conduct of Employees”, which includes provisions on conflicts of interests, confidentiality systems, conduct, bribery and anti-corruption, and have formulated a number of ethical red line management systems in specific business areas. All violations of professional ethics and codes of conduct are seriously handled to ensure that high standards of business integrity are maintained throughout the operation.

In addition, we have announced various anti-corruption reporting channels in bidding documents, contracts, office premises, agreements, office platforms and so on, for example, telephone, QQ, email, WeChat public accounts and so on. We have established a protection mechanism for and implemented incentive rewards towards whistleblowers. These ensure that the reporting channels are smooth and efficient. Kaisa Group also has an independent auditing and supervision department responsible for anti-corruption and bribery. A series of anti-corruption mechanisms and systems such as internal audit, investigation of reports, internal work discipline, and assessment rewards and punishments have been formulated. The following are the relevant implementation and monitoring methods of the Group’s reporting procedures:



Kaisa Group has set up ample integrity education channels and methods. We commenced promotion and education to popularize the knowledge of laws and to improve employees’ awareness of integrity and the capability in anti-corruption. We have also instructed employees to handle the gifts and presents from cooperating units and stakeholders. During the Year, we provided directors and employees with anti-corruption training for 19 times, mainly to publicize the Company’s monitoring system, share typical industry fraud cases, and prevent crimes at work and so on.

During the Reporting Period, the Group did not breach any laws and regulations concerning anti-corruption, monopolistic operation and improper acceptance of benefits. The Group did not dismiss or impose any disciplinary actions on its staff for any corruption events. The Group did not terminate or discontinue any contracts with business partners due to non-compliance behaviours in relation to bribery.

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B8: Community Investment

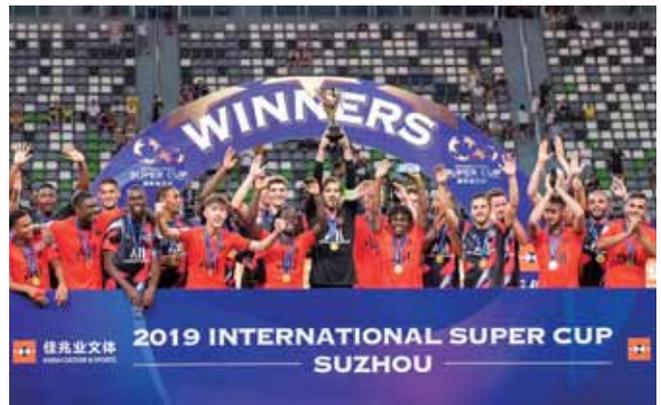
As a member of the community, we firmly believe it is necessary to support various community projects and public welfare activities to promote social well-being and create a harmonious social atmosphere. During the Year, Kaisa Group donated a total of RMB188.0 million. In addition to making donations directly to social service organizations, we have also established the “Kaisa Charity Foundation” (佳兆業公益基金會), whose purpose is to “finance outstanding public welfare projects and promote social equality and harmony”. We are dedicated to subsidizing and supporting education, science, culture, health and sports; we promote social development, progress and other social public and welfare undertakings that conform to the purposes of this foundation.



External donation activities of Kaisa Group are subject to stringent internal approval and management. The “External Donation Management System of Kaisa Group Holdings” is based on State Council’s “Regulation on Foundation Administration” and the “Regulations of Shenzhen Kaisa Charity Foundation” (《深圳市佳兆業公益基金會章程規定》), standardizing and clarifying the work flow to ensure that the external donation activities are running efficiently and smoothly. The contents of this system mainly include: business scopes of donation, means of donation, reviewing standards and procedures on donations, sources of donation funds, donation fund agreements, donation payments, donation plans, donation project management and so on.

Culture and Sports

Kaisa Culture and Sports Group under the Group is a large-scale private integrated operator of sports and gym complex in China. It is currently operating 17 landmark culture and sport stadiums in eleven cities such as Shenzhen Universiade Sports Centre, Shenzhen Nanshan Sports and Cultural Centre, Wuhan Wuhuan Sports Centre, Guangxi Guigang City Sports Centre and Jiangsu Nantong Hai'an Sports Centre with an operating area exceeding 2 million sq.m.. The stadiums commenced operation are open all year round with provision of fitness services to the general public covering soccer, basketball, badminton, table tennis, volleyball, tennis and swimming. These stadiums offered more than 6,500 hours of free access to the facilities to more than 400,000 people and organised nearly 100 large-scale charity activities annually.



Kaisa Culture and Sports Group has hosted the Champions Trophy for two consecutive years, accumulating experience in the operation of international top football matches. In 2019, it was our first time to organize an IP international football match – the ISC with the invited top clubs from the world football clubs to participate in the matches in different cities of China. In 2019, three top football teams Paris Saint-Germain, Inter Milan and Sydney FC joined the matches in Macau and Suzhou. In the cities where the matches were held, a series of charitable events were launched. For instance, the international football stars interacted with the citizens and students, and the foreign football teams experienced the Chinese traditional cultures. There were outdoor football carnivals and invitations sent to the disadvantaged groups for them to be spectators of the matches for free. Kaisa integrates the pursuit of corporate values into the value chain of charity and public welfare activities, achieving a healthy and sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Poverty Alleviation

In the past 20 years of development of Kaisa Group, public welfare has always been the top priority of the development. We actively respond to the development of the country. We are deeply participating in poverty alleviation through practical actions. So far, Kaisa has joined the Poverty Alleviation Day in Guangdong for ten consecutive years and has devoted an aggregate of over RMB550 million to help more than 40 impoverished villages. During the Year, we donated RMB120 million to Guangdong Charity Federation to continuously support the precise poverty alleviation work in Guangdong province.

Kaisa Group has currently, step by step, constituted a charity platform covering Kaisa Charity Foundation (佳兆業公益基金會), Kaisa Medical Workers Caring Fund (佳兆業白衣天使基金), Kaisa Yushu Education Fund (佳兆業玉樹助學基金) and Kaisa Sanitation Workers Caring Fund (佳兆業環衛工關愛基金), featuring “three funds and one foundation”. Based on this, through a regular, systematic and standardised mechanism and leveraging its brand influence, the Group strives to facilitate the development of public welfares with practical actions. As of 31 December 2019, the Group has funded the construction of 14 schools, subsidized 6 colleges and vocational institutes and benefited more than 100,000 students. We have donated over RMB50 million to Wenchuan, Ya’an, Yushu, Chaoshan and other regions with natural disasters. We have subsidized, cared and awarded 477 outstanding medical personnel in Shenzhen. We have subsidized 942 individuals from the groups of sanitation works who have difficulties and students in poverty. We initiated environmental activities such as marine coral conservation and protection of Puning Liusha River, accumulating to donations of more than RMB100 million. The stadiums under the Group accommodate 500,000 visitors annually for free, including sponsoring and hosting Dapeng International Outdoor Carnival and so on.



“Outstanding Contributing Real Estate Enterprise in Precise Poverty Alleviation in China (Guangdong) 2019”



“Enterprise of Poverty Alleviation and Contribution 2019” Award

Kaisa Group’s practice in the field of social responsibility is fully affirmed by all sectors of society. Not only have we been awarded for two consecutive years “Hongmian Golden Cup of Poverty Alleviation in Guangdong” (廣東扶貧濟困紅棉杯金杯), but we also have been awarded as “Specially Contributing Enterprise for the 40th Anniversary of Guangdong’s Reform and Opening Up” (廣東省改革開放四十周年特別貢獻企業), “Outstanding Contributing Real Estate Enterprise in Precise Poverty Alleviation in China (Guangdong) 2019” (2019年度中國(廣東)房地產精準扶貧突出貢獻企業), “Enterprise of Public Welfare 2019” (2019年度公益企業), “Enterprise of Poverty Alleviation and Contribution 2019” (2019年度扶貧貢獻企業), “Excellent Corporate Citizen 2019” (2019優秀企業公民), “Contributing Enterprise of Corporate Social Responsibility in China 2019” (2019年度中國社會責任貢獻企業) and so on.

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Example: "hematopoietic" and "blood transfusion" poverty alleviation



With the concurrence of "hematopoietic" and "blood transfusion", simultaneous development of temporary solutions and radical measures as well as the two-pronged approach of developing poverty alleviation and stimulating the inherent vibrancy, Kaisa Group integrates the diversified resources and builds up a long-lasting poverty alleviation mechanism through a "self-donated and self-developed" EPC mode, realizing smooth path for targeted poverty alleviation.

Notwithstanding that the blood transfusion poverty alleviation can temporarily change the present situation, in long run, it is the hematopoietic poverty alleviation which realizes the core insurance of long-lasting poverty alleviation. Based on rural village revitalization and industrial development, we promote the implementation of industrial poverty alleviation projects in depth by the three innovative means of "internet + poverty alleviation", "creating a poverty alleviation base" and "developing modern agriculture", thereby foaming a closed-loop model of "poverty alleviation companies + professional agricultural enterprises + farmers' cooperatives + sales platform of Kaisa". Walking on the development path of "intensive + premium + branded", we enhanced the value and efficiency of rural agriculture, committed to realizing the fundamental target of overcoming poverty and achieving prosperity in rural villages.



On one side, Kaisa Group actively facilitates the poverty alleviation regions for rural tourism + modern agriculture implementation. Through integrating the advantageous resources such as land, eco-system, hot spring, ethnic elements, etc. of the local villagers, we create a one-stop rural leisure resort destination and high-tech agricultural production demonstration area to allow farmers to generate income from three sources, namely land rental, labour return and sharing of profits. At present, we have built two industrial demonstration bases in Longmen County – the "Organic Rice Planting Demonstration Base" in Xipu Village and the ecological orchard in Shangdong Village.

On the other hand, our e-commerce poverty alleviation has all along been at the forefront of enterprise poverty alleviation and targeted poverty alleviation in practice. We set up "Longmen Select", an e-commerce platform for poverty alleviation specialized in selling the agricultural products in Longmen, to open up the sales channels for our staff, property owners, and suppliers, etc., integrating the Group's internal diversified industrial resources such as catering, commerce, hotel, tea, and tourism, etc., thereby looking for a good market for the quality products of the poverty-stricken areas in Longmen. The platform is operated with a zero-profit model and all the revenue will be fully donated back to Longmen County for poverty alleviation and almsgiving.

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Urban Operation and Sustainable Development

Following the ever evolving and upgrading pace of the urbanization progress in the PRC, the Group adjusts the strategic positioning of urban renewal as an “urban public service provider” in a timely manner. It relies on its diversified industrial layout and sets up a whole-chain industrial ecological system such as planning and design, industrial resources integration, development and construction, tenant sourcing and operation, industrial financial services, etc. to assist in regional upgrade. Meanwhile, Kaisa Group also establishes various public service facilities such as education, healthcare, culture and sports, etc. as well as the construction of indemnificatory apartments to uplift the social value of the projects and realize a layout of urban renewal from which many parties are benefited.

Example: Relocation project of Yantian Third and Fourth Villages, Xishanxia Village and Shepaixiaobu Village in Shenzhen



Located at Yantian District, Shenzhen City, the project is the first urban renewal off-site resettlement project through public tender which involves 13 natural villages and approximately 5,000 households of inhabitants. The relocation is so large in scale that there has been no such precedent in Shenzhen. Upon the implementation of relocation in whole, the inhabitants can have their concentrated residence in a premium and well-equipped modernized urban complex to achieve better living. Meanwhile, Kaisa Group integrates scattered land uses and provides approximately 500,000 sq. m. of land supply for Yantian District. These realize the functional subdistricts for rear land area logistic land use and residential land use as well as secure the land resources for the premium development of port logistics, thereby achieving the “win-win” in the three aspects of society, economy and environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Example: Shenzhen Kaisa City Plaza



Located in Longgang District, Shenzhen City, the project has a land contribution rate of over 50%. The project planning comes with rich public ancillary facilities, including a nine-year integrated curriculum school, three kindergartens, fire station, community healthcare service center, recycling point for renewable resources, etc. As an important component of Banxuegang Tech City, the project also fully incorporates an urban complex functional zone featuring high-tech, promoting the fusion from a single “production” industrial area to a “production – living – leisure” new town. This changes the present situation in which industrialization lags behind urbanization, expands the public open areas in the city and creates a livable living environment, which is an exemplar of urban renewal project in Shenzhen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Example: Shenzhen Pinghu Kaisa Plaza



Located in Longgang District, Shenzhen City, the project is one of the 70 old city renovation projects in Shenzhen City, and it is also the first village-in-city renovation project in Pinghu. With a land contribution rate of approximately 30%, it will be built into a high-end urban complex which comprises residential, commercial and office areas. It is also built with a 36-class primary school, kindergarten, nursing home, public greenbelt and public plaza for improving the neighbouring public ancillary facilities. In order to fully protect the residents' demand for resettlement, the GFA for resettlement residences in the project reaches 181,120 sq. m. with resettlement houses in all three phrases, which is a down-to-earth livelihood project. All 477 households of property owners in three phrases have completed resettlement and apartment choosing in August 2019. Upon completion, the project will become a benchmarking commercial-cultural-office center in Pinghu district, improving the traffic conditions in the central area to provide the logistic base with convenient commercial and office services as well as ancillary facilities. This provides better services in the areas of education, healthcare, etc., which makes contributions to the urban renewal, industrial transformation and environmental quality upgrade in Pinghu district.

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VII. OVERVIEW OF KEY PERFORMANCE INDICATORS (KPI)

Environmental Performance¹

No. of Key Performance Indicator	Key performance indicators	Unit	2019
A1.1 Emissions²	Nitrogen oxides (NO _x)	Kilograms	5,364.98
	Sulfur oxides (SO _x)	Kilograms	5.97
	Inhalable particulate matter (PM ₁₀)	Kilograms	160.86
	Fine particulate matter (PM _{2.5})	Kilograms	145.40
	Carbon monoxide (CO)	Kilograms	2,915.04
	Hydrocarbon (HC)	Kilograms	202.77
A1.2 Greenhouse gases³	Scope 1: Direct emission of greenhouse gas		
	Fixed source – gas stoves in staff canteens	tons of CO _{2e}	1.09
	Fixed source – weeder used in landscape management	tons of CO _{2e}	2.75
	Fixed source – electricity generator providing back-up power	tons of CO _{2e}	0.21
	Mobile source – official vehicles	tons of CO _{2e}	452.82
	Refrigerant – R-410A	tons of CO _{2e}	536.96
	Refrigerant – HFC-134a	tons of CO _{2e}	44.04
	Deduction of greenhouse gas by the newly planted tree	tons of CO _{2e}	91.49
	Direct carbon dioxide equivalent emissions in total	tons of CO _{2e}	946.38
	Direct carbon dioxide equivalent emissions in total and intensity⁴	tons of CO _{2e} /million sq.m.	62.22
	Scope 2: Indirect emission of greenhouse gas		
	Electricity purchased ⁵	tons of CO _{2e}	19,315.70
	Coal gas purchased	tons of CO _{2e}	4.15
	Indirect carbon dioxide equivalent emissions in total	tons of CO _{2e}	19,319.85
	Indirect carbon dioxide equivalent emissions in total and intensity⁶	tons of CO _{2e} /million sq.m.	1,270.23
	Scope 3: Other indirect emission of greenhouse gas		
	Waste paper discarded in a landfill	tons of CO _{2e}	167.14
Electricity consumed by governmental authorities for handling drinking water and sewage ⁷	tons of CO _{2e}	573.99	
Employees' business trips by airplane	tons of CO _{2e}	43.12	
Other indirect carbon dioxide equivalent emissions in total	tons of CO _{2e}	784.25	
Other indirect carbon dioxide equivalent emissions in total and intensity⁸	tons of CO _{2e} /million sq.m.	51.56	
Greenhouse gas emissions in total			
Greenhouse gas emissions in total	tons of CO _{2e}	21,050.48	
Greenhouse gas emissions in total and intensity⁹	tons of CO _{2e} /million sq.m.	1,384.02	

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No. of Key Performance Indicator	Key performance indicators	Unit	2019
A1.3 Hazardous waste	Battery	tons	Less than 0.01
	Fluorescent bulb	tons	0.01
	Waste toner	tons	0.01
	Waste cartridge	tons	Less than 0.01
	Waste lightbulb	tons	0.01
	Waste activated carbon	tons	Less than 0.01
	Hazardous waste in total	tons	0.04
	Hazardous waste in total and density¹⁰	tons/million sq.m.	Less than 0.01
A1.4 Non-hazardous waste	Waste paper	tons	0.86
	Plastic	tons	0.06
	Steel	tons	15,043.00
	Concrete	tons	494,122.30
	Computer and equipment	tons	1.47
	Kitchen waste	tons	2.13
	Metal (aluminum)	tons	44.00
	Metal (steel)	tons	13.00
	Foam	tons	0.03
	Construction waste	tons	3,638.00
	Non-hazardous waste in total	tons	512,864.85
Non-hazardous waste in total and density¹¹	tons/million sq.m.	33,719.58	
A2.1 Energy¹²	Direct energy consumption		
	Coal gas	'000 kWh	7.10
	Diesel	'000 kWh	677.65
	Gasoline	'000 kWh	1,011.76
	Direct energy consumption	'000 kWh	1,696.51
	Direct energy consumption in density¹³	'000 kWh/million sq.m.	111.54
	Indirect energy consumption		
	Electricity purchased	'000 kWh	21,891.93
	Coal gas purchased	'000 kWh	27.01
	Indirect energy consumption	'000 kWh	21,918.94
	Indirect energy consumption in density¹⁴	'000 kWh/million sq.m.	1,441.12
	Energy consumption in total		
Energy consumption in total	'000 kWh	23,615.45	
Energy consumption in total and density¹⁵	'000 kWh/million sq.m.	1,552.66	
A2.2 Water consumption	Water consumption in total	cubic meters	812,303.77
	Water consumption in total and density	cubic meters/million sq.m.	53,406.94

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No. of Key Performance Indicator	Key performance indicators	Unit	2019
A2.5 Packaging materials	Wooden pallets	tons	0.80
	Wrapping paper	tons	0.20
	Wood	tons	5.50
	Plastic	tons	1.50
	Plastic bag	tons	0.80
	Carton	tons	4.50
	Packing strap	tons	0.40
	Packaging materials in total	tons	13.70
	Packaging materials in total and density¹⁶	tons/million sq.m.	0.90

¹ Unless otherwise stated, the emission factors used in calculating the environmental key performance indicators in this report are based on the "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange.

² The calculation of the emission is based on the "Air pollutant emission inventory based on local emission source surveys in Hangzhou, China – Acta Scientiae Circumstantiae (基於本地污染源調查的杭州市大氣污染物排放清單研究—環境科學學報)" (2017 Edition) published by research institutions, the "Production and supply industry of electric power (Including industrial boilers) (熱力生產和供應行業(包括工業鍋爐))" (sulphur content S = 30mg/m3) published by the State Environmental Protection Administration, the conversion factors provided by scientific research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html, the "Emission factors used in the estimations of emissions from combustion" published by Statistics Norway, the Project CLEAN AIR (清新空氣約章), the business guidance published by Hong Kong General Chamber of Commerce, the Manual for Air Pollutant Emission Factors (空氣污染物排放系數手冊) (AP-42, the 5th Edition) published by United States Environmental Protection Agency, the Technical Guidelines for the Compilation of Air Pollutant Emission Lists for Road Vehicles (Trial) (道路機動車大氣污染物排放列表編製技術指南(試行)) issued by the Ministry of Environmental Protection of the People's Republic of China and the Study of Air Quality in the Pearl River Delta Region published by the Environmental Protection Department of the Hong Kong Special Administrative Region.

³ The calculation of the carbon dioxide equivalent emissions from direct production, coal gas purchased and natural gas purchased is based on the conversion factors provided by scientific research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html, and the References for Calculating Greenhouse Gas Emissions from Energy Consumption (能源消耗引起的溫室氣體排放計算工具) as set out in the internationally adopted Greenhouse Gas Protocol: Enterprise Accounting and Reporting Standards (溫室氣體核算體系: 企業核算與報告標準).

⁴ Direct carbon dioxide equivalent emissions in total and intensity = direct carbon dioxide equivalent emissions ÷ total GFA of the 21 projects under management during the Year

⁵ The data of emission factors for the power grids in Mainland China is based on the "China's Regional Power Grids Baseline Emission Factors for Emission Reduction Projects in 2016 (2016 年度減排項目中國區域電網基準線排放因子)" issued by the National Development and Reform Commission.

⁶ Indirect carbon dioxide equivalent emissions in total and intensity = indirect carbon dioxide equivalent emissions ÷ total GFA of the 21 projects under management during the Year

⁷ Electricity consumed per unit for handling drinking water and sewage in the PRC was set as 0.6 and 0.28328 kilowatt hours, and the default emission factor for electricity purchased in the PRC was set as 0.8 kilograms/kilowatt hour.

⁸ Other indirect carbon dioxide equivalent emissions in total and intensity = other indirect carbon dioxide equivalent emissions ÷ total GFA of the 21 projects under management during the Year

⁹ Greenhouse gas emissions in total and intensity = greenhouse gas emissions in total ÷ total GFA of the 21 projects under management during the Year

¹⁰ Hazardous waste in total and density = hazardous waste in total ÷ total GFA of the 21 projects under management during the Year

¹¹ Non-hazardous waste in total and density = non-hazardous waste in total ÷ total GFA of the 21 projects under management during the Year

¹² Energy consumption is calculated based on the conversion factors set out at the General Rules for Calculation of Comprehensive Energy Consumption (綜合能耗計算通則) (GB/T 2589-2008), the national standard of the People's Republic of China, and the conversion factors provided by scientific research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html.

¹³ Direct energy consumption in density = direct energy consumption ÷ total GFA of the 21 projects under management during the Year

¹⁴ Indirect energy consumption in density = indirect energy consumption ÷ total GFA of the 21 projects under management during the Year

¹⁵ Energy consumption in total and density = energy consumption in total ÷ total GFA of the 21 projects under management during the Year

¹⁶ Packaging materials in total and density = packaging materials in total ÷ total GFA of the 21 projects under management during the Year

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Social Performance

No. of Key Performance Indicator	Key Performance Indicator	Unit	2019
B1.1 Total number of employees	By types of employment		
	Full-time	person	15,281
	Part-time	person	0
	By geographical region		
	Pearl River Delta region	person	9,101
	Yangtze River Delta region	person	1,530
	Central China region	person	939
	Western China region	person	1,268
	Pan-Bohai Bay Rim	person	1,428
	Other regions ¹	person	1,015
	By gender		
	Male	person	10,330
	Female	person	4,951
	By age		
	30 or below	person	7,027
	31-40	person	6,376
41-50	person	1,594	
51 or above	person	284	
B1.2 Employee turnover rate	By types of employment		
	Full-time	%	23
	Part-time	%	0
	By geographical region		
	Pearl River Delta region	%	24%
	Yangtze River Delta region	%	24%
	Central China region	%	17%
	Western China region	%	9%
	Pan-Bohai Bay Rim	%	22%
	Other regions ²	%	36%
	By gender		
	Male	%	21%
	Female	%	27%
	By age		
	30 or below	%	26%
	31-40	%	24%
41-50	%	13%	
51 or above	%	13%	

¹ Other regions include Hainan Island and Hong Kong

² Other regions include Hainan Island and Hong Kong

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No. of Key Performance Indicator	Key Performance Indicator	Unit	2019
B2.1 Number and rate of work-related fatalities	Number of work-related fatalities	person	0
	Rate of work-related fatalities	%	0%
B3.1 Percentage of trained employees	Percentage of trained employees	%	100%
	By gender		
	Male	%	100%
	Female	%	100%
	By positions		
	Management	%	100%
	Middle-level employee	%	100%
Entry-level employee	%	100%	
B3.2 Average training hours completed per employee	Average training hours completed per employee	hour	14
	By gender		
	Male	hour	15
	Female	hour	12
	By positions		
	Management	hour	12
	Middle-level employee	hour	18
Entry-level employee	hour	35	
B5.1 Number of suppliers	Number of suppliers by geographical region		
	Pearl River Delta region	supplier	9,766
	Yangtze River Delta region	supplier	5,757
	Central China region	supplier	2,213
	Western China region	supplier	1,986
	Pan-Bohai Bay Rim	supplier	5,489
	Other regions ³	supplier	200
B6.1 Percentage of products subject to recalls for safety and health reasons	Percentage of total products sold or shipped subject to recalls for safety and health reasons	case	0
B7.1 Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	0
	Training programs in relation to anti-corruption provided to the Directors and employees	times	19
B8.1 & B8.2 Community investment	Total amount of donation	RMB'000	188,044

³ Other regions include Hainan Island and Hong Kong

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VIII: HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Disclosure Status	Section/Explain
A. Environment			
Aspect A1: Emissions			
General Disclosure Information on:		Disclosed	V: Environmental Aspect
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and soil, generation of hazardous and non-hazardous wastes, etc.			
KPI A1.1	Types of emissions and respective emission data.	Disclosed	V: Environmental Aspect, VII: Overview of KPIs
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	V: Environmental Aspect, VII: Overview of KPIs
KPI A1.3	Hazardous wastes generated in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	V: Environmental Aspect, VII: Overview of KPIs
KPI A1.4	Non-hazardous wastes generated in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	V: Environmental Aspect, VII: Overview of KPIs
KPI A1.5	Description of measures taken to reduce emissions and results achieved.	Disclosed	V: Environmental Aspect
KPI A1.6	Description of treatment of hazardous and non-hazardous wastes, reduction initiatives and results achieved.	Disclosed	V: Environmental Aspect
Aspect A2: Use of Resources			
General Disclosure Policies on efficient use of resources, including energy, water and other raw materials.		Disclosed	V: Environmental Aspect
Note: Resources may be used for production, storage, transportation, buildings, electronic equipment, etc.			
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	V: Environmental Aspect, VII: Overview of KPIs
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	V: Environmental Aspect, VII: Overview of KPIs
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed	V: Environmental Aspect
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Disclosed	V: Environmental Aspect
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	VII: Overview of KPIs

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Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)	Disclosure Status	Section/Explain
Aspect A3: Environmental and Natural Resources		
General disclosure Policies on minimizing the issuer's significant impact on environmental and natural resources.	Disclosed	V: Environmental Aspect
KPI A3.1 Description of the significant impacts of activities on environmental and natural resources and the actions taken to manage them.	Disclosed	V: Environmental Aspect
B. The Society		
Employment and Labor Practices		
Aspect B1: Employment		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	VI: Social Aspect
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	Disclosed	VI: Social Aspect, VII: Overview of KPIs
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Disclosed	VII: Overview of KPIs
Aspect B2: Health and Safety		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	VI: Social Aspect
KPI B2.1 Number and rate of work-related fatalities.	Disclosed	VII: Overview of KPIs
KPI B2.2 Lost days due to work injury.	Not applicable	No disclosure of relevant data has been made for the end of this fiscal year
KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	VI: Social Aspect
Aspect B3: Development and Training		
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work Description of training activities.	Disclosed	VI: Social Aspect
KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	VII: Overview of KPIs
KPI B3.2 The average training hours completed per employee by gender and employee category.	Disclosed	VII: Overview of KPIs

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Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)	Disclosure Status	Section/Explain
Aspect B4: Labor Standards		
General Disclosure Information on:	Disclosed	VI: Social Aspect
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing use of child labour or forced labour.		
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	Disclosed	VI: Social Aspect
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Disclosed	VI: Social Aspect
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure Policies on managing the environmental and social risks of the supply chain.	Disclosed	VI: Social Aspect
KPI B5.1 Number of suppliers by geographical region.	Disclosed	VII: Overview of KPIs
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	VI: Social Aspect
Aspect B6: Product Responsibility		
General Disclosure Information on:	Disclosed	VI: Social Aspect
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters in relation to products and services provided and methods of redress.		
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	VII: Overview of KPIs
KPI B6.2 Number of products and service related complaints received and how they are dealt with.	Disclosed	VI: Social Aspect, VII: Overview of KPIs
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	Not applicable	Observing and protecting intellectual property rights are not important issues of the Group
KPI B6.4 Description of quality assurance process and recall procedures.	Disclosed	VI: Social Aspect
KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	VI: Social Aspect

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Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Disclosure Status	Section/Explain
Aspect B7: Anti-corruption			
General Disclosure Information on:		Disclosed	VI: Social Aspect
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.			
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	VI: Social Aspect, VII: Overview of KPIs
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	VI: Social Aspect
The Society			
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Disclosed	VI: Social Aspect
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	VI: Social Aspect
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	VI: Social Aspect, VII: Overview of KPIs

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2019.

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability. The Board will strive to uphold the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders of the Company.

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board with regular assessments. The Company believes that its commitment to high-standard practices will translate into long-term value and ultimately maximise returns to shareholders. The Company's management pledges to build long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner. The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as its own code to govern its corporate governance practices. The Company was conducting its business according to the principles of the CG Code set out in Appendix 14 to the Listing Rules.

For the year ended 31 December 2019, the Company complied with the code provisions of the CG Code set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code provision A.6.7 provides that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, was unable to attend the annual general meeting of the Company held on 14 June 2019.

Due to other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, and the independent non-executive Directors of the Company, Mr. ZHANG Yizhao and Mr. LIU Xuesheng, were unable to attend the extraordinary general meeting of the Company held on 19 November 2019.

CORPORATE GOVERNANCE REPORT

(A) THE BOARD OF DIRECTORS

Board Composition

The members of the Board during the financial year under review were as follows:

Members of the Board

Executive Directors:

Mr. KWOK Ying Shing

Mr. SUN Yuenan

Mr. ZHENG Yi

Mr. MAI Fan

Mr. WENG Hao (appointed on 4 January 2019)

Mr. ZHANG Jianjun (resigned on 4 January 2019)

Non-executive Director:

Ms. CHEN Shaohuan

Independent non-executive Directors:

Mr. ZHANG Yizhao

Mr. RAO Yong

Mr. LIU Xuesheng

Biographical details of the Directors and the senior management of the Company are disclosed in the section headed "Directors and Senior Management" of this annual report. Save as disclosed in the such section, to the best knowledge of the Company, there are no relationships (including financial, business, family or other material relationships) among the directors and senior management.

For the year ended 31 December 2019, Mr. YU Kwok Leung, the company secretary of the Company, received not less than 15 hours of relevant professional training to update his knowledge and skills.

As at 31 December 2019, the Board consisted of nine Directors including Mr. KWOK Ying Shing (chairman), Mr. SUN Yuenan, Mr. ZHENG Yi, Mr. MAI Fan (chief executive officer) and Mr. WENG Hao as the executive Directors, Ms. CHEN Shaohuan as a non-executive Director and Mr. ZHANG Yizhao, Mr. RAO Yong and Mr. LIU Xuesheng as the independent non-executive Directors. The overall management of the Company's operation is vested in the Board.

CORPORATE GOVERNANCE REPORT

Directors' Responsibilities

The Board takes on the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, risk management and internal control systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As of 31 December 2019, the Board comprised nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. Their names and biographical details are set in the section entitled "Directors and Senior Management" in this annual report.

All Directors have full and timely access to all relevant information about the Company so that they can discharge their duties and responsibilities as Directors. In particular, through regular Board meetings and receipt of regular financial and business updates, all Directors are kept abreast of the conduct, business activities and development, as well as regulatory updates applicable to the Company.

Liability insurance for Directors and members of the senior management of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Delegation by the Board

The management, consisting of the executive Directors of the Company along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2019.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by the relevant employees of the Group, who are likely to be in possession of inside information of the Company.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2019, in order to reinforce their respective independence, accountability and responsibility, Mr. KWOK Ying Shing acted as Chairman and Mr. MAI Fan acted as Chief Executive Officer during the year.

The chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Company. He is also responsible for instilling corporate culture and developing strategic plans for the Company. Under code provisions A.2.1 and A.2.2 of the CG Code, the chairman would ensure that all Directors are properly briefed on issues arising at Board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. On the other hand, the chief executive officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The chief executive officer is also responsible for the Group's day-to-day management and operations and the formulation of the organisation structure, control systems and internal procedures and processes of the Company for the Board's approval.

CORPORATE GOVERNANCE REPORT

Independent Non-Executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decision. They bring an impartial view on the Company's strategies, performance and control.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

The Board also considers that the independent non-executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

For the year ended 31 December 2019, the Company has received an annual confirmation of independence from each independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive Directors. Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive Directors of a listed issuer must represent at least one-third of the Board of such listed issuer. The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules.

Board Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. Meeting agenda for regular meetings are set after consultation with the Chairman. All Directors are given an opportunity to include matters in the agenda.

At least 14 days' notice will be given for a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice will be given.

For the year ended 31 December 2019, it is considered that the Directors are well acknowledged to the business and the operation of the Group.

All Directors are provided with relevant materials relating to the matters in issue in advance before the meetings and have the opportunity to include matters in the agenda for Board meetings. They can separately get access to the senior executives and the company secretary at all time and may seek independent professional advice at the Company's expense. Minutes of board meetings and meetings of Board committees are kept by the company secretary of the meeting and such minutes are open for inspection at any reasonable time on reasonable notice by any Director. Pursuant to code provision A.1.5 of the CG Code, minutes of Board meetings and meetings of Board committees record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of Board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the Board meeting was held.

Other than regular meetings, the Chairman also meets with non-executive Directors (including Independent non-executive Directors) without the presence of executive Directors, to facilitate an open discussion among the non-executive Directors on issues relating to the Group.

Pursuant to code provision A.1.7 of the Code, 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 would be dealt with by way of a physical meeting, rather than a written resolution. Independent non-executive Directors who have no material interest in the transaction would be present at such Board meeting.

The Board procedures are in compliance with the Articles, as well as relevant rules and regulations. For the year ended 31 December 2019, there were no significant changes to the Articles.

CORPORATE GOVERNANCE REPORT

Appointment, Re-election and Removal of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a specific term of three years. Such term is subject to his re-election by the Company at an annual general meeting (“AGM”) upon retirement. The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the members of the Company and shall then be eligible for re-election at such meeting. Besides, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

In accordance with the Articles, at every AGM of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and being eligible offer themselves for re-election.

The members of the Company may, at any general meetings convened and held in accordance with the Articles, remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Articles or in any agreement between the Company and such Director.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or alternative Director would receive an induction package covering the Group’s businesses and the statutory regulatory obligations of a director of a listed company. The Group also provided briefings and other training to develop and refresh Directors’ knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

Briefings on directors’ duties were given to the newly appointed executive Directors.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2019, the Directors also participated in the following trainings:

Directors	Types of training
Executive Directors	
Mr. KWOK Ying Shing	B
Mr. SUN Yuenan	B
Mr. ZHENG Yi	B
Mr. MAI Fan	B
Mr. WENG Hao (appointed on 4 January 2019)	B
Mr. ZHANG Jianjun (resigned on 4 January 2019)	B
Non-Executive Director	
Ms. CHEN Shaohuan	B
Independent Non-Executive Directors	
Mr. ZHANG Yizhao	A, B
Mr. RAO Yong	B
Mr. LIU Xuesheng	B

A: giving talks at seminars and/or conferences and/or forums

B: reading newspapers, journals, Company's newsletters and updates relating to the economy, general business, real estate or Directors' duties and responsibilities, etc.

Board Diversity Policy

In 2013, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Board Committees

The Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Board and the Company's affairs. All Board committees are established with defined written terms of reference which are available to shareholders on the websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Nomination Committee and policy

The Nomination Committee is primarily responsible for, among other things, considering and recommending to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required.

CORPORATE GOVERNANCE REPORT

Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of Board composition and the management of Board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee will select and recommend candidates for directorship after consideration of referrals and engagement of external recruitment professionals, when necessary.

The composition of the Nomination Committee during the financial year under review was as follows:

Chairman:

Mr. KWOK Ying Shing, executive Director

Members:

Mr. ZHANG Yizhao, independent non-executive Director

Mr. RAO Yong, independent non-executive Director

The Nomination Committee was primarily responsible for the following duties during the year ended 31 December 2019:

- to review the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company; and
- to assess the independence of independent non-executive Directors.

In evaluating and selecting any candidate for directorship, the following factors would be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy.
- Diversity in all aspects with reference to the Diversity Policy of the Board.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent non-executive directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee is responsible for, among other things, the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. Their written terms of reference are in line with the provisions under the CG Code and explains the role and the authority delegated to the Audit Committee by the Board.

The Audit committee consists of three members, all of whom are non-executive Director and independent non-executive Directors. The composition of the Audit Committee during the financial year under review was as follows:

Chairman:

Mr. RAO Yong, independent non-executive Director

Members:

Mr. ZHANG Yizhao, independent non-executive Director

Ms. CHEN Shaohuan, non-executive Director

The Audit Committee was primarily responsible for the following duties during the year ended 31 December 2019:

- to make recommendation 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 resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on engaging an external auditor to supply non-audit services;
- to review and monitor integrity of the Company's financial statements, annual report and accounts and half-year reports and to review significant financial reporting judgements contained in them;
- to review the Company's financial controls, internal control and risk management systems;
- to discuss the internal control system with management of the Company and ensure that the management has performed its duty to have an effective internal control system;
- to review the financial and accounting policies and practices of the Company and its subsidiaries;
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised; and
- to review the effectiveness of the risk management and internal control systems and the internal audit function.

Remuneration Committee

The Remuneration Committee is responsible for, among other things, making recommendations to the Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation are reasonable. Their written terms of reference are in line with the provisions of the Code. Pursuant to code provision B.1.4 of the CG Code, the remuneration committee would make available its terms of reference, explaining its role and the authority delegated to it by the Board. The composition of the Remuneration Committee during the financial year under review was as follows:

Chairman:

Mr. ZHANG Yizhao, independent non-executive Director

CORPORATE GOVERNANCE REPORT

Members:

Mr. KWOK Ying Shing, executive Director

Mr. RAO Yong, independent non-executive Director

The Remuneration Committee was primarily responsible for the following duties during the year ended 31 December 2019:

- to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management of the Company and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- to have the delegated responsibilities to determine the specific remuneration packages of all executive Directors and senior management members of the Company;
- to review and approve performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and approve compensation payable to executive Directors and senior management of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate; and
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Report of the Directors" and note 14 to the consolidated financial statements. During the year ended 31 December 2019, the Remuneration Committee determined the remuneration packages of the executive Directors and senior management members of the Company, and reviewed the collective performance and individual performance as well as the performance-based bonus payment of them.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year 2019 is set out below:

Remuneration bands (RMB)	Number of persons
1,000,001 to 2,000,000	3
3,000,001 to 4,000,000	1
4,000,001 to 5,000,000	5
5,000,001 to 6,000,000	3
6,000,001 to 7,000,000	2
7,000,001 to 8,000,000	1
8,000,001 to 9,000,000	2
9,000,001 to 10,000,000	1
11,000,001 to 12,000,000	1

CORPORATE GOVERNANCE REPORT

Meeting Attendance

The attendance of Directors at Board meetings and meetings of the Board committees and general meetings during the year ended 31 December 2019, as well as the number of such meetings held, is set out as follows:

Meetings attended/held

Directors	Board	Nomination Committee	Audit Committee	Remuneration Committee	General Meetings
Executive Directors					
Mr. KWOK Ying Shing	4/4	1/1		1/1	0/2
Mr. SUN Yuenan	4/4				0/2
Mr. ZHENG Yi	4/4				0/2
Mr. MAI Fan	4/4				2/2
Mr. WENG Hao	4/4				0/2
Mr. ZHANG Jianjun ^(Note 1)	0/0				0/0
Non-Executive Director					
Ms. CHEN Shaohuan	1/4		0/2		0/2
Independent Non-Executive Directors					
Mr. ZHANG Yizhao	4/4	1/1	2/2	1/1	1/2
Mr. RAO Yong	4/4	1/1	2/2	1/1	2/2
Mr. LIU Xuesheng	4/4				1/2

Note:

1. Mr. ZHANG Jianjun resigned as executive Director on 4 January 2019.

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Group. In the preparation of financial statements, the Hong Kong financial reporting standards have been adopted and the appropriate accounting policies have been consistently used and applied. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to code provision C.1.1 of the CG Code, management would provide sufficient explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The working scope and reporting responsibilities of Grant Thornton Hong Kong Limited, the Company's external auditor, are set out on pages 131 to 136 of the "Independent Auditor's Report" in this annual report.

External Auditor's Remuneration

During the year under review, the fee payable to Grant Thornton Hong Kong Limited in respect of its audit services and non-audit services provided to the Company were RMB7.0 million and RMB2.8 million, respectively.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Control

The Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has developed and adopted risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. The Board, together with the Audit Committee, should collect the information from the risk management system, include discussions of risk and oversight of the management of those risks into the agenda of Board meetings.

An internal audit department has been established to perform regular financial and operational reviews and conduct audit of the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls are in place and functioning properly as intended. In addition, the Company, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff of the accounting and finance department and internal audit department, and their training programmes and budget.

During the course of audit performed by the external auditors, they reported on the weaknesses of the Group's risk management, internal control and accounting procedures which came to their attention.

The Directors, through the audit committee of the Company, reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group, at least annually, for the year ended 31 December 2019. After such review, the Board considered that the Company's enhanced internal control system was adequate and effective.

Handling of Inside Information

With a view to identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), procedures including notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling and/or unauthorised use of inside information within the Group.

(C) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are kept abreast of the Company's latest news and business development. Information relating to the Company's financial results, corporate details, property projects and major events are disseminated through publications of interim and annual reports, announcements, circulars, press release and newsletters. The Board believes that effective investor relations can contribute towards lower cost of capital, higher market liquidity for the Company's stock and a more stable shareholder base. Therefore, the Company is committed to maintaining a high level of corporate transparency and following a policy of disclosing relevant information to shareholders, investors, analysts and bankers in a timely manner. Keeping them aware of our corporate strategies and business operations is one of the key missions of our investor relations team.

CORPORATE GOVERNANCE REPORT

Shareholders may put forward their written enquiries to the Board. In this regard, the Shareholders may send those enquiries or requests as mentioned to the following:

Address: 30/F, The Centre, No. 99 Queen's Road Central, Central, Hong Kong

Fax: (852) 3900 0990

Telephone: (852) 8202 6888

Pursuant to the code provisions of the CG Code, in respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The chairman of the Board should attend the AGM and invite for the chairman of the Audit Committee, Remuneration Committee and Nomination Committees any other committee (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the AGM. The chairman of the independent Board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. The Company would arrange for the notice to shareholders to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by way of a poll.

Shareholder (s) holding not less than one-twentieth of the paid up capital of the Company can make a requisition to convene an extraordinary general meeting. The 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. Besides, Section 115A of the Companies Ordinance of Hong Kong provides that (i) shareholder(s) representing not less than one-fortieth of the total voting rights of all shareholders of the Company or (ii) not less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK\$2,000 per shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant shareholder(s) at the registered office of the Company.

There are no provisions allowing shareholders to putting forward proposals at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders who wish to put forward proposals may follow the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out in the above paragraph.

The constitutional documents of the Company are available on the websites of the Company and the Stock Exchange. There were no changes in the constitutional documents of the Company for the year ended 31 December 2019.

CORPORATE GOVERNANCE REPORT

(D) DIVIDEND POLICY

Purpose

This Dividend Policy (the “Policy”) sets out the principles and guidelines that the Company will apply when considering the declaration and payment of dividends to the shareholders of the Company.

Principles and Guidelines

The Company may, subject to the Cayman Companies Law, from time to time in general meeting declare dividends in any currency to be paid to the shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board.

The Board may from time to time determine to pay to the shareholders of the Company such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may determine to pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

The Board has the discretion to declare dividends to the shareholders of the Company, subject to the articles of the association of the Company and all applicable laws and regulations, taking into account the factors set out below:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- taxation considerations;
- any contractual, statutory and regulatory restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Review of the Policy

The Board will review this Policy as appropriate from time to time.

REPORT OF THE DIRECTORS

The Board presents the annual report and 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, property investment, property management, hotel and catering operations, cinema, department stores and cultural centre operations, water-way passenger and cargo transportation, in the People's Republic of China (the "PRC"). The activities and particulars of the Company's subsidiaries are set out in note 47 to the consolidated financial statements. An analysis of the Group's turnover and operating profit for the year by principal activities is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

The business objectives of the Group are to develop its business and achieve sustainable growth of its business. A review of the businesses of the Group during the year using the key performance indicators and a discussion on the Group's future business development are provided in the section headed "Management Discussion and Analysis — Financial Review" in this report. Description of key risk factors and uncertainties that the Group is facing are provided in the section headed "Management Discussion and Analysis — Principal Risks and Uncertainties".

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 and the financial position of the Group as that date are set out in consolidated financial statements on pages 137 to 304 in this annual report.

DIVIDENDS

The Board recommended of a final dividend of HK10.0 cents per share for 2019 (2018: HK9.0 cents per share). Together with an interim dividend of HK3.0 cents per share (2018: HK3.0 cents), the full year dividends for 2019 amounted to HK13.0 cents per share (2018: HK12.0 cents).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant, and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 35 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity. Details of the distributable reserves of the Company as at 31 December 2019 are set out in note 36 to the consolidated financial statements.

BORROWINGS

Details of the borrowings are set out in note 31 to the consolidated financial statements.

CHARITABLE DONATIONS

The charitable donations made by the Group during the year amounted to RMB188.0 million (2018: RMB81.3 million).

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

During the year ended 31 December 2019, the Group issued 11.75% senior notes due 2021 with a principal amount of US\$400 million in February 2019; 11.25% senior notes due 2022 with a principal amount of US\$350 million in April 2019; 11.5% senior notes due 2023 with a principal amount of US\$400 million in May 2019; 11.25% additional senior notes due 2022 with a principal amount of US\$200 million in July 2019; 11.5% additional senior notes due 2023 with a principal amount of US\$300 million in July 2019; 10.875% senior notes due 2023 with a principal amount of US\$300 million in July 2019; 11.95% senior notes due 2022 with a principal amount of US\$400 million in October 2019; 11.95% additional senior notes due 2022 with a principal amount of US\$200 million in November 2019; 11.95% senior notes due 2023 with a principal amount of US\$300 million in November 2019; and 10.875% additional senior notes due 2023 with a principal amount of US\$150 million in November 2019.

REPORT OF THE DIRECTORS

During the year ended 31 December 2019, the Group repaid 12.0% senior notes due 2019 in principal amount of US\$138.7 million on maturity in December 2019.

During the year ended 31 December 2019, the Group made on-market repurchase of 7.25% senior notes due 2020 with a principal amount of US\$250 million in June 2019; 6.1% senior notes due 2019 with a principal amount of HK\$1,162 million in August 2019; and 7.875% senior notes due 2021 with a principal amount of US\$175 million in November 2019. In August 2019, the Group made a tender offer to repurchase 12 % senior notes due 2019 with a principal amount of US\$161.3 million. The repurchased notes were cancelled accordingly.

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

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

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS

During the year ended 31 December 2019 and up to the date of this report, the Directors were as follows:

Executive Directors

Mr. KWOK Ying Shing

Mr. SUN Yuenan

Mr. ZHENG Yi

Mr. MAI Fan

Mr. WENG Hao (appointed on 4 January 2019)

Mr. ZHANG Jianjun (resigned on 4 January 2019)

Non-Executive Director

Ms. CHEN Shaohuan

Independent Non-Executive Directors

Mr. ZHANG Yizhao

Mr. RAO Yong

Mr. LIU Xuesheng

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Pursuant to 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive Director. Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive directors of a listed issuer must represent at least one-third of the board. The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

The biography of all the Directors and members of the senior management of the Company are set out on pages 65 to 71.

REPORT OF THE DIRECTORS

DIRECTOR'S SERVICE CONTRACTS

Each of the executive Directors has entered into service contract with the Company for a term of three years, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Each of the non-executive Directors and the independent non-executive Directors has entered into letter of appointment with the Company and is appointed for a period of one year commencing on the date of appointment, which shall be automatically extended for another one year upon expiration of the letter of appointment, and subject to re-election at the Company's general meeting, and such letter of appointment could be terminated by giving not less than three months' prior notice in writing. None of the Directors has entered into a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

THE EXISTING SHARE OPTION SCHEME

The Company adopted the Existing Share Option Scheme on 22 November 2009. A summary of the principal terms of the Existing Share Option Scheme is set out as follows:

(1) Purpose of the Existing Share Option Scheme

The purpose of the Existing Share Option Scheme was to enable the Company to grant options of the Company to Eligible Participants with the view to achieving the following objectives.

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants of the Share Option Scheme

Participants of the Existing Share Option Scheme included any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, advisers and agents to the Company or any of its subsidiaries (the "Eligible Participants").

(3) Total number of Shares available for issue under the Existing Share Option Scheme

The total number of Shares which may be issued upon exercise of all Share options granted and yet to be exercised under the Existing Share Option Scheme and other schemes of the Company could not exceed 30% of the Shares in issue from time to time. The maximum number of Shares in respect of which options could be granted under the Existing Share Option Scheme and options under the other schemes of the Company was not permitted to exceed 10% limit, unless with the prior approval from the shareholders of the Company. The Existing Share Option Scheme limit was refreshed at the extraordinary general meeting held on 31 March 2014. As at 31 December 2019, the maximum number of the Shares available for issue upon exercise of all Share options which could be granted under the Existing Share Option Scheme was 435,053,000 Shares, representing approximately 7.15% of the issued share capital of the Company as at the date of the report.

During the year ended 31 December 2019, a total of 52,000,000 options were granted under the Existing Share Option Scheme. For the year ended 31 December 2019, a total of 16,673,000 options were exercised, no options were cancelled, and a total of 117,030,000 options were forfeited/lapsed.

(4) Maximum entitlement of each Eligible Participant

Unless approved by the shareholders of the Company, the maximum number of Shares issued and to be issued upon exercise of the options pursuant to the Existing Share Option Scheme and any other share option schemes of the Company to each participant of the Existing Share Option Scheme in any 12-month period up to and including the date of grant of the options could not exceed 1% of the total number of Shares in issue as at the date of grant.

(5) Period within which the securities must be taken up under an option

The period within which the options must be exercised was specified by the Company at the time of grant, provided that such period of time did not exceed a period of ten years commencing on the date on which the Share option was deemed to be granted and accepted.

REPORT OF THE DIRECTORS

(6) Payment on acceptance of option offer

HK\$1.00 was payable by the Eligible Participant of the Existing Share Option Scheme to the Company upon acceptance of the option offered as consideration for the grant.

(7) Basis of determining the subscription price

The subscription price per Share under the Existing Share Option Scheme was determined by the Board and notified to each Eligible Participant and could be no less than the highest of (i) the official closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.

(8) Termination of the Existing Share Option Scheme

The Existing Share Option Scheme remained valid until 14 June 2019 after which no further options were granted under the Existing Share Option Scheme. In respect of all options which remained exercisable on such date, the provisions of the Existing Share Option Scheme remained in full force and effect. The summary below sets out the details of options granted as at 31 December 2019 pursuant to the Existing Share Option Scheme:

Grantee	Balance as at	Grant during	Exercised during	Cancelled/ Forfeited/ Lapsed during	Balance as at
	1 January 2019 (Note 1)	the year ended 31 December 2019	the year ended 31 December 2019	the year ended 31 December 2019	31 December 2019
Directors					
SUN Yuenan	50,020,000	–	–	–	50,020,000
ZHENG Yi	48,588,000	–	–	–	48,588,000
MAI Fan	10,000,000	–	–	–	10,000,000
WENG Hao	7,000,000	–	–	–	7,000,000
RAO Yong	2,400,000	–	–	–	2,400,000
ZHANG Yizhao	1,400,000	–	–	–	1,400,000
LIU Xuesheng	1,200,000	–	–	–	1,200,000
Other employees					
In aggregate	396,148,000	52,000,000	16,673,000	117,030,000	314,445,000
Total	516,756,000	52,000,000	16,673,000	117,030,000	435,053,000

Note:

- (1) For the information on the date of grant, exercise period and exercise price in relation to the outstanding Share options as at 1 January 2019, please refer to note 42 to the consolidated financial statement.

As at 31 December 2019, a total of 203,847,000 options were exercisable.

REPORT OF THE DIRECTORS

THE NEW SHARE OPTION SCHEME

The Company adopted the New Share Option Scheme at the annual general meeting of the Company held on 14 June 2019 (“the Adoption Date”). A summary of the principal terms of the New Share Option Scheme is set out as follows:

(1) Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to enable the Company to grant New Share Options (as defined below) to New Eligible Participants with the view to achieving the following objectives.

- (i) motivate the New Eligible Participants (as defined below) to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the New Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants of the New Share Option Scheme

Participants of the New Share Option Scheme include any full-time or part-time employees, executives, officers or directors (including non-executive directors and independent non-executive directors) who, in the sole opinion of the Board, will contribute or have contributed to the Group (the “New Eligible Participants”).

(3) Total number of Shares available for issue under the New Share Option Scheme

The total number of Shares which may be issued upon exercise of all Share options (“New Share Options”) granted and yet to be exercised under the New Share Option Scheme and other schemes of the Company must not exceed 30% of the Shares in issue from time to time. The maximum number of Shares in respect of which New Share Options may be granted under the New Share Option Scheme and options under the other schemes of the Company is 10% of the total number of Shares in issue on the Adoption Date, unless approval has been obtained from the shareholders of the Company. As at 31 December 2019, the maximum number of the Shares available for issue upon exercise of all New Share Options which may be granted under the New Share Option Scheme is 608,090,769 Shares, representing 10.0% of the issued share capital of the Company as at the Adoption Date.

During the year ended 31 December 2019, no New Share Options were granted under the New Share Option Scheme.

(4) Maximum entitlement of each Participant

Unless approved by the shareholders of the Company, the maximum number of Shares in respect of which New Share Options may be granted under the New Share Option Scheme to each New Eligible Participant shall not, when aggregated with (a) any Shares issued upon exercise of New Share Options granted under the New Share Option Scheme or options under the other schemes which have been granted to that New Eligible Participant; (b) any Shares which would be issued upon the exercise of outstanding New Share Options granted under the New Share Option Scheme or options under the other schemes granted to that New Eligible Participant; and (c) any cancelled shares which were the subject of New Share Options granted under the New Share Option Scheme or options under the other schemes which had been granted to and accepted by that New Eligible Participant, in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of Shares in issue as at the date of grant.

REPORT OF THE DIRECTORS

(5) Period within which the securities must be taken up under a New Share Option

The period within which the New Share Options must be exercised will be specified by the Company at the time of grant, provided that such period of time shall not exceed a period of ten years commencing on the date on which the New Share Option is deemed to be granted and accepted.

(6) Payment on acceptance of New Share Option offer

HK\$1.00 is payable by the New Eligible Participant of the New Share Option Scheme to the Company upon acceptance of the New Share Option offered as consideration for the grant.

(7) Basis of determining the exercise price

The exercise price per Share under the New Share Option Scheme is determined by the Board in its absolute discretion but in any event must be at least the higher of: (i) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of on which such New Share Option is offered in writing (the “Offer Date”); (ii) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share, provided that for the purpose of determining the exercise price where the Shares have been listed on the Stock Exchange for less than five (5) Business Days preceding the Offer Date, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each Business Day falling within the period before the listing of the Shares on the Stock Exchange.

(8) Remaining life of the New Share Option Scheme

The New Share Option Scheme will remain valid until 14 June 2029 after which no further New Share Options shall be offered. However, the provisions of the New Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of this New Share Option Scheme and the New Share Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

REPORT OF THE DIRECTORS

THE SUBSIDIARY SHARE OPTION SCHEME

Kaisa Prosperity Holdings Limited ("**Kaisa Prosperity**"), the Group's subsidiary engaged in the property management business, adopted the Subsidiary Share Option Scheme at the annual general meeting of Kaisa Prosperity held on 18 June 2019 (the "**Subsidiary Share Option Scheme Adoption Date**"). A summary of the principal terms of the Subsidiary Share Option Scheme is set out as follows:

(1) Purpose of the Subsidiary Share Option Scheme

The purpose of the Subsidiary Share Option Scheme is to enable Kaisa Prosperity to grant Subsidiary Share Options (as defined below) to Eligible Subsidiary Participants (as defined below) with the view to achieving the following objectives.

- (i) motivate the Eligible Subsidiary Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Subsidiary Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants of the Subsidiary Share Option Scheme

Participants of the Subsidiary Share Option Scheme include any full-time or part-time employees, executives, officers or directors (including non-executive directors and independent non-executive directors) who, in the sole opinion of the Board, will contribute or have contributed to the Group (the "**Eligible Subsidiary Participants**").

(3) Total number of Shares available for issue under the Subsidiary Share Option Scheme

The total number of Shares which may be issued upon exercise of all Share options ("**Subsidiary Share Options**") granted and yet to be exercised under the Subsidiary Share Option Scheme and other schemes of Kaisa Prosperity must not exceed 30% of the Shares in issue from time to time. The maximum number of Shares in respect of which Subsidiary Share Options may be granted under the Subsidiary Share Option Scheme and options under the other schemes of Kaisa Prosperity is 10% of the total number of Shares in issue on the Subsidiary Share Option Scheme Adoption Date, unless approval has been obtained from the shareholders of Kaisa Prosperity. As at 31 December 2019, the maximum number of the Shares available for issue upon exercise of all Subsidiary Share Options which may be granted under the Subsidiary Share Option Scheme is 14,000,000 Shares, representing 10.0% of the issued share capital of Kaisa Prosperity as at the Subsidiary Share Option Scheme Adoption Date.

During the year ended 31 December 2019, 11,450,000 Subsidiary Share Options were granted under the Subsidiary Share Option Scheme.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and Chief Executive's Interests in Securities

As at 31 December 2019, the interests and short positions of Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

(i) Long/short positions in the Shares:

Name of Company	Name of Director	Number of ordinary Shares held				Total	Approximate percentage of the total number of shares in issue (Note 2)
		Personal Interest	Family Interest	Corporate Interest	Other Interest		
Kaisa Group Holdings Ltd.	KWOK Ying Shing (Note 1)	–	–	1,022,924,299 (L) 240,500,000 (S)	528,174,457 (L)	1,551,098,756 (L) 240,500,000 (S)	25.48% 3.95%
		MAI Fan	238,000 (L)	905,000 (L)	–	–	1,143,000 (L)
	ZHANG Yizhao	100,000 (L)	–	–	–	100,000 (L)	0.00%
	Kaisa Prosperity Holdings Limited	KWOK Ying Shing	–	–	1,141,750 (L)	–	1,141,750 (L)
Kaisa Health Group Holdings Limited	KWOK Ying Shing	–	–	308,000,000 (L)	–	308,000,000 (L)	6.11%

Notes:

- (1) Mr. Kwok Ying Shing was interested in long position in respect of 1,551,098,756 Shares, of which:
 - (i) 708,033,378 Shares were held by Da Chang Investment Company Limited, a company wholly owned by Mr. Kwok Ying Shing;
 - (ii) 843,065,378 Shares were held by Da Feng Investment Company Limited, which is in turn wholly owned by Xingsheng Asia Limited. Xingsheng Asia Limited is wholly owned by Hongyi Asia Limited. Hongyi Asia Limited is wholly owned by Junjia Enterprises Corporation, which is in turn wholly owned by Bank of East Asia (Trustees) Limited ("BEA Trustees"). BEA Trustees is the trustee of 528,174,457 Shares under a family trust of which Mr. Kwok Ying Shing is the founder of the trust.
- (2) The percentages were calculated based on shares in issue of the corresponding entity as at 31 December 2019.
- (3) "L" denotes a long position while "S" denotes a short position.

REPORT OF THE DIRECTORS

(ii) Long positions in the underlying Shares:

Name of Director	Capacity	Number of the underlying Shares	Approximate percentage of shareholding of the issued share capital of the Company (Note) %
SUN Yuenan	Beneficial owner	50,020,000	0.82%
ZHENG Yi	Beneficial owner	48,588,000	0.80%
MAI Fan	Beneficial owner	10,000,000	0.16%
RAO Yong	Beneficial owner	2,400,000	0.04%
ZHANG Yizhao	Beneficial owner	1,400,000	0.02%
LIU Xuesheng	Beneficial owner	1,200,000	0.02%
WENG Hao	Beneficial owner	7,000,000	0.12%

Note:

The percentages were calculated based on 6,086,866,697 Shares in issue as at 31 December 2019.

Save for those disclosed above, as at 31 December 2019, none of the Directors or chief executive had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Schemes as set out in note 42 to the consolidated financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 44 to the consolidated financial statements, no transaction, arrangements or contract of significance to which the Company, its holding company or their subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year ended 31 December 2019.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance between the controlling shareholder of the Company or any of its subsidiaries and the Group was made during the year ended 31 December 2019.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2019 are set out in note 44 to the consolidated financial statements, which are in compliance with the requirements of the Listing Rules.

REMUNERATION POLICY

The remuneration policy (which includes the payment of the emoluments to the employees) of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' performance, qualifications and experiences. Details of the remuneration of the Directors are set out in note 14 to the consolidated financial statements, having regard to the Company's operating results, individual performance of the Directors and senior management are comparable market statistics. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details of the Share Option Scheme are set out in the report of Directors and note 42 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

At no time during the year ended 31 December 2019, none of the Director, their close associate or a shareholder of the Company (who to the knowledge of the Directors own more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest suppliers or customers.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, so far as the Directors were aware, persons other than the Directors or chief executive of the Company, who had interests or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are set out as follows:

Name of substantial shareholder	Capacity	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%) (Note 5)
Da Chang Investment Company Limited ("Da Chang")	Beneficial owner	708,033,378 (L) (Note 2)	11.63%
Da Feng Investment Company Limited ("Da Feng")	Beneficial owner	843,065,378 (L) 240,500,000 (S) (Note 3)	13.85% 3.95%
BEA Trustees	Trustee	528,174,457 (L) (Note 3)	8.68%
Da Zheng Investment Company Limited	Beneficial owner	843,065,377 (L)	13.85%
Funde Sino Life Insurance Co., Ltd.	Beneficial owner Interest in a controlled corporation	649,700,957 (L) 887,995,149 (L) (Note 4)	25.26%
Fund Resources Investment Holding Group Company Limited	Beneficial owner	887,995,149 (L)	14.59%

REPORT OF THE DIRECTORS

Notes:

1. The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.
2. Da Chang is wholly owned by Mr. Kwok Ying Shing.
3. Da Feng is wholly owned by Xingsheng Asia Limited, which is in turn wholly owned by Hongyi Asia Limited, which is in turn wholly owned by Junjia Enterprises Corporation. Junjia Enterprises Corporation is wholly owned by BEA Trustees. BEA Trustees is the trustee of 528,174,457 Shares under a family trust of which Mr. Kwok Ying Shing is the founder of the trust.
4. 887,995,149 Shares were held by Fund Resources Investment Holding Group Company Limited, which was wholly owned by Funde Sino Life Insurance Co., Ltd. as at 31 December 2019. By virtue of SFO, Funde Sino Life Insurance Co., Ltd is deemed to be interested in Shares held by Fund Resources Investment Holding Group Company Limited.
5. The percentages were calculated based on 6,086,866,697 Shares in issue as at 31 December 2019.

Save for those disclosed above, as at 31 December 2019, to the best of the Directors' knowledge, no other persons had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office.

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

ENVIRONMENTAL PROTECTION

As a responsible developer, the Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental measures to ensure that the conducting of the Group's business meets the applicable local standards and ethics in respect of environmental protection. The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conservation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures have been enhanced to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the year ended 31 December 2019.

REPORT OF THE DIRECTORS

KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

Workplace Quality

The Group believes that the directors, senior management and employees of the Group are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. As such, the Share Option Scheme was adopted by the Company for the purpose of providing incentives and rewards to the Eligible Participants (as defined above) who contributed to the success of the Group's operations.

The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised staff-friendly activities for employees, such as annual dinner, to promote staff relationship.

The Group provides on providing a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues. The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

Relationships with the Group's other stakeholders

The Group placed efforts in maintaining good relationships various financial institutions and banks given that the Group's business is capital intensive and require on-going funding for the development and growth of the Group's business. Further, the Group aims at delivering constantly high standards of quality in the products to its customers in order to stay competitive. Save as disclosed in this report, the Directors are not aware of any material and significant dispute between the Group and its financial institutions and/or customers during the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 45 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 were audited by Grant Thornton Hong Kong Limited. A resolution to re-appoint Grant Thornton Hong Kong Limited as auditor of the Company will be proposed at the forthcoming AGM.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

On behalf of the Board

KWOK Ying Shing

Chairman

Hong Kong, 31 March 2020

INDEPENDENT AUDITOR'S REPORT



To the members of Kaisa Group Holdings Ltd.

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 137 to 304, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of properties under development and completed properties held for sale</p> <p>Refer to note 5 of critical accounting estimates and judgements, note 22 of properties under development and note 23 of completed properties held for sale to the consolidated financial statements.</p> <p>As at 31 December 2019, the Group had properties under development and completed properties held for sale ("properties") amounting to RMB63,674,746,000 and RMB13,003,874,000, respectively, which in total represented approximately 28.30% of the total assets of the Group. Given the significant balance of properties under development and completed properties held for sale and the involvement of critical accounting estimates, the impairment assessment of these properties is considered a key audit matter.</p> <p>These properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of these properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale.</p> <p>Based on management's analysis of the net realisable value of the properties, write-down of approximately RMB367,737,000 were charged to profit or loss for the year ended 31 December 2019.</p>	<p>We understood and evaluated the management's procedures on identifying properties for which the net realisable values may be lower than their carrying amounts, including the methodologies and inputs used in the estimation of the net realisable values.</p> <p>Our procedures in relation to assessing the appropriateness of the valuation of these properties included:</p> <ul style="list-style-type: none"> (i) testing the calculation for the impairment assessment performed by management; (ii) assessing future costs to be incurred to completion on a sample basis; (iii) comparing the carrying amounts of the properties taking into account the estimated amounts to completion with the related net realisable value with regard to properties under development; and (iv) testing management's key estimates on a sample basis for selling price which is estimated based on prevailing market conditions. We compared the estimated selling price to the recent market transactions by reference to the Group's selling prices of pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location.
<p>Valuation of investment properties</p> <p>Refer to note 5 of critical accounting estimates and judgements, note 2.8 of accounting policy of investment properties and note 17 of investment properties to the consolidated financial statements.</p> <p>As at 31 December 2019, the Group had investment properties amounting to RMB35,309,000,000 which in total represented approximately 13.03% of the total assets of the Group.</p> <p>The estimate of the fair value of the Group's investment properties requires significant management judgement taking into account the conditions and locations of the properties as well as the latest market transactions. To support management's determination of the fair value, the Group has engaged an external valuer to perform valuations on the investment properties at the reporting date. Different valuation techniques were applied to different types of investment properties.</p>	<p>We evaluated the independence, competence and relevant experience of the external valuer engaged by the Company.</p> <p>We also assessed the scope of the valuations, critical judgements and data used in the valuations and evaluated the methodology and assumptions used.</p> <p>In addition, we evaluated the source data used in the valuations by benchmarking them to relevant market information.</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of interests in associates and joint ventures</p> <p>Refer to note 5 of critical accounting estimates and judgements, note 19(a) of investments in associates and note 19(b) of investments in joint ventures to the consolidated financial statements.</p> <p>We identified the valuation of investments in associates and joint ventures as a key audit matter due to the significance of the Group's interests in associates and joint ventures in the context of the Group's consolidated financial statements, combined with the judgements involved in management's impairment assessment of the investments in associates and joint ventures, in particular, the future prospects of each associate and joint venture.</p> <p>As at 31 December 2019, the carrying amounts of investments in associates and joint ventures amounting to RMB11,918,789,000 and RMB14,092,325,000, respectively.</p> <p>As disclosed in notes 2.3 and 2.4 to the consolidated financial statements, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates and joint ventures, less accumulated impairment in the values of individual investments. As such, the Group is required to assess at each reporting date whether there is any indication that the carrying amounts of interests in associates and joint ventures may be impaired. For those associates and joint ventures in which such indication exists, the Group assessed the carrying amounts for impairment. As disclosed in notes 19(a) and 19(b) to the consolidated financial statements, no impairment of interests in associates and joint ventures was considered to be necessary as at 31 December 2019.</p>	<p>Our procedures in relation to the valuation of investments in associates and joint ventures included:</p> <ul style="list-style-type: none"> • assessing the appropriateness of management's accounting for investments in associates and joint ventures; • understanding the management's process for identifying the existence of impairment indicators in respect of the interests in associates and joint ventures and evaluating the effectiveness of such process; • where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and joint ventures and obtaining an understanding from management of their financial position and future development plan; and • assessing the reasonableness of key inputs and assumptions used by management in their estimation of recoverable amounts, including projections of cash flows, growth rates and discount rates applied; and comparing cash flow projections to supporting evidence, such as budgets, and evaluating the reasonableness of these budgets with reference to the future prospects of the associates and joint ventures as well as our knowledge of the industry and business.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2019 annual report of the Company, but does not include 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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.

INDEPENDENT AUDITOR'S REPORT

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

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.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

31 March 2020

Lin Ching Yee Daniel

Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	6	48,021,685	38,704,967
Cost of sales	7	(34,191,622)	(27,576,209)
Gross profit		13,830,063	11,128,758
Other gains and (losses), net	8	(677,844)	(638,696)
Net gain on disposals of subsidiaries	41(a)	245,581	–
Net gain on deemed disposals of subsidiaries	41(b)	2,460,638	2,912,593
Selling and marketing costs	7	(1,996,166)	(1,262,466)
Administrative expenses	7	(3,350,817)	(2,601,078)
Net fair value gain of investment properties	17	178,419	212,374
Fair value loss of financial derivatives		(82,191)	–
Operating profit		10,607,683	9,751,485
Share of results of associates		92,619	239,913
Share of results of joint ventures	19(b)	(197,697)	(48,726)
Finance income	9	580,269	402,511
Finance costs	9	(1,615,271)	(2,573,298)
Finance costs, net	9	(1,035,002)	(2,170,787)
Profit before income tax		9,467,603	7,771,885
Income tax expenses	10	(5,303,595)	(4,477,629)
Profit for the year		4,164,008	3,294,256
Profit/(Loss) for the year attributable to:			
Owners of the Company		4,594,265	2,750,206
Non-controlling interests		(430,257)	544,050
		4,164,008	3,294,256
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	12(a)	0.756	0.453
– Diluted	12(b)	0.752	0.450

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Profit for the year		4,164,008	3,294,256
Other comprehensive (loss)/income, including reclassification adjustments <i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(25,165)	6,641
Other comprehensive (loss)/income for the year, including reclassification adjustments		(25,165)	6,641
Total comprehensive income for the year		4,138,843	3,300,897
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		4,578,816	2,734,394
Non-controlling interests		(439,973)	566,503
		4,138,843	3,300,897

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.1.

The notes on pages 144 to 304 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	4,819,506	3,055,880
Right-of-use assets	16	1,358,516	–
Investment properties	17	35,309,000	35,930,000
Land use rights	18	753,493	669,078
Investments in associates	19(a)	11,918,789	7,072,822
Investments in joint ventures	19(b)	14,092,325	8,677,152
Financial assets at fair value through profit or loss	20	7,807,357	6,567,622
Debtors, deposits and other receivables	24	553,500	1,652,852
Goodwill and intangible assets	21	1,238,218	1,105,288
Long-term bank deposits	28	1,600,000	400,000
Deferred tax assets	34	864,268	784,310
		80,314,972	65,915,004
Current assets			
Properties under development	22	63,674,746	64,764,338
Completed properties held for sale	23	13,003,874	13,130,534
Inventories		260,302	105,305
Deposits for land acquisition	25	19,891,354	19,445,196
Prepayments for proposed development projects	26	23,782,080	19,080,815
Debtors, deposits and other receivables	24	33,461,565	22,600,171
Prepaid taxes		1,092,397	1,134,324
Restricted cash	27	6,016,455	6,792,292
Financial assets at fair value through profit or loss	20	43,034	328,204
Short-term bank deposits	28	2,536,724	252,718
Cash and bank balances	28	26,824,859	15,479,139
		190,587,390	163,113,036
Current liabilities			
Contract liabilities	29	39,388,659	39,154,089
Accrued construction costs		14,494,060	12,599,547
Income tax payable		10,739,849	7,773,315
Lease liabilities	30	159,694	–
Borrowings	31	31,891,998	16,965,694
Other payables	32	27,011,322	19,917,262
Derivative financial instruments	33	82,807	–
		123,768,389	96,409,907
Net current assets		66,819,001	66,703,129
Total assets less current liabilities		147,133,973	132,618,133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Lease liabilities	30	1,226,605	–
Borrowings	31	85,303,554	91,800,258
Other payables	32	10,248	–
Deferred tax liabilities	34	4,886,993	4,478,563
		91,427,400	96,278,821
Net assets			
		55,706,573	36,339,312
EQUITY			
Share capital	35	534,844	533,389
Share premium	35	5,546,561	6,168,607
Reserves	36	19,634,942	14,938,114
Equity attributable to owners of the Company		25,716,347	21,640,110
Non-controlling interests		29,990,226	14,699,202
Total equity		55,706,573	36,339,312

Approved and authorised for issue by the Board of Directors on 31 March 2020.

Kwok Ying Shing

Director

Mai Fan

Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.1.

The notes on pages 144 to 304 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 35)	Share premium RMB'000 (note 35)	Reserves RMB'000 (note 36)	Sub-total RMB'000		
Balance as at 1 January 2018	532,865	6,913,069	11,941,986	19,387,920	10,903,004	30,290,924
Profit for the year	—	—	2,750,206	2,750,206	544,050	3,294,256
Other comprehensive (loss)/income for the year	—	—	(15,812)	(15,812)	22,453	6,641
Total comprehensive income for the year	—	—	2,734,394	2,734,394	566,503	3,300,897
Acquisitions of subsidiaries (note 40)	—	—	—	—	172,719	172,719
Capital injection by non-controlling interests	—	—	—	—	3,166,914	3,166,914
Acquisitions of non-controlling interests	—	—	3,849	3,849	(18,384)	(14,535)
Deemed disposals of subsidiaries (note 41(b))	—	—	—	—	(91,554)	(91,554)
Issue of shares upon exercise of share options	424	8,989	(2,727)	6,686	—	6,686
Dividend paid (note 11)	—	(757,259)	—	(757,259)	—	(757,259)
Issue of shares as scrip dividends	100	3,808	—	3,908	—	3,908
Share-based payments (note 42(a))	—	—	260,612	260,612	—	260,612
Balance as at 31 December 2018 and 1 January 2019	533,389	6,168,607	14,938,114	21,640,110	14,699,202	36,339,312
Profit/(Loss) for the year	—	—	4,594,265	4,594,265	(430,257)	4,164,008
Other comprehensive loss for the year	—	—	(15,449)	(15,449)	(9,716)	(25,165)
Total comprehensive income/(loss) for the year	—	—	4,578,816	4,578,816	(439,973)	4,138,843
Acquisitions of subsidiaries (note 40)	—	—	—	—	1,078,015	1,078,015
Capital injection by non-controlling interests	—	—	—	—	14,807,664	14,807,664
Disposals of subsidiaries (note 41(a))	—	—	—	—	(9,968)	(9,968)
Deemed disposals of subsidiaries (note 41(b))	—	—	—	—	(176,313)	(176,313)
Deemed disposal of a subsidiary without loss of control	—	—	(12,667)	(12,667)	43,667	31,000
Issue of shares upon exercise of share options	1,455	22,598	(9,282)	14,771	—	14,771
Dividend paid (note 11)	—	(644,644)	—	(644,644)	—	(644,644)
Dividend paid to non-controlling interests of subsidiaries	—	—	—	—	(12,068)	(12,068)
Share-based payments (note 42(a))	—	—	139,961	139,961	—	139,961
Balance as at 31 December 2019	534,844	5,546,561	19,634,942	25,716,347	29,990,226	55,706,573

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.1.

The notes on pages 144 to 304 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	37(a)	9,362,258	24,650,873
Income tax paid		(1,784,236)	(3,190,093)
Interest paid		(9,641,482)	(10,861,607)
<i>Net cash (used in)/from operating activities</i>		(2,063,460)	10,599,173
Cash flows from investing activities			
Additions to property, plant and equipment	15	(375,808)	(308,254)
Additions to investment properties	17	(1,126,521)	(3,526,339)
Additions to intangible assets	21	(319,210)	(85,033)
Acquisitions of associates		(5,046,794)	(2,224,868)
Acquisitions of joint ventures	19(b)	(12,720)	(339,100)
Acquisitions of financial assets at fair value through profit or loss		(1,610,847)	(2,020,211)
Acquisitions of subsidiaries, net of cash acquired	40	(1,399,902)	(971,100)
Decrease/(increase) in amounts due from associates		2,074	(4,024,692)
Increase in amounts due from joint ventures		(6,400,512)	(12,402)
Decrease/(increase) in other receivables		542,404	(3,147,678)
Increase in amounts due from non-controlling interest of a subsidiary		(2,759,803)	(994,600)
(Increase)/decrease in short-term bank deposits		(2,284,006)	979,488
Increase in long-term bank deposits		(1,200,000)	(400,000)
Capital injection to joint ventures	19(b)	(2,375,822)	–
Cash inflow from disposals of subsidiaries	41(a)	304,597	–
Cash outflow from deemed disposals of subsidiaries	41(b)	(1,737,291)	(2,572,441)
Dividend income received from financial assets at fair value through profit or loss	8	30,966	20,945
Interest received		885,642	200,793
Increase in consideration payables related to acquisitions of associate and joint venture		405,442	78,500
Payment for consideration payables related to acquisitions of subsidiaries		(1,566,420)	(1,559,222)
Payment for consideration payables related to purchase of available-for-sale financial assets		–	(570,163)
Payment for consideration payable related to acquisitions of associate and joint venture		–	(757,937)
Payment for consideration payable related to purchase of financial assets at fair value through profit or loss		(754,318)	–
Proceeds from disposals of financial assets at fair value through profit or loss		1,817,014	32,596
Proceeds from disposals of property, plant and equipment	37(a)	30,205	16,068
Proceeds from disposals of investment properties		266,115	11,108
Proceeds from disposal of deposits paid for land acquisition		39,400	–
<i>Net cash used in investing activities</i>		(24,646,115)	(22,174,542)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Acquisitions of non-controlling interests		–	(14,535)
Capital injection by non-controlling interests		14,807,664	3,166,914
(Decrease)/increase in other payables		(1,730,072)	1,373,817
Increase in amounts due to associates		1,069,243	92,279
Increase in amounts due to joint ventures		962,641	2,246,498
Decrease in restricted cash relating to borrowings		2,354,596	1,220,611
Increase in amounts due to non-controlling interests of subsidiaries		162,976	1,234
Proceeds from bank and other borrowings		26,820,102	30,785,043
Proceeds from loans from associates		2,610,667	2,034,350
Net proceeds from issuance of senior notes	31(a)	20,649,999	5,637,588
Payment of lease liabilities		(226,776)	–
Proceeds from exercise of share options		14,771	6,686
Proceeds from issuance of convertible bonds	31(b)	633,200	–
Repayments of bank and other borrowings		(22,296,361)	(28,035,327)
Repayments of loans from associates		(1,240,550)	(1,021,000)
Repayments of senior notes		(1,973,376)	(2,015,121)
Payment for repurchase of senior notes		(3,935,543)	–
Dividend paid		(644,644)	(753,351)
Dividend paid to non-controlling interests of subsidiaries		(12,068)	–
<i>Net cash generated from financing activities</i>		38,026,469	14,725,686
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		15,479,139	11,998,423
Exchange adjustments		28,826	330,399
Cash and cash equivalents at end of the year, represented by cash and bank balances		26,824,859	15,479,139

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.1.

The notes on pages 144 to 304 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the “Company”) was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands.

The address of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation in the People’s Republic of China (the “PRC”).

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These consolidated financial statements are presented in Renminbi (“RMB”), which is also the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand (‘000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 31 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3. The consolidated financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss (“FVTPL”), investment properties and financial derivatives which have been measured at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. 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 to direct the activities of the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group in exchange for control of the acquiree. 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 HKFRSs.

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 accordance with HKFRS 9 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 net identifiable assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

(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 of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the subsidiary's carrying value of net assets is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

(iii) Disposal of subsidiaries

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

(iv) Separate financial statements

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

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

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. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in 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 associates" in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates 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.

Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Joint ventures

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting

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

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 Renminbi ("RMB"), which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies rates are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance costs, net'. All other foreign exchange gains and losses are presented in profit or loss on a net basis within "other gains and (losses), 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 reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates of the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in 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:

Hotel properties	20-25 years
Land and buildings	20-40 years
Machinery	5 years
Motor vehicles	5-10 years
Furniture, fitting and equipment	3-8 years
Vessels	10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains and (losses), net" in profit or loss.

2.8 Investment properties

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

Effective from 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties (Continued)

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

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

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

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

2.9 Land use rights

The Group makes upfront payments to obtain operating leases of land use rights (which meet the definition of right-of-use assets upon initial application of HKFRS 16). The upfront payments of the land use rights are recorded as assets. The amortisation (before the application of HKFRS 16)/depreciation (upon the application of HKFRS 16) of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

2.10 Intangible assets and goodwill

(i) Contracts with sports players

Separately acquired contracts with sports players are shown at historical cost. Costs of contracts with sports players are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method ranged from one to five years (2018: one to four years).

(ii) Trademarks and patent, customer relationship, technology, distribution network and other intangible assets

Trademarks and patent, customer relationship, technology, distribution network and other intangible assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method ranged from five to eleven years over the expected life of these intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets and goodwill (Continued)

(iii) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (i.e. the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non – controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the Group’s interest in the net fair value of the acquiree’s identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group’s interest in the fair value of the acquiree’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.11).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.11 Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

- goodwill arising on acquisition of a subsidiary;
- other intangible assets;
- property, plant and equipment;
- Right-of-use assets;
- land use rights;
- investment properties; and
- the Company’s interests in subsidiaries, associates and joint ventures

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset’s carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset’s carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets (other than contract assets) (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial assets

Classification and initial measurement of financial assets

Except for those trade debtors that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus 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 statement of profit or loss and other comprehensive income.

Financial assets are classified into the following categories:

- amortised cost;
- FVTPL; or
- fair value through other comprehensive income (“FVOCI”)

The classification is determined by both:

- the entity’s business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within “finance costs, net” or “other gains and (losses), net.”

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets (Continued)

Debt investments (Continued)

Financial assets at amortised cost (Continued)

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Interest income from these financial assets is included in finance income in profit or loss. The Group's debtors, deposits and other receivables, restricted cash, short-term bank deposits, long-term bank deposits and cash and bank balances fall into this category of financial instruments.

Financial assets at FVTPL

Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are categorised and 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 statement of profit or loss and other comprehensive income within "other gains and (losses), net" in the period in which it arises. Interest income from these financial assets is included in the "finance costs, net" in profit or loss.

Equity investments

Investments in equity instruments are classified as FVTPL unless these equity instruments are not held for trading, 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.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and (losses), net" in profit or loss.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include accrued construction cost, lease liabilities, borrowings and other payables (excluding deed tax and other tax payables, and deposits received).

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives designated at FVTPL, which are carried subsequently at fair value with "other gains or (losses), (net)" recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "finance costs, net" in profit or loss.

Accounting policies of lease liabilities are set out in note 2.25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Borrowings

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

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

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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

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 remainder 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. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

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. When the bond is converted, the equity component of convertible bond and the carrying value of the liability component at the time of conversion are transferred to share capital as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Accrued construction cost and other payables

Accrued construction cost and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

2.13 Impairment of financial assets

HKFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses ("ECL") – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade debtors recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Trade debtors

For trade debtors, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(i) Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit – impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant of financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; and
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position as the loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the relevant assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

(ii) *Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.15 Properties under development

Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised less applicable variable selling expenses and anticipated cost to completion.

Development cost of properties comprises mainly construction costs, land use rights in relation to properties under development for subsequent sale, borrowing costs on 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 unless those will not be realised in the normal operating cycle.

2.16 Completed properties held for sale

Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, completed properties remaining unsold at each reporting date are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held by banks, other short-term high liquidity investment with original maturities of three months or less.

Restricted cash, short-term bank deposits and long-term bank deposits are not included in cash and cash equivalents.

2.18 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.24). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.12).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.19 Share capital

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

2.20 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax

The tax expense for the period 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 reporting date in the countries where the group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) **Deferred income tax**

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

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

(iii) **Offsetting**

Deferred 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

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

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

(iii) Bonus entitlements

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(v) Share-based payments

The Group operates equity-settled share option schemes, which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions. At each reporting date, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group 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 subsidiary undertakings, with a corresponding credit to equity.

2.23 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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

A contingent liability is not recognised but is disclosed in the notes to the consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when (or as) performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations 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. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

(i) Sales of properties

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(i) Sales of properties (Continued)

For properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress, i.e. the costs incurred up to date compared with the total budgeted costs, which depict the Group's performance towards satisfying the performance obligation.

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component.

Deposits and instalments received from purchasers prior to delivery of the properties to the customers are contract liabilities.

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

(ii) Rental income

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

(iii) Hotel operation income

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

(iv) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group satisfies performance obligations by transferring the services to its customers.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Pre-delivery and consulting services to non-property owners mainly includes fees for construction sites management, display units and property sales venues management and consulting services to property developers at the pre-delivery stage, and property management consulting services provided to other property management companies which are billed based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided.

(v) Catering income

Revenue from restaurant operations is recognised when food, beverages and services are delivered to or rendered to and have been accepted by customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(vi) Hire income from charter

Hire income from time charter is accounted for as operating lease and is recognised on a straight-line basis over the period of each time charter contract.

(vii) Passenger transportation agency service

Revenue from passenger transportation agency service are recognised based on net agencies fee upon departure of ferries at terminals.

(viii) Sales of goods

The Group manufactures and sells a range of consumer products, including dental prosthetics. Revenue from sales of goods are recognised when the products have been delivered to and accepted by customers.

(ix) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

2.25 Leases

(a) Definition of lease and the Group as a lessee

Policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

(a) Definition of lease and the Group as a lessee (Continued)

Policy applicable from 1 January 2019 (Continued)

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use assets (except for those meeting the definition of investment properties) for impairment when such indicator exists. Those right-of-use assets meeting the definition of investment properties are subsequently measured at fair value, in accordance with the Group's accounting policies.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise IT-equipment and small items of office equipment.

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in "property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within "investment property". The prepaid lease payments for leasehold land are presented as "Land use rights" under non-current assets.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

(a) Definition of lease and the Group as a lessee (Continued)

Policy applicable before 1 January 2019

An arrangement comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

- (i) The Group is the lessee other than operating lease of land use rights
Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.
- (ii) The Group is the lessee under operating lease of land use rights
Land use rights under operating lease, which mainly comprised land use rights to be developed for hotel properties and self-use buildings, are stated at cost and subsequently amortised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the operating lease periods, less accumulated impairment provision.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

2.26 Dividend distribution

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Financial guarantee liabilities

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "other payables". The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 2.13 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2.28 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 property, plant and equipment are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to income is presented in gross under "other gains and (losses), net" in the consolidated statement of profit or loss and other comprehensive income.

2.29 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Related parties (Continued)

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019

In the current year, the Group has applied for the first time the following new and amended standards issued by HKICPA, which are relevant to the Group's operations and effective for the consolidated financial statements for the annual period beginning on 1 January 2019:

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

Other than HKFRS 16 “Leases” as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 (Continued)

HKFRS 16 “Leases”

HKFRS 16 “Leases” replaces HKAS 17 “Leases” along with three Interpretations HK(IFRIC) – Int. 4 “Determining whether an Arrangement contains a Lease”, HK(SIC) – Int. 15 “Operating Leases – Incentives” and HK(SIC) – Int. 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current year. Prior years have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC) – Int. 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC) – Int. 4.

As a Lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as “Land use rights” under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5.82% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 (Continued)

HKFRS 16 "Leases" (Continued)

As a Lessee (Continued)

On transition, the Group recognised lease liabilities of RMB799,167,000 and right-of-use assets of RMB799,167,000 at 1 January 2019.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the opening balance for lease liabilities recognised at 1 January 2019:

	RMB'000
Total operating lease commitments disclosed at 31 December 2018 (note 39(b))	1,152,467
Less: commitments relating to lease exempt from capitalisation:	
– short-term lease with remaining lease term ended on or before 31 December 2019	(11,378)
Operating leases liabilities before discounting	1,141,089
Less: discounting using incremental borrowing rate as at 1 January 2019	(341,922)
Total lease liabilities recognised at 1 January 2019	799,167
Classified as:	
Current lease liabilities	110,519
Non-current lease liabilities	688,648
	799,167

The remaining contractual maturities of the Group's lease liabilities at the date of transition to HKFRS 16 are as follows:

	As at 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	110,519	157,479
After 1 year but within 2 years	88,248	128,950
After 2 years but within 5 years	171,283	268,300
After 5 years or above	429,117	586,360
	688,648	983,610
	799,167	1,141,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 (Continued)

HKFRS 16 “Leases” (Continued)

As a Lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for lease in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The following table summarises the impact of transition to HKFRS 16 on the Group’s consolidated statement of financial position at 1 January 2019:

	RMB’000
Increase in right-of-use assets (non-current assets)	799,167
Increase in lease liabilities (current liabilities)	(110,519)
Increase in lease liabilities (non-current liabilities)	(688,648)

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the following new and amended standards have been published but are not yet effective, and have not been adopted early by the Group:

	Effective for the accounting period beginning on or after
Amendments to HKFRS 3	1 January 2020 (note)
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	1 January 2020
Amendments to HKAS 1 and HKAS 8	1 January 2020
HKFRS 17	1 January 2021
Amendments to HKFRS 10 and HKAS 28	To be determined
Definition of a Business	
Interest Rate Benchmark Reform	
Definition of Material	
Insurance Contracts	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	

Note: Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group’s accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKFRS 3 “Definition of a Business”

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

Amendments to HKFRS 3 is effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments clarify the definition of material and state that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold “could influence” with “could reasonably be expected to influence” in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT

The Group conducts its operations 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 major financial instruments include financial assets at FVTPL, debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), long-term and short-term bank deposits, cash and bank balances, restricted cash, accrued construction costs, other payables, lease liabilities, derivative financial instruments and borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

4.1 Financial risk factors

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 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 borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Board. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Market risk

(1) Foreign exchange risk

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

	2019 RMB'000	2018 RMB'000
Monetary assets		
United States Dollars ("US\$")	5,305,109	2,889,638
Hong Kong Dollars ("HK\$")	339,936	247,782
Euro ("EUR")	56,701	54,370
	5,701,746	3,191,790
Monetary liabilities		
US\$	58,827,932	39,978,614
HK\$	1,265,318	1,701,382
	60,093,250	41,679,996

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. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	2019		2018	
	Sensitivity rate	Increase/ (Decrease) in profit or loss and equity RMB'000	Sensitivity rate	Increase/ (Decrease) in profit or loss and equity RMB'000
US\$	5%	2,742,456	5%	1,890,569
HK\$	5%	50,518	5%	75,777
EUR	5%	(2,126)	5%	(2,039)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is mainly as a result of the net foreign exchange gains/losses on translation of US\$ and HK\$ denominated cash and bank balances, long-term and short-term bank deposits, debtors, deposits and other receivables and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(2) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly restricted cash, long-term and short-term bank deposits, cash and bank balances, certain bank and other borrowings, senior notes and convertible bonds. Restricted cash, long-term and short term bank deposits, cash and bank balances, and certain bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, certain bank and other borrowings, convertible bonds and lease liabilities issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2019, if interest rates on assets and liabilities had been increased/decreased by 100 (2018: 100) basis point with all variables held constant, the Group's post-tax profit for the year would have been RMB109,332,000 decreased/increased (2018: RMB139,300,000 decreased/increased). Majority of the interest expenses would be capitalised as a result of such interest expenses directly attributable to the property construction.

(3) Price risk

The Group is exposed to equity securities price risk in connection with the Group's investment in listed equity securities classified as financial assets at FVTPL. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements.

If the price of listed equity securities had been 5% (2018: 5%) increased/decreased, post-tax profit for the year ended 31 December 2019 would have been increased/decreased by approximately RMB9,679,000 (2018: RMB9,730,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's credit risk primarily arises from debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), restricted cash, long-term and short-term bank deposits, and cash and bank balances. 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 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 purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 38. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

The credit risk of long-term bank deposits, short-term bank deposits, restricted cash and cash and bank balances is limited because the counterparties are either state-owned banks located in the PRC or banks with high credit ratings.

For financial assets at amortised cost include other receivables, other deposits, restricted deposits for borrowings from non-financial institutions, amounts due from joint ventures, associates and non-controlling interests of subsidiaries, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

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

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

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Trade debtors

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

To measure the ECL of trade debtors, trade debtors have been grouped based on shared credit risk characteristics and the days past due. As at 31 December 2019 and 2018, there was no concentration of credit risk with respect to trade debtors as the Group has a large number of customers. Credit losses for trade debtors are assessed on both individual and collective basis.

The loss allowance provision of trade debtors as at 31 December 2019 and 2018 is determined as follows, the ECL provision below also incorporate forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Trade debtors (Continued)

2019

Trade debtors	Current	More than 180 days past due	More than 1 year past due	Total
Expected loss rate	0.1%-0.5%	1%-5%	10%-60%	
Gross carrying amount (note 24(a)) (RMB'000)	932,097	293,499	119,926	1,345,522
Loss allowance provision (note 24(a)) (RMB'000)	1,082	13,770	57,620	72,472

2018

Trade debtors	Current	More than 180 days past due	More than 1 year past due	Total
Expected loss rate	0.1%	1.0%	10.0%	
Gross carrying amount (note 24(a)) (RMB'000)	755,009	56,217	221,527	1,032,753
Loss allowance provision (note 24(a)) (RMB'000)	755	562	22,153	23,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes)

For financial assets at amortised cost include other receivables, other deposits, restricted deposits for borrowings from non-financial institutions, amounts due from joint ventures, associates and non-controlling interests of subsidiaries, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience. Credit losses for deposits and other receivables (excluding prepayments and prepaid other taxes) are assessed on both individual and collective basis.

A summary of the assumptions underlying the Group's ECL model is as follows:

Category	Group definition of category	Basis for recognition of ECL provision
Performing	Customers have a low risk of default and a strong capacity to meet	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	Receivables 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 more than 180 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

As at 31 December 2019 and 2018, the Group provides for credit losses against other receivables, other deposits, restricted deposits for borrowings from non-financial institutions, amounts due from joint ventures, associates and non-controlling interests of subsidiaries as follows:

2019

Company internal credit rating	Expected credit loss rates	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Loss allowance provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Performing	1-10%	12 month expected losses	25,453,753	(799,919)	24,653,834
Non-performing	30%-50%	Lifetime expected losses	1,378,543	(269,775)	1,108,768
Total			26,832,296	(1,069,694)	25,762,602

2018

Company internal credit rating	Expected credit loss rates	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Loss allowance provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Performing	1-10%	12 month expected losses	17,503,492	(548,215)	16,955,277
Under performing	20%	Lifetime expected losses	33,310	(6,662)	26,648
Non-performing	30%-50%	Lifetime expected losses	409,634	(204,817)	204,817
Total			17,946,436	(759,694)	17,186,742

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

The loss allowance provision for deposits and other receivables (excluding prepayments and prepaid other taxes) as at 31 December 2019 and 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing RMB'000	Underperforming RMB'000	Non-performing RMB'000	Total RMB'000
Opening loss allowance as at 1 January 2018	225,917	–	–	225,917
Individual financial assets transferred to underperforming and non-performing	(44,294)	3,331	40,963	–
Provision for loss allowance recognised in profit or loss during the year	366,592	3,331	163,854	533,777
Closing loss allowance as at 31 December 2018 and 1 January 2019	548,215	6,662	204,817	759,694
Individual financial assets transferred to underperforming and non-performing	(102,407)	–	102,407	–
Provision for loss allowance recognised in profit or loss during the year	354,111	–	74,957	429,068
Written off	–	(6,662)	(112,406)	(119,068)
Closing loss allowance as at 31 December 2019	799,919	–	269,775	1,069,694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

Total loss allowance provision for debtors, deposits and other receivables (excluding prepayments and prepaid other taxes)

As at 31 December 2019 and 2018, the loss allowance provision for debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) reconciles to the opening loss allowance for that provision as follows:

	Trade debtors RMB'000	Deposits and other receivables (excluding prepayments and prepaid other taxes) RMB'000	Total RMB'000
Closing loss allowance as at 1 January 2018	27,915	225,917	253,832
(Reversal)/Provision for loss allowance recognised in profit or loss during the year (note 8)	(4,445)	533,777	529,332
Closing loss allowance as at 31 December 2018 and 1 January 2019	23,470	759,694	783,164
Provision for loss allowance recognised in profit or loss during the year (note 8)	49,002	429,068	478,070
Written off	–	(119,068)	(119,068)
Closing loss allowance as at 31 December 2019	72,472	1,069,694	1,142,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(iii) Liquidity risk

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

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the years ended 31 December 2019 and 2018. As at 31 December 2019, the Group's total borrowings stood at RMB117,195,552,000 (2018: RMB108,765,952,000). During the year ended 31 December 2019, in order to properly manage the Group's liquidity risk and capital structure, the Group has issued several batches of senior notes with an aggregated principal amount of RMB20,872,250,000 (2018: RMB5,862,362,000).

Except for the aforementioned recent development, the Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adopt the changing local real estate market environment, implementing cost control measures, accelerating sales with more flexible pricing, seeking partners to develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will pursue such options based on its assessment of relevant future costs and benefits.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Accrued construction costs	14,494,060	–	–	–	14,494,060
Borrowings	41,779,534	33,132,489	66,036,584	3,153,779	144,102,386
Other payables	27,011,322	10,248	–	–	27,021,570
Lease liabilities	241,716	200,618	502,587	1,045,943	1,990,864
	83,526,632	33,343,355	66,539,171	4,199,722	187,608,880
Financial guarantees issued: Maximum amount guaranteed (note 38)	32,816,544	–	–	–	32,816,544
	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2018					
Accrued construction costs	12,599,547	–	–	–	12,599,547
Borrowings	22,263,143	38,412,265	35,208,849	26,693,797	122,578,054
Other payables	19,917,262	–	–	–	19,917,262
	54,779,952	38,412,265	35,208,849	26,693,797	155,094,863
Financial guarantees issued: Maximum amount guaranteed (note 38)	30,587,387	–	–	–	30,587,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management

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

The capital structure of the Group consists of debt, which includes the total borrowings (note 31) less cash and bank balances, short-term bank deposits, long-term bank deposits (note 28) and restricted cash (note 27) and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others 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 current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and bank balances, long-term and short-term bank deposits and restricted cash. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

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

	2019 RMB'000	2018 RMB'000
Total borrowings (note 31)	117,195,552	108,765,952
Less: Cash and bank balances, long-term and short-term bank deposits (note 28) and restricted cash (note 27)	(36,978,038)	(22,924,149)
Net debt	80,217,514	85,841,803
Total equity	55,706,573	36,339,312
Gearing ratio	144.00%	236.22%

The gearing ratio for 2019 was lower than that for 2018 as a result of the increase in profit for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Assets				
Financial assets at FVTPL	258,114	1,209,339	6,382,938	7,850,391
Liabilities				
Derivative financial instruments	–	–	82,807	82,807
As at 31 December 2018				
Assets				
Financial assets at FVTPL	259,477	–	6,636,349	6,895,826

There was no transfer into or out of level 3 during the year ended 31 December 2019.

During the year ended 31 December 2018, financial assets at FVTPL related to investment in equity fund which invest in automobile business amounting to RMB199,131,000 were transferred in level 3 to level 1.

The nominal value less impairment provisions of debtors and other receivables and the nominal value of accrued construction costs and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(i) **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) **Financial instruments in level 2**

The fair value of unlisted managed funds of RMB1,209,339,000 (2018: nil) in level 2 are determined by reference to the net asset values of these investments prescribed by a financial institution, which is based on the fair value of the underlying investments. Fair value gain on financial assets at FVTPL of RMB57,489,000 (2018: nil) was included in "other gains and (losses), net" in the profit or loss for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(iii) Financial instruments in level 3

Information about level 3 financial instruments' fair value measurements

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

	2019 RMB' 000	2018 RMB' 000
At 1 January	6,636,349	5,086,320
Additions	246,132	2,016,911
Derecognition	(1,904,427)	(32,565)
Fair value gain/(loss) recognised in profit or loss	1,404,884	(235,186)
Reclassification financial instruments to level 1	–	(199,131)
At 31 December	6,382,938	6,636,349

Additions during the year ended 31 December 2019 mainly represented unlisted investment fund units in properties development and other businesses in the PRC. Disposal during the year ended 31 December 2019 represented unlisted investment fund units in properties development and other business in the PRC.

For the financial assets at FVTPL, the fair value gain on financial assets at FVTPL amounting to RMB1,404,884,000 (2018: fair value loss of RMB235,186,000) was included in "other gains and (losses), net" in the profit or loss for the year ended 31 December 2019. For the financial derivative, the fair value loss of financial derivatives amounting to RMB82,191,000 (2018: nil) was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019. Information for the derivative financial instruments as detail disclosed in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

The fair value of financial instruments is determined by using the market approach model. The valuation techniques and significant unobservable inputs of the financial assets at FVTPL and derivative financial instruments are as follows:

Financial instrument	Valuation techniques	Significant unobservable inputs	Range	Sensitivity relationship of unobservable inputs to fair value
Financial assets at FVTPL	Market approach method	Price to book ratios (2018: Price to earnings ratios) (note)	0.66 to 2.75 (2018: 8.39 to 35.99)	Increase/(decrease) in price to book (2018: price to earnings) ratio would result in increase/(decrease) in fair value
		Discount for lack of marketability (2018: Discount for lack of marketability)	20% (2018: 20%)	Increase/(decrease) in discount rate would result in increase/(decrease) in fair value
Derivative financial instruments	Binomial option pricing model	Expected volatility (2018: nil)	50.4% to 56.07% (2018: nil)	Increase/(decrease) in expected volatility would result in increase/(decrease) in fair value

Note: During the year ended 31 December 2019, in the opinion of the directors, the change in unobservable inputs is more representative of fair value in the circumstances.

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

Since one or more of the significant inputs are not based on observable market data, the fair value measurement of these instruments are categorised as level 3. For disclosures of fair value measurement of the Group's investment properties, details are disclosed in note 17 to the consolidated financial statements.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2019 and 2018 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	2019		2018	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Borrowings: – Senior notes (note 31(a))	56,418,863	56,416,773	39,726,866	30,883,782

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangement and similar agreements during the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

5.1 Key estimation of uncertainties

Estimates and judgements used in preparing the consolidated financial statements are evaluated and are 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 to 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.

(i) **Fair value of investment properties**

Investment properties, including those completed investment properties and investment properties under construction, are carried at fair value in the consolidated statement of financial position and the changes in the fair value recognised in the profit or loss. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 17 to the consolidated financial statements.

As at 31 December 2019, the aggregate fair value of the Group's investment properties amounted to RMB35,309,000,000 (2018: RMB35,930,000,000) based on the valuation performed by an independent professional valuers.

(ii) **Provision for properties under development and completed properties held for sale**

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2019, based on management's best estimates, the Group has made a provision of RMB1,499,464,000 (2018: RMB1,505,566,000) for properties under development and completed properties held for sale.

(iii) **Provision for prepayments for proposed development projects and deposits for land acquisitions**

The Group assesses the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2019, the carrying amounts of prepayments for proposed development projects and deposits for land acquisitions are RMB23,782,080,000 (2018: RMB19,080,815,000) and RMB19,891,354,000 (2018: RMB19,445,196,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

5.1 Key estimation of uncertainties (Continued)

(iv) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than goodwill) at the reporting date. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2019, based on management's best estimates, the Group has made a provision of RMB149,316,000 (2018: RMB149,316,000), RMB12,249,000 (2018: RMB12,249,000), RMB658,685,000 (2018: RMB658,685,000) and RMB473,361,000 (2018: nil) for property, plant and equipment, land use rights, investments in associates and intangible assets (other than goodwill) respectively.

(v) Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income taxes and withholding taxes on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters 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 tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred tax liabilities would have been increased by the same amount of approximately RMB1,534,634,000 (2018: RMB769,786,000).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

5.1 Key estimation of uncertainties (Continued)

(vi) Intangible assets – contracts with various sports players

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The life of the intangible assets ranges from 1 to 4 years based on the respective sports players' contract. These are reviewed annually on a player by player basis to determine whether there are indicators of impairment. Determining whether the intangible asset should be impaired at the reporting date, factors such as whether the sports player will remain an active member of the playing squad and an assessment of the league that the football team will be playing in, will be taken into account.

As at 31 December 2019, the carrying amount of the intangible asset is RMB280,829,000 (2018: RMB234,870,000).

(vii) Provision for impairment of trade debtors and other receivables

Under HKFRS 9, the Group makes allowances on items subjects to ECL (including debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.13 As at 31 December 2019, the aggregate carrying amounts of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) amounted to RMB27,035,652,000 (net of ECL allowance of RMB1,142,166,000) (2018: RMB18,196,025,000 (net of ECL allowance of RMB783,164,000)).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL of HKFRS 9 and credit losses in the periods in which such estimate has been changed.

(viii) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. Details of impairment assessment and key assumptions are disclosed in note 21(a).

(ix) Fair value measurement of financial instruments

Financial asset at FVTPL amounting to RMB6,832,938,000 (2018: RMB6,636,349,000) as at 31 December 2019 is measured at fair value with fair value being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further disclosures regarding the fair value measurement of these financial assets are set out in note 4.3.

(x) Impairment of associates and joint ventures

The investments in associates or joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of investments is evaluated based on the financial position of associates or joint ventures, historical and expected future performance by management judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

5.2 Critical accounting judgements

(i) Revenue recognition from sales of properties

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 customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements, based on legal counsel opinion, to classify sales contracts into those with enforceable right to payment for performance completed to date and those without the right.

The Group recognises property development revenue over time by reference to the progress toward complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

The Group recognised sales of properties over time amounted to RMB2,011,751,000 (2018: RMB5,493,620,000) (note 6) for the year ended 31 December 2019.

(ii) Classification of financial assets at FVTPL

Note 20 describes that the investment in an unlisted entity is treated as financial assets at FVTPL although the Company has 21.98% effective equity interest in this investee. The Group is entitled to appoint a director of the investee's board of directors out of a total of seven. In making the judgement, the directors of the Company considered the majority ownership of the investee is concentrated by a major shareholder who operate the investee and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes without regard to the views of the Group and concluded that it does not have sufficient significant influence over the relevant activities of this investee or to participate in their operations. Accordingly, the investee is classified as financial assets at FVTPL.

(iii) Business combinations and control over Kaisa Health Group Holdings Limited ("Kaisa Health Group")

The Group has de facto control over Kaisa Health Group in November 2018 and since then the Group's 42.89% interest at the completion date of right issue of Kaisa Health Group (2018: 42.89%) is accounted for and consolidated into the consolidated financial statements of the Group as a subsidiary. The directors of the Company assessed whether the Group has control over Kaisa Health Group based on whether the Group has the practical ability to direct the relevant activities of Kaisa Health Group unilaterally. Key judgments adopted in concluding the Group has obtained control in Kaisa Health Group are: the Group has held a majority of the voting rights exercised at Kaisa Health Group's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; the shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote; and the Group has obtained effective control over majority of the board of Kaisa Health Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Fair value loss of financial derivatives, net fair value gain/loss on financial assets at FVTPL, net gain on repurchase of senior notes, corporate and other unallocated expenses, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of property development, property investment, property management services, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation operation and regarded these being the reportable segments. The healthcare business was insignificant to present as a separate segment and grouped under other operating segments.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market primarily in the PRC, and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

Revenue for the year ended 31 December 2019 consists of the following:

	2019 RMB'000	2018 RMB'000
Sales of properties		
– Completed properties held for sale	40,451,657	29,766,932
– Properties under development/proposed development project	3,396,987	6,313,620
	43,848,644	36,080,552
Rental income	455,728	278,592
Property management services	912,299	516,221
Hotel and catering operations	276,862	249,932
Cinema, department store and cultural centre operations	664,433	491,099
Water-way passenger and cargo transportation	869,842	810,634
Others	993,877	277,937
	48,021,685	38,704,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

For the years ended 31 December 2019 and 31 December 2018, none of the Group's customer accounted for more than 10% of the Group's total revenue.

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the profit or loss.

As at 31 December 2019, segment assets of property development segment and others segment included the investments in associates accounted for using the equity method totalling approximately RMB5,770,634,000 and RMB6,148,155,000 (2018: RMB3,944,592,000 and RMB3,128,230,000) respectively. In addition, the segment assets of property development segment, property management segment and other segment included the investments in joint ventures accounted for using the equity method totalling RMB14,030,585,000, RMB2,108,000 and RMB59,632,000 (2018: RMB8,670,538,000, nil and RMB6,614,000) respectively.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, investment properties, investments in joint ventures, investments in associates, goodwill and intangible assets, land use rights, properties under development, completed properties held for sale, inventories, debtors, deposits and other receivables, deposits for land acquisition, prepayments for proposed development projects, restricted cash, short-term bank deposits, long-term bank deposits, and cash and bank balances. They exclude financial assets at FVTPL, deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of contract liabilities, accrued construction costs, operating borrowings and other payables. They exclude lease liabilities, deferred tax liabilities, income tax payable, corporate borrowings and derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2019 RMB'000	2018 RMB'000
Auditor's remunerations		
– Audit services	7,000	6,000
– Non-audit services	2,800	2,500
Advertising and other promotional costs	655,115	504,726
Agency fee	644,043	310,920
Depreciation/Amortisation of land use rights (note 18)	18,158	25,788
Amortisation of intangible assets (note 21)	342,890	178,328
Bank charges	16,092	64,161
Cost of properties sold	31,096,871	25,309,550
Depreciation		
– property, plant and equipment (note 15)	189,691	199,670
– right-of-use assets (note 16)	182,881	–
Direct operating expenses arising from		
– investment properties	97,561	42,594
– property management services	577,056	297,161
– hotel and catering operations	107,518	73,514
– cinema, department store, and cultural centre operations	564,918	264,301
– water-way passenger and cargo transportation	635,350	565,156
Donations	188,044	81,252
Entertainment	99,717	101,893
Legal and professional fees	565,220	257,874
Office expenses	191,717	165,255
Minimum lease payments under operating leases (note)	11,378	57,171
Others	943,913	744,994
Other taxes	465,997	298,867
Staff costs – including directors' emoluments (note 13)	1,888,554	1,841,222
Travelling	46,121	46,856
	39,538,605	31,439,753

Note: According to HKFRS 16 Leases, payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss for the year ended 31 December 2019. Short-term leases are leases with a lease term of less than 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER GAINS AND (LOSSES), NET

	2019 RMB'000	2018 RMB'000
Dividend income received from		
– listed financial assets at FVTPL	72	87
– unlisted financial assets at FVTPL	30,894	20,858
Provision for ECL (note 4.1 (ii))	(478,070)	(529,332)
Forfeited customer deposits	9,295	5,505
Government subsidy income (note)	83,217	438,645
Net loss on disposals of investment properties	(193,825)	(7,102)
Loss on disposals of property, plant and equipment (note 37(a))	(17,987)	(1,463)
Loss on disposal of deposits for land acquisition	(40,753)	–
Net fair value gain/(loss) on financial assets at FVTPL	1,380,931	(271,276)
Loss on derecognition of interest in an associate (note 19(a))	(252,016)	–
Impairment loss on interest in an associate (note 19(a))	–	(658,685)
Impairment loss on intangible assets (note 21)	(473,361)	–
Impairment loss on goodwill (note 21)	(203,931)	–
Write-down of completed properties held for sale and properties under development	(367,737)	(220,178)
Written off of intangible assets (note 21)	(22,230)	(7,654)
Written off of debtors and other receivables	(275,251)	–
Waiver of other payables	–	406,326
Net gain on repurchase of senior notes (note 31(a))	178,438	142,745
Others	(35,530)	42,828
	(677,844)	(638,696)

Note:

The amount represents the subsidies received from local government bureaux in the PRC as an incentive for development in specific regions. There was no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCE COSTS – NET

	2019 RMB'000	2018 RMB'000
Finance income		
Interest income on bank deposits	377,317	208,600
Interest income from associates	3,337	3,535
Interest income from loans to third parties	199,615	190,376
	580,269	402,511
Finance costs		
Interest expense		
– Bank borrowings	3,928,097	3,755,861
– Senior notes (note 31(a))	5,062,042	3,007,885
– Convertible bonds (note 31(b))	93,632	–
– Other borrowings	1,721,120	2,253,666
– Lease liabilities	71,678	–
Total interest expense	10,876,569	9,017,412
Less: interest capitalised (note)	(10,077,795)	(7,968,385)
	798,774	1,049,027
Net exchange losses	816,497	1,524,271
	1,615,271	2,573,298
Finance costs – net	(1,035,002)	(2,170,787)

Note: The capitalisation rate of borrowings is 11.32% (2018: 13.62%) for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC enterprise income tax	2,466,161	2,687,318
– PRC land appreciation tax	2,559,899	2,505,458
Deferred income tax	277,535	(715,147)
	5,303,595	4,477,629

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax	9,467,603	7,771,885
Share of results of associates and joint ventures, net	105,078	(191,187)
Profit attributable to the Company and subsidiaries	9,572,681	7,580,698
Calculated at PRC enterprise income tax rate of 25% (2018: 25%)	2,393,170	1,895,175
Effect of different income tax rates of subsidiaries	135,020	238,241
Income not subject to tax	(1,255,848)	(969,320)
Expenses not deductible for tax purposes	68,996	307,767
Tax losses not recognised	1,402,358	1,151,023
Recognition of previously unrecognised tax losses	–	(650,715)
PRC enterprise income tax	2,743,696	1,972,171
PRC land appreciation tax	2,559,899	2,505,458
Income tax expenses	5,303,595	4,477,629

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The group companies in the British Virgin Islands ("BVI") were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for the years ended 31 December 2019 and 2018 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX EXPENSES (Continued)

PRC withholding income tax

According to the Corporate Income Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be received on the immediate holding companies outside the PRC where their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2018: 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

11. DIVIDEND

(a) Dividends attributable to the year

	2019 RMB'000	2018 RMB'000
2019 interim dividends declared of HK3.0 cents (2018: HK3.0 cents) per share	165,961	153,530
Proposed 2019 final dividend of HK10.0 cents (2018: HK9.0 cents) per share	545,262	478,683

An interim dividend of HK3.0 cents (equivalent to approximately RMB2.53 cents) (2018: HK3.0 cents (equivalent to approximately RMB2.53 cents)) per share during the year ended 31 December 2019 was approved at the extraordinary general meeting. The aggregate amount of interim dividend declared from share premium of the Company amounted to HK\$182,495,000 (equivalent to approximately RMB165,961,000) (2018: HK\$182,102,000 (equivalent to approximately RMB153,530,000)).

The Board recommended the payment of a 2019 final dividend of HK10.0 cents (equivalent to approximately RMB8.96 cents) per share, totalling HK\$608,687,000 (equivalent to approximately RMB545,262,000). 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.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, of HK9.0 cents (2018: HK11.8 cents) per share	478,683	603,729

A final dividend in respect of the year ended 31 December 2018 of HK9.0 cents (equivalent to approximately RMB7.89 cents) per share with a scrip dividend alternative was approved at the annual general meeting on 14 June 2019 (2018: a final dividend in respect of the year ended 31 December 2017 of HK11.8 cents (equivalent to RMB9.95 cents) per share). The aggregate amount of final dividend declared from share premium of the Company amounted to approximately HK\$546,317,000 (equivalent to approximately RMB478,683,000) (2018: HK\$716,082,000 (equivalent to approximately RMB603,729,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	2019 RMB'000	2018 RMB'000
Wages and salaries	1,380,220	1,300,232
Discretionary bonuses	5,535	42,815
Contribution to pension schemes	70,265	61,343
Medical benefits	32,474	27,221
Share-based payments (note 42)	139,961	260,612
Other allowances and benefits	260,099	148,999
	1,888,554	1,841,222

Contribution to pension plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries 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.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and the maximum contribution is HK\$1,500.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefit of Directors) Regulations, is as follows:

	Year ended 31 December 2019					Total RMB'000
	Fees RMB'000	Salary RMB'000 (note v)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share-based payments RMB'000 (note iv)	
Name of director						
Chairman						
Mr. Kwok Ying Shing	–	3,697	–	15	–	3,712
Vice Chairman						
Mr. Sun Yuenan	–	11,485	68	35	10,665	22,253
Executive Directors						
Mr. Zheng Yi	–	5,417	52	35	28,747	34,251
Mr. Mai Fan*	–	6,590	52	35	3,555	10,232
Mr. Zhang Jianjun (note ii)	–	–	–	–	–	–
Mr. Weng Hao (note iii)	–	5,149	53	39	2,488	7,729
Non-Executive Director						
Ms. Chen Shaohuan	–	265	–	–	–	265
Independent Non-Executive Directors						
Mr. Rao Yong	265	–	–	–	498	763
Mr. Zhang Yizhao	265	–	–	–	498	763
Mr. Liu Xuesheng	265	–	–	–	427	692
Total	795	32,603	225	159	46,878	80,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(Continued)

(a) Directors' and chief executive's emoluments (Continued)

Name of director	Year ended 31 December 2018					
	Fees RMB'000	Salary RMB'000 (note v)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share-based payments RMB'000 (note iv)	Total RMB'000
Chairman						
Mr. Kwok Ying Shing	—	3,556	2,588	15	—	6,159
Vice Chairman						
Mr. Sun Yuenan	—	11,671	50	40	17,302	29,063
Executive Directors						
Mr. Yu Jianqing (note i)	—	401	4	3	11,718	12,126
Mr. Zheng Yi	—	6,864	50	40	47,480	54,434
Mr. Mai Fan*	—	7,558	50	40	5,767	13,415
Mr. Zhang Jianjun (note ii)	—	2,977	2	40	10,966	13,985
Non-Executive Director						
Ms. Chen Shaohuan	—	255	—	—	—	255
Independent Non-Executive Directors						
Mr. Rao Yong	255	—	—	—	807	1,062
Mr. Zhang Yizhao	255	—	—	—	807	1,062
Mr. Liu Xuesheng	255	—	—	—	692	947
Total	765	33,282	2,744	178	95,539	132,508

* Chief executive officer of the Company

Notes:

- (i) Resigned on 16 January 2018 as executive director of the Company.
- (ii) Appointed on 20 March 2018 and resigned on 4 January 2019 as executive director of the Company.
- (iii) Appointed on 4 January 2019 as executive director of the Company.
- (iv) Share option benefits represent fair value of share options granted to the relevant director which was charged to the consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 2.
- (v) Salary paid to a director is generally an emolument paid or payable in respect of the person's other services in connection with the management of the affairs of the Company and its subsidiary undertakings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(Continued)

(a) Directors' and chief executive's emoluments (Continued)

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any director as an inducement to join or leave the Group or compensation for loss of office. There were no arrangements under which a director has waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2018: five) directors whose emoluments are reflected in note (a) above. The emoluments for the remaining two individuals (2018: nil) for the year ended 31 December 2019 are as follows:

	2019 RMB'000
Salaries and other benefits	12,250
Contribution to pension schemes	23
Share-based payments	9,190
	21,463

The emoluments for the remaining two individuals (2018: nil) for the year ended 31 December 2019 fell within the following bands:

	Number of Individuals 2019
HK\$9,000,001 to HK\$10,000,000	1
HK\$11,000,001 to HK\$12,000,000	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Land and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2018								
Cost	986,520	731,689	12,550	85,680	954,726	363,324	116,433	3,250,922
Accumulated depreciation and impairment	(104,622)	(163,982)	(513)	(51,657)	(334,088)	(44,480)	–	(699,342)
Net carrying amounts	881,898	567,707	12,037	34,023	620,638	318,844	116,433	2,551,580
Year ended 31 December 2018								
Opening net carrying amounts	881,898	567,707	12,037	34,023	620,638	318,844	116,433	2,551,580
Additions	–	26,360	14,338	17,087	137,433	65,125	47,911	308,254
Acquisitions of subsidiaries (note 40)	–	10,789	–	29	679	–	–	11,497
Transfer	–	–	–	–	–	58,146	(58,146)	–
Transfer from properties under development (note 22)	263,565	129,189	–	–	–	–	–	392,754
Disposals	–	–	(4,131)	(651)	(1,370)	(10,990)	(389)	(17,531)
Deemed disposals of subsidiaries (note 41(b))	–	–	–	(254)	(853)	–	–	(1,107)
Depreciation (notes 6 and 7)	(52,647)	(32,326)	(4,531)	(8,294)	(63,736)	(38,136)	–	(199,670)
Exchange realignment	–	–	3,963	460	764	4,916	–	10,103
Closing net carrying amounts	1,092,816	701,719	21,676	42,400	693,555	397,905	105,809	3,055,880
At 31 December 2018								
Cost	1,250,085	898,027	26,720	84,353	1,083,752	480,521	105,809	3,929,267
Accumulated depreciation and impairment	(157,269)	(196,308)	(5,044)	(41,953)	(390,197)	(82,616)	–	(873,387)
Net carrying amounts	1,092,816	701,719	21,676	42,400	693,555	397,905	105,809	3,055,880
Year ended 31 December 2019								
Opening net carrying amounts	1,092,816	701,719	21,676	42,400	693,555	397,905	105,809	3,055,880
Additions	–	24,840	5,781	5,807	203,919	73,903	61,558	375,808
Acquisitions of subsidiaries (note 40)	–	891,551	22,734	556	1,725	–	45,629	962,195
Transfer	–	–	–	–	–	65,936	(65,936)	–
Transfer from properties under development (note 22)	779,329	–	–	–	–	–	–	779,329
Disposals	–	–	(5,780)	(339)	(2,671)	(443)	(38,959)	(48,192)
Disposals of subsidiaries (note 41(a))	–	(59,437)	–	–	(156)	–	–	(59,593)
Deemed disposals of subsidiaries (note 41(b))	–	–	–	(459)	(62,277)	–	–	(62,736)
Depreciation (notes 6 and 7)	(48,215)	(31,525)	(7,212)	(8,912)	(51,600)	(42,227)	–	(189,691)
Exchange realignment	–	–	1,047	611	71	4,777	–	6,506
Closing net carrying amounts	1,823,930	1,527,148	38,246	39,664	782,566	499,851	108,101	4,819,506
At 31 December 2019								
Cost	2,029,414	1,779,576	97,567	90,318	1,218,033	620,693	108,101	5,943,702
Accumulated depreciation and impairment	(205,484)	(252,428)	(59,321)	(50,654)	(435,467)	(120,842)	–	(1,124,196)
Net carrying amounts	1,823,930	1,527,148	38,246	39,664	782,566	499,851	108,101	4,819,506

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2019, hotel properties, land and buildings with net carrying amounts of approximately RMB2,012,494,000 (2018: RMB830,432,000) were pledged as collateral for the Group's borrowings (note 31).

As at 31 December 2019, included in hotel properties and land and buildings, there was a land and building with net carrying amounts of approximately RMB1,174,190,000 (2018: RMB315,213,000) located in Hong Kong and under medium-term lease (between 10 and 50 years), and the remaining balances of hotel properties and land and buildings of approximately RMB2,176,888,000 (2018: RMB1,479,322,000) was located in the PRC and under medium-term and long-term lease (more than 50 years).

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2019 RMB'000	2018 RMB'000
Cost of sales	97,654	95,314
Administrative expenses	92,037	104,356
	189,691	199,670

There was no impairment loss provided for the years ended 31 December 2019 and 2018.

16. RIGHT-OF-USE ASSETS

The amount in respect of leases are as follows:

	Motor vehicles RMB'000	Office equipment RMB'000	Properties RMB'000	Total RMB'000
At 1 January 2019, as previously stated	–	–	–	–
Adjustment on adoption of HKFRS 16 (note 3.1)	275	870	798,022	799,167
At 1 January 2019, as restated	275	870	798,022	799,167
Additions	1,536	70	740,624	742,230
Depreciation for the year (note 7)	(818)	(354)	(181,709)	(182,881)
At 31 December 2019	993	586	1,356,937	1,358,516

The right-of-use assets represented leases of motor vehicles, office equipment, properties (staff quarters, offices and etc), in Hong Kong and the PRC. The leases typically run for an initial period of 1 to 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES

	Under construction RMB'000	Completed RMB'000	Total RMB'000
At 1 January 2018	19,935,000	12,090,830	32,025,830
Additions	3,184,620	341,719	3,526,339
Disposal	–	(18,210)	(18,210)
Transfer from completed properties held for sale (note 23)	–	183,667	183,667
Increase/(Decrease) in fair value (note 6)	395,380	(183,006)	212,374
At 31 December 2018 and 1 January 2019	23,515,000	12,415,000	35,930,000
Additions	770,046	356,475	1,126,521
Disposals	–	(459,940)	(459,940)
Disposals of subsidiaries (note 41(a))	–	(557,000)	(557,000)
Deemed disposals of subsidiaries (note 41(b))	(560,000)	(349,000)	(909,000)
Increase/(Decrease) in fair value (note 6)	505,954	(327,535)	178,419
Transfer upon completion	(3,720,000)	3,720,000	–
At 31 December 2019	20,511,000	14,798,000	35,309,000

The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties:

	2019 RMB'000	2018 RMB'000
Rental income (note 6)	455,728	278,592
Direct operating expenses arising from investment properties that generate rental income	97,561	42,594

Valuation processes of the Group

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least semi-annually. For all investment properties, their current use equates to the highest and best use.

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

At each of half year-end, the management:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Continued)

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' estimates of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Significant inputs used to determine fair value

	2019		2018	
	Commercial	Carpark	Commercial	Carpark
Capitalisation rate	3.0%-6.5%	6.5%	3.0%-6.5%	6.5%
Expected vacancy rate	0%-5%	N/A	0%-5%	N/A
Monthly rental	RMB21-594 per sq.m.	RMB2,300 per unit	RMB26-590 per sq.m.	RMB2,500 per unit

Capitalisation and discount rates are estimated by the valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Fair values of commercial properties under development are generally derived using the combination of direct comparison method by making reference to the comparable market transactions for the land portion as available in the market and the income capitalisation method by capitalising market rent derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Significant inputs used to determine fair value

	2019	2018
Term yield and revisionary yield	4.35% – 4.75%	4.35% – 4.75%
Budgeted construction cost (RMB/sq.m.)	312–6,078	197–6,152
Anticipated developer's profit margin	10% – 20%	5% – 20%

The higher the term yield and revisionary yield, the lower the fair value.

Estimated costs to complete per square meter and developer's profit margin required are estimated by the valuer based on market conditions at the year end dates. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the estimated costs to be incurred, the lower the fair value. The higher the anticipated developer's profit margin, the higher the fair value.

As at 31 December 2019 and 2018, the fair value measurement of the Group's investment properties is categorised at level 3. During the years ended 31 December 2019 and 2018, there were no transfers into or out of level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Continued)

Valuation techniques (Continued)

Fair value measurements using significant unobservable inputs (Continued)

The Group's investment properties are analysed as follows:

	2019 RMB'000	2018 RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	33,042,000	33,817,000
Leases of over 50 years	2,267,000	2,113,000
	35,309,000	35,930,000

As at 31 December 2019, the investment properties amounting to RMB20,198,000,000 (2018: RMB19,365,268,000) were pledged as collateral for the Group's borrowings (note 31).

18. LAND USE RIGHTS

	2019 RMB'000	2018 RMB'000
At 1 January	669,078	395,815
Acquisitions of subsidiaries (note 40(b))	13,600	–
Disposals of subsidiaries (note 41(a))	(30,358)	–
Transfer from properties under development (note 22)	119,331	299,051
Depreciation/Amortisation – expensed in administrative expenses (note 7)	(18,158)	(25,788)
At 31 December	753,493	669,078
In PRC, held on:		
Leases of over 50 years	21,812	22,306
Leases of between 10-50 years	731,681	646,772
As 31 December	753,493	669,078

Land use rights comprise cost of acquiring rights to use certain land, which are principally located in the PRC, for hotel properties, self-use buildings and self-operating properties over fixed periods. Upon initial application of HKFRS 16, the prepaid lease payments for the land use rights fall into the scope of HKFRS 16 as it meets the definition of right-of-use assets.

As at 31 December 2019, land use rights with net carrying amounts totalling RMB557,991,000 (2018: RMB268,675,000) were pledged as collateral for the Group's borrowings (note 31).

As at 31 December 2019, the provision for impairment loss of land use rights amounted to RMB12,249,000 (2018: RMB12,249,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates

	2019 RMB'000	2018 RMB'000
Cost of investments in associates, less accumulated impairment		
– Listed	4,204,258	2,020,256
– Unlisted	7,594,921	4,843,875
Share of post-acquisition profit and other comprehensive profit, net of dividend received	119,610	208,691
	11,918,789	7,072,822
Fair value of listed investments	2,732,836	1,134,144

On 28 November 2017, the Group had entered into an agreement with an independent third party to acquire 50,621,064 shares in Southern Shuanglin Bio-pharmacy Co., Ltd.* (previously known as Zhenxing Biopharmaceutical & Chemical Co., Ltd.) (“Shuanglin Bio-pharmacy”) at the consideration of RMB2,186,830,000. Shuanglin Bio-pharmacy is listed in Shenzhen Stock Exchange. Shuanglin Bio-pharmacy is engaged in research, development, production and sales of blood products. During the year ended 31 December 2019, the transfer of shares had been completed. The Group is entitled to appoint two directors of Shuanglin Bio-pharmacy out of a total of nine, the directors of the opinion that the Group can exercise significant influence over Shuanglin Bio-pharmacy and recognised as an associate. The Group further acquired 343,111 shares at the consideration of RMB10,022,000. As at 31 December 2019, the Group had 18.57% equity interest in Shuanglin Bio-pharmacy.

In addition, the Group entered into a cooperation agreement with an independent third party to set up a company, namely Fuzhou Jinpeng Sheng Tian Property Development Co., Ltd. (“Fuzhou Jinpeng”) (2018: Fuzhou Xin De Yuan Property Development Co. Ltd. (“Xin De Yuan”) to obtain a development project for redevelopment. The Group and the independent third party injected capital of RMB2,499,000,000 and RMB2,601,000,000 (2018: RMB1,568,000,000 and RMB1,632,000,000) to Fuzhou Jinpeng (2018: Xin De Yuan), respectively. The Group had 49% equity interest in Fuzhou Jinpeng and Xin De Yuan.

During the year ended 31 December 2019, the Group filed a claim to the court against the substantial shareholder of an associate, Xing Huo Ju Long Technology Investment Co., Ltd. (“Xing Huo”) that the shareholder agreement signed in the acquisition of Xing Huo in 2010 was invalid and entitled to claim back the consideration paid by the Group including the cash consideration and eight shops located in Luowo district in Shenzhen. In the opinion of the directors, the Group could not exercise significant influence and derecognise Xing Huo from the investments in associates. A loss on derecognition of interest in an associate of RMB252,016,000 (note 8) was recognised for the year ended 31 December 2019.

The remaining additions represented investments in a number of property development companies together with certain third parties. For the year ended 31 December 2018, the Group entered into agreements with third parties to acquire four immaterial associates in aggregate amounts of RMB325,238,000 and, the Group injected additional capital amounting to RMB331,630,000 into certain associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

As at 31 December 2019, the fair value of the Group's interests in associates Nam Tai Property Limited ("Nam Tai"), Kaisa JiaYun Technology Inc. ("JiaYun Technology") and Shuanglin Bio-pharmacy, which are listed in the New York Stock Exchange, Shenzhen Stock Exchange and Shenzhen Stock Exchange was RMB551,463,000, RMB546,313,000 and RMB1,635,060,000 (2018: RMB547,535,000, RMB586,609,000 and nil) respectively based on the market prices available on the respective stock exchanges, which is level 1 input in terms of HKFRS 13, Fair value measurement.

As at 31 December 2018, management has reviewed the shortfall between the carrying amount of a Shenzhen Stock Exchange listed associate, JiaYun Technology, and the market value of JiaYun Technology at the end of the reporting period. The management considers that the value in use based on discounted future cash flows of JiaYun Technology is lower than the carrying amount and the market value of JiaYun Technology, hence, impairment loss on interest in an associate amounting to RMB658,685,000 (note 8) was recognised during the year ended 31 December 2018.

As at 31 December 2019 and 31 December 2018, 101,419,425 (2018: 101,419,425) shares of JiaYun Technology were pledged as collateral for the Group's borrowings (note 31).

Set out below are details of associates of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Particular of issued and paid up capital	Proportion of the issued capital/ interest held by the Group	Principal activity
Fuzhou Jinpeng	the PRC	RMB50,000,000	49% (2018: nil)	Property development
JiaYun Technology (note i)	the PRC	RMB634,555,224 (2018: RMB634,555,224)	21.31% (2018: 21.31%)	Internet marketing
Nam Tai (note ii)	British Virgin Islands	US\$257,507 (2018: US\$257,507)	23.79% (2018: 24.07%)	Property development and management
Shuanglin Bio-pharmacy	the PRC	RMB272,577,599	18.57% (2018: nil)	Research, development, production and sales of blood products
Xin De Yuan	the PRC	RMB50,000,000 (2018: RMB50,000,000)	49.0% (2018: 49.0%)	Property development

Notes:

- i. During the year ended 31 December 2018, JiaYun Technology held the directors' and shareholders' meeting to repurchase and cancel 1,777,760 restricted shares issued to the incentive participants. The number of issued shares of JiaYun Technology decreased from 636,332,984 shares to 634,555,224 shares. Accordingly, the Group equity's interest in JiaYun Technology is 21.31% at 31 December 2018.
- ii. There was exercise of 636,000 and 445,000 share options of Nam Tai during the year ended 31 December 2018 and 2019 respectively. The number of shares of Nam Tai increased approximately from 37,551,000 shares to 38,187,000 shares during the year ended 31 December 2018 and from 38,187,000 shares to 38,632,000 shares during the year ended 31 December 2019. Accordingly, the Group's equity interest in Nam Tai are 24.07% and 23.79% at 31 December 2018 and 2019 respectively.

* The English translation of the name of the Company established in the PRC is for reference only. The official name of the Company is in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

The following table illustrates the summarised financial information in respect of Fuzhou Jinpeng, Jia Yun Technology, Nam Tai, Shuanglin Bio-pharmacy and Xin De Yuan for the year/period since acquisition/capital injection, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Fuzhou Jinpeng, Jia Yun Technology, Nam Tai, Shuanglin Bio-pharmacy and Xin De Yuan at the completion dates of the acquisitions by the Group, and reconciled to the carrying amount in the consolidated financial statements:

	Fuzhou Jinpeng 2019 RMB'000	Jia Yun Technology 2019 RMB'000	Nam Tai 2019 RMB'000	Shuanglin Bio-pharmacy 2019 RMB'000	Xin De Yuan 2019 RMB'000
Current assets	5,098,740	2,006,707	4,431,800	832,673	3,199,602
Non-current assets	–	708,873	1,409,077	2,425,123	–
Current liabilities	(20)	(1,388,686)	(798,380)	(427,746)	(13)
Non-current liabilities	–	(63,722)	(1,434,712)	(318,483)	–
Net assets	5,098,720	1,263,172	3,607,785	2,511,567	3,199,589
Reconciliation to the Group's interest in the associates:					
Proportion of the Group's ownership	49.00%	21.31%	23.79%	18.57%	49.00%
Carrying amount of the investment	2,498,373	269,182	858,292	466,398	1,567,799
Goodwill	–	819,085	–	1,733,875	–
Carrying amount of the Group's investment	2,498,373	1,088,267	858,292	2,200,273	1,567,799
Revenue for the year/period since acquisition/capital injection	–	5,531,811	20,696	457,967	–
Total expenses for the year/period since acquisition/capital injection	(1,275)	(5,487,467)	(76,307)	(489,531)	(406)
Income tax (expense)/credit for the year/period since acquisition/capital injection	–	(34,533)	10,782	20,713	–
(Loss)/profit for the year/period since acquisition/capital injection	(1,275)	9,811	(44,829)	(10,851)	(406)
Other comprehensive income/(loss) for the year/period since acquisition/capital injection	–	7	(22)	–	–
Total comprehensive (loss)/income for the year/period since acquisition/capital injection	(1,275)	9,818	(44,851)	(10,851)	(406)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

	JiaYun Technology 2018 RMB'000	Nam Tai 2018 RMB'000	Xin De Yuan 2018 RMB'000
Current assets	1,729,583	4,065,321	3,200,008
Non-current assets	736,248	902,520	–
Current liabilities	(1,118,105)	(619,109)	(13)
Non-current liabilities	(94,372)	(696,096)	–
Net assets	1,253,354	3,652,636	3,199,995
Reconciliation to the Group's interest in the associates:			
Proportion of the Group's ownership	21.31%	24.07%	49.0%
Carrying amount of the investment	267,090	879,189	1,567,998
Goodwill	819,085	–	–
Carrying amount of the Group's investment	1,086,175	879,189	1,567,998
Revenue for the year/period since capital injection	5,610,196	3,384	–
Total expenses for the year/period since capital injection	(5,673,417)	(173,625)	(5)
Income tax expense for the year/period since capital injection	(2,567)	–	–
(Loss)/Profit for the year/period since capital injection	(61,231)	10,994	(5)
Other comprehensive (loss)/income for the year/period since capital injection	(4,316)	(71,631)	–
Total comprehensive (loss)/income for the year/period since capital injection	(65,547)	(82,625)	(5)

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the associates profit for the year/period since acquisitions/capital injection	104,032	255,661
Aggregate carrying amounts of the Group's interests in these associates	3,705,785	3,539,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures

	2019 RMB'000	2018 RMB'000
At 1 January	8,677,152	6,818,118
Additions (note)	12,720	339,100
Transfer from subsidiaries (note 41(a) and 41(b))	3,224,328	1,568,660
Capital injection to joint venture (note)	2,375,822	—
Share of results of joint ventures	(197,697)	(48,726)
At 31 December	14,092,325	8,677,152

Notes:

During the year ended 31 December 2019, the Group entered into an agreement with the other investor to inject capital into a joint venture, Guangdong Jiasheng Property Development Co., Ltd.* ("Jiasheng") 廣東佳盛房地產開發有限公司. The Group contributed RMB2,225,806,000 to the joint venture and four immaterial joint ventures in aggregate amounts of RMB150,016,000.

For the year ended 31 December 2019, the Group entered into agreements with third parties to acquire two (2018: three) immaterial joint ventures in aggregate amount of RMB12,720,000 (2018: RMB339,100,000).

Set out below are details of joint ventures of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Proportion of the issued capital/interest held by the Group	Principal activity
Huizhou City Kaileju Company Limited* ("Kaileju") 惠州市愷樂居置業有限公司	the PRC	51% (2018: 51%)	Property development
Guangzhou Nantian Company Limited* ("Nantian") 廣州南天商業大廣場建設發展有限公司	the PRC	50% (2018: 50%)	Property leasing and development
Shenzhen Jiademeihuan Traveling Development Co., Limited* ("深圳市佳德美奧旅遊開發有限公司"), Shenzhen Jiafu East Tourism Development Co., Ltd.* ("深圳市佳富東部旅遊開發有限公司"), Shenzhen Zhaofude Tourism Development Co., Ltd.* ("深圳市兆富德旅遊開發有限公司") together named as JVs for Dapeng Xiasha Development Project* ("大鵬下沙合營發展項目")	the PRC	51% (2018: 51%)	Property development
Jiasheng	the PRC	55% (2018: 55%)	Property development
Shenzhen Nanshan Kaisa Zhiye Property Development Co. Ltd.* ("Nanshan Kaisa") 深圳市南山佳兆業置業發展有限公司	the PRC	60% (2018: 100%) (note)	Property development

Note: The Group entered into agreement with an investor for capital injection in Nanshan Kaisa. Upon capital injection by the investor, the Group's equity interest in the 100% owned subsidiary has been diluted to 60%.

* The English translation of the name of the Company established in the PRC is for reference only. The official name of the Company is in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

In accordance with the joint arrangement, the decisions about relevant activities in the above entities require unanimous consent of the parties sharing control, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

The Group has not incurred any contingent liabilities by other commitments relating to its investment in joint venture as at 31 December 2019 (2018: nil).

The following table illustrates of the summarised financial information in respect of Kaileju, Nantian, JVs for Dapeng Xiasha Development Project, Jiasheng and Nanshan Kaisa for the year, and has been adjusted to reflect the fair values of identifiable assets and liabilities as at the completion dates of acquisitions by the Group in prior years, and reconciled to the carrying amount in the consolidated financial statements:

	Kaileju 2019 RMB'000	Nantian 2019 RMB'000	JVs for Dapeng Xiasha Development Project 2019 RMB'000	Jiasheng 2019 RMB'000	Nanshan Kaisa 2019 RMB'000
Current assets	4,962,192	5,929,678	6,079,317	7,051,119	2,800,428
Non-current assets	651	47,139	11,038,248	1,280,883	25
Current liabilities	(2,620,116)	(3,184,516)	(2,842,420)	(893,064)	(103,485)
Non-current liabilities	(680,000)	(118)	(5,634,500)	(2,850,000)	–
Net assets	1,662,727	2,792,183	8,640,645	4,588,938	2,696,968
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	873,461	1,763	2,466	61,184	13
Non-current financial liabilities (excluding trade and other payables and provision)	(680,000)	–	(5,634,500)	(2,850,000)	–
Current financial liabilities (excluding trade and other payables and provision)	(2,222,977)	(1,153)	–	–	–
Reconciliation to the Group's interest in the joint ventures					
Proportion to the Group's ownership	51.0%	50.0%	51.0%	55.0%	60.0%
Carrying amount of the Group's investment	847,991	1,396,092	4,406,729	2,523,916	1,618,181
Revenue	8,767	14,334	1,072	10,158	–
Loss and total comprehensive loss for the year/period since capital injection to obtain joint control	(119,678)	(17,216)	(75,063)	(21,320)	(7)
The above loss for the year/period since capital injection to obtain joint control including the following:					
Interest expenses	31,259	11,175	–	–	–
Depreciation	–	209	1,311	–	–
Income tax expenses	14,156	11	362,000	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

	Kaileju 2018 RMB'000	Nantian 2018 RMB'000	JVs for Dapeng Xiasha Development Project 2018 RMB'000
Current assets	3,963,689	3,449,257	3,328,308
Non-current assets	546	79,020	11,858,451
Current liabilities	(731,910)	(477,149)	(1,130,901)
Non-current liabilities	(1,449,920)	(241,729)	(5,340,150)
Net assets	1,782,405	2,809,399	8,715,708
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	267,014	479	465,362
Non-current financial liabilities (excluding trade and other payables and provision)	(1,449,920)	(241,612)	(5,340,150)
Current financial liabilities (excluding trade and other payables and provision)	(476,604)	(4,443)	—
Reconciliation to the Group's interest in the joint ventures			
Proportion to the Group's ownership	51%	50%	51%
Carrying amount of the Group's investment	909,027	1,404,700	4,445,011
Revenue	—	36,440	1,746
(Loss)/Profit and total comprehensive (loss)/income for the year	(19,964)	2,811	(78,262)
The above (loss)/profit for the year including the following:			
Interest expenses	434	15,216	3,408
Depreciation	—	—	412
Income tax expenses	—	323	—

Set out below are the aggregate financial information of joint ventures that are not individually material:

	2019 RMB'000	2018 RMB'000
The Group's share of loss for the year/period since capital injection to obtain joint control	(78,894)	(36)
Carrying amount of the Group's interest in these joint ventures	3,299,416	1,918,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL include the following:

	2019 RMB'000	2018 RMB'000
Listed securities:		
Equity securities – outside Hong Kong (note i)	258,114	259,477
Unlisted securities:		
Equity securities – outside Hong Kong (note ii)	7,521,077	6,568,919
Debt securities – outside Hong Kong (note iii)	71,200	67,430
At 31 December	7,850,391	6,895,826
Less: non-current portion	(7,807,357)	(6,567,622)
Current portion	43,034	328,204

The fair value of the Group's investments in listed and unlisted securities has been measured as note 4.3.

Note:

- i. The fair value measurement of such investments are classified as level 1 fair value measurement which are based on the quoted price from active markets. There was an investment in equity fund of RMB66,393,000 (2018: RMB199,131,000) which invested in automobile business had been listed during the year ended 31 December 2019. Hence, the investments in level 3 fair value measurement transferred to level 1 fair value measurement for the year ended 31 December 2018. For the year ended 31 December 2019, the Group was recognised a fair value loss of RMB81,442,000 (2018: RMB36,090,000) in respect of the fair value change in profit or loss.
- ii. The unlisted equity securities mainly represented the Group's investments in (i) an unlisted equity engaged in financial service business amounting to RMB5,771,728,000 (2018: RMB4,385,010,000), (ii) unlisted equity funds which invested in class A participating shares, health care business and etc amounting to RMB1,502,788,000 (2018: RMB1,949,784,000) and (iii) other unlisted investments in private enterprises amounting to RMB246,561,000 (2018: RMB234,125,000). The Group has recognised a fair value gain of RMB1,458,603,000 (2018: loss of RMB237,557,000) in respect of the fair value changes in the profit or loss.
- iii. It represented the convertible bonds receivable which were subscribed by Kaisa Health Group. The Group has recognised a fair value gain of RMB3,770,000 (2018: RMB2,371,000) in respect of the fair value changes in the profit or loss.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of these unlisted investments as at and 31 December 2019 and 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. GOODWILL AND INTANGIBLE ASSETS

	Contracts						Others	Total
	Goodwill	with sports players	Trademarks and patent	Customer relationship	Technology	Distribution network		
	RMB'000 (note a)	RMB'000 (note b)	RMB'000 (note c)	RMB'000 (note c)	RMB'000 (note c)	RMB'000 (note c)	RMB'000	RMB'000
Cost								
At 1 January 2018	332,379	473,258	23,600	59,700	8,440	497,400	7,895	1,402,672
Additions	–	85,024	9	–	–	–	–	85,033
Written off	–	(28,943)	–	–	–	–	–	(28,943)
At 31 December 2018 and 1 January 2019	332,379	529,339	23,609	59,700	8,440	497,400	7,895	1,458,762
Acquisition of subsidiaries (note 40(b))	516,701	–	288,032	51,399	–	–	–	856,132
Additions	–	319,210	–	–	–	–	–	319,210
Written off	–	(27,430)	–	–	–	–	–	(27,430)
At 31 December 2019	849,080	821,119	311,641	111,099	8,440	497,400	7,895	2,606,674
Accumulated amortisation and impairment								
At 1 January 2018	–	196,435	–	–	–	–	–	196,435
Amortisation – expensed in administrative expenses (notes 7)	–	119,323	2,126	8,408	2,344	44,811	1,316	178,328
Written off	–	(21,289)	–	–	–	–	–	(21,289)
At 31 December 2018 and 1 January 2019	–	294,469	2,126	8,408	2,344	44,811	1,316	353,474
Amortisation – expensed in administrative expenses (notes 7)	–	251,021	31,781	12,114	2,344	44,811	819	342,890
Impairment charged for the year (note 8)	203,931	–	19,348	42,483	3,752	407,778	–	677,292
Written off	–	(5,200)	–	–	–	–	–	(5,200)
At 31 December 2019	203,931	540,290	53,255	63,005	8,440	497,400	2,135	1,368,456
Net carrying amounts								
At 31 December 2019	645,149	280,829	258,386	48,094	–	–	5,760	1,238,218
At 31 December 2018	332,379	234,870	21,483	51,292	6,096	452,589	6,579	1,105,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. GOODWILL AND INTANGIBLE ASSETS (Continued)

Note:

- (a) The Group's goodwill arose from business combinations in connection with the acquisition of (i) Kaisa Health Group, (ii) Fujian Jianke Insurance Brokers Co. Ltd.* ("Fujian Jianke"), (iii) Shenzhen Qijia Internet Technology Co. Ltd.* ("Qijia"), (iv) Shanghai Yitao Sports Culture Communication Co., Ltd.* (上海毅濤體育文化傳播有限公司) and its subsidiary (collectively referred to as "Shanghai Yitao Group"), (v) Shenzhen Football Co., Ltd. ("Shenzhen Football Club"), (vi) Qinghai Pharmaceutical Co., Ltd.* ("Qinghai Pharmaceutical"), (vii) Jiaxing Dashu Property Management Company Limited* and its subsidiaries ("Jiaxing Dashu Group") and (viii) Jiangsu Hengyuan Property Management Company Limited* and its subsidiary ("Jiangsu Hengyuan Group").

For the purpose of impairment testing, goodwill has been allocated to eight cash-generating units ("CGUs") of RMB121,493,000 (2018: RMB121,493,000) in sports operations included in cinema, department store and cultural centre operations segment, RMB286,000 (2018: RMB286,000) in entertainment operations included in cinema, department store and cultural centre operations segment, RMB473,857,000 (2018: RMB203,931,000) in healthcare operations included in other segment, RMB2,462,000 (2018: RMB2,462,000) in financial service operations included in other segment and RMB47,051,000 (2018: RMB4,207,000) in property management operations included in property management segment.

The recoverable amounts of the CGUs are determined by directors of the Company based on value-in-use calculations. These calculations use in cash flow projections in relation to the CGU of sports operations based on financial budgets approved by management covering a 5-year (2018: 5-year) period and assumed the growth rate and inflation rate of 25.7% (2018: 22.9%) per annum and 3% (2018: 3%) per annum respectively. The cash flow discounted using a pre-tax discount rate of 12% (2018: 12%) and reflects specific risks relating to the relevant segments. The value assigned to the key assumptions on market development and discount rates are consistent with external information sources. As at 31 December 2019, the Directors of the Company conducted a review on goodwill relating to sports operation and no impairment loss in respect of goodwill has been recognised (2018: nil).

In relation to Kaisa Health Group, the recoverable amount of the CGU is determined based on fair value less costs of disposal by using the income approach (discounted cash flow method). The calculation uses cash flow projections derived from the financial budgets approved by the management covering a 5-year period with an average growth rate of 35.5% per annum. Cash flows beyond the five-year period are extrapolated using 3% growth rate. A pre-tax discount rate of 25.6% is used for this CGU and derived using risk-free rate, the market returns and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. During the year ended 31 December 2019, the directors of the Company reviewed the carrying amounts of CGUs and identified that the recoverable amounts of CGUs, were less than their carrying amounts of assets of CGUs. Accordingly, the carrying amounts of the goodwill and the intangible assets were reduced to their recoverable amounts and impairment loss of approximately RMB203,931,000 and RMB473,361,000 respectively had been recognised in the profit or loss for the year ended 31 December 2019.

As at 31 December 2018, the recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the management for the year ending 31 December 2019 and the following four years based on average growth rate of 35.5% per annum. Cash flows beyond the five-year period are extrapolated using 3% growth rate. A discount rate of 19.0% is used for this CGU and derived using risk-free rate, the market returns and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. As at 31 December 2018, the Directors of the Company conducted a review on goodwill and no impairment loss in respect of goodwill has been recognised.

In relation to Qinghai Pharmaceutical, the recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses the five-year cash flow projections based on financial budgets approved by the management with an average growth rate of 20% per annum. Cash flows beyond the five-year period are extrapolated using 3% growth rate. A pre-tax discount rate of 18.01% is used for this CGU and derived using risk-free rate, the market returns and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. As at 31 December 2019, the Directors of the Company conducted a review on goodwill and no impairment loss in respect of goodwill has been recognised.

- (b) The amounts represent the costs to acquire sports players' contracts or to extend their contracts, including the related agent's fees. The amortisation period ranged from 1 to 5 (2018: 1 to 4) years.
- (c) The trademarks and patent, customer relationship and distribution network were measured at their fair values at the date of acquisition and the valuation of the intangible assets is performed by an independent professional valuer not related to the Group. The fair value of these intangible assets at the date of acquisition was determined based on the income approach by estimating the future income arising from these intangible assets and the cost approach by reference to the financial information provided by the Group. The expected useful lives of these intangible assets ranged from 5 to 11 (2018: 5 to 11) years.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
Amount comprises:		
Construction costs	14,905,213	11,767,912
Interest capitalised	12,268,356	11,843,586
Land use rights	36,804,009	41,520,753
	63,977,578	65,132,251
Less: Provisions for properties under development	(302,832)	(367,913)
	63,674,746	64,764,338

The properties under development were located in the PRC and are stated at cost.

Included in properties under development, there are land use rights as follow:

	2019 RMB'000
Short leases (less than 10 years)	110,721
Medium leases	26,843,008
Long leases	9,850,280
	36,804,009

During the year ended 31 December 2019, certain items of the Group's properties under development with an aggregate carrying value of approximately RMB779,329,000 (2018: RMB392,754,000) (note 15) and RMB119,331,000 (2018: RMB299,051,000) (note 18) were transferred to property, plant and equipment and land use rights respectively.

For the year ended 31 December 2019, properties under development of RMB1,700,000 were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC (2018: provision of RMB75,831,000 were reversed to increase in net realisable value of certain completed properties). In addition, the provision for properties under development of RMB66,781,000 (2018: RMB36,425,000) in aggregate were transferred to the provision for completed properties held for sale (note 23).

As at 31 December 2019, the net aggregate amount of properties under development of approximately RMB42,060,748,000 (2018: RMB43,079,449,000) were pledged as collateral for the Group's borrowings (note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. COMPLETED PROPERTIES HELD FOR SALE

	2019 RMB'000	2018 RMB'000
Completed properties held for sale	14,200,506	14,268,187
Less: Provision for completed properties held for sale	(1,196,632)	(1,137,653)
Balance as at 31 December	13,003,874	13,130,534

The completed properties held for sale were located in the PRC under medium-term and long-term lease. Completed properties held for sale which are expected to be recovered in more than twelve months after the reporting date are classified under current assets as it is expected to be realised in the Group's normal operating cycle.

During the year ended 31 December 2018, certain items of the Group's completed properties held for sale with an aggregate carrying value of approximately RMB183,667,000 (note 17) were transferred to investment properties.

For the year ended 31 December 2019, completed properties held for sale of RMB366,037,000 (2018: RMB296,009,000) were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC. In addition, the provision for completed properties held for sale of RMB66,781,000 (2018: RMB36,425,000) in aggregate were transferred from the provision for properties under development (note 22) during the year ended 31 December 2019.

As at 31 December 2019, the net aggregate amount of completed properties held for sale of approximately RMB5,913,860,000 (2018: RMB7,267,213,000) were pledged as collateral for the Group's borrowings (note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade debtors – net (note a)	1,273,050	1,009,283
Other receivables (note b)	6,939,681	7,021,735
Other deposits (note b)	2,792,052	2,973,288
Prepayments (note d)	4,106,237	3,542,639
Prepaid other taxes	2,873,176	2,514,359
Restricted deposit for borrowings from non-financial institution (note b)	1,960,203	1,969,293
Amounts due from associates (note b)	4,043,116	4,045,190
Amounts due from joint ventures (note b)	7,292,123	891,612
Amount due from non-controlling interests of subsidiaries (note b)	3,805,121	1,045,318
Less: allowance for impairment (note c)	33,811,709 (1,069,694)	24,003,434 (759,694)
Deposits, prepayments and other receivables – net	32,742,015	23,243,740
Total debtors, deposits and other receivables – net	34,015,065	24,253,023
Less: non-current portion		
Other receivables (note b)	(553,500)	(744,046)
Other deposits (note b)	–	(908,806)
Non-current portion	(553,500)	(1,652,852)
Current portion	33,461,565	22,600,171

As at 31 December 2019 and 2018, the carrying amounts of debtors, deposits, other receivables, amounts due from associates, amounts due from joint ventures and amount due from non-controlling interests of subsidiaries approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

- (a) Trade debtors mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	2019 RMB'000	2018 RMB'000
Within 90 days	894,543	730,411
Over 90 days and within 180 days	37,554	24,598
Over 180 days and within 270 days	270,500	50,376
Over 270 days and within 365 days	22,999	5,841
Over 365 days	119,926	221,527
	1,345,522	1,032,753
Less: allowance for impairment (note c)	(72,472)	(23,470)
	1,273,050	1,009,283

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB72,472,000 was made against the gross amount of trade receivables (2018: RMB23,470,000) (note 4.1(ii)).

Generally, no credit terms were granted to the customers of residential properties. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers as at 31 December 2019.

Included in the Group's trade debtors of RMB247,885,000 were due over 180 days and within 270 days (2018: RMB408,243,000 were not yet due) as at 31 December 2019. The balances mainly represented receivables from sales of commercial and residential properties and property under development to independent third parties. These receivables were repayable within one month (2018: six months to nine months) after the completion of certain legal documents, which were expected to be settled in the next year.

Receivables that were past due but not impaired related to the balances primarily represented receivables from residential properties to independent third parties of which the majority of the balances were due from customers in the process of applying mortgage loans.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(b) Details of deposits and other receivables are as follows:

	2019 RMB'000	2018 RMB'000
Other receivables (note i)	6,939,681	7,021,735
Other deposits (note ii)	2,792,052	2,973,288
Restricted deposit for borrowings from non-financial institution (note iii)	1,960,203	1,969,293
Amounts due from associates (note iv)	4,043,116	4,045,190
Amounts due from joint ventures (note iv)	7,292,123	891,612
Amount due from non-controlling interests of subsidiaries (note iv)	3,805,121	1,045,318
	26,832,296	17,946,436
Less: allowance for impairment (note c)	(1,069,694)	(759,694)
Deposits, prepayment and other receivables – net	25,762,602	17,186,742

(i) These receivables mainly included bills receivables, interest receivables and amounts to be refunded by the government in relation to the land acquisition in the PRC.

As at 31 December 2019, there are other receivables amounting to RMB490,790,000 (2018: RMB1,370,176,000) are unsecured, carry at interest rate ranging from 12.0% to 15.0% (2018: 3.8% to 12.0%) p.a. and repayable in 2020 (2018: 2019).

Included in other receivables, those which are repayable over 1 year amounting to RMB553,500,000 (2018: RMB744,046,000) are classified as non-current assets.

(ii) Other deposits mainly represented deposits for acquisitions of subsidiaries amounted to RMB20,000,000 (2018: RMB279,040,000), acquisitions of associate amounted to nil (2018: RMB629,766,000), refundable deposit to redevelopment project partner for the purpose of the project amounted to RMB548,996,000 (2018: RMB1,007,361,000) and other deposits amounted to RMB2,223,056,000 (2018: RMB1,057,121,000).

(iii) The amount represented non-interest bearing deposit restricted for borrowings from non-financial institution.

(iv) The amounts are unsecured, interest-free and repayable on demand, and expected to be recovered within 12 months from the reporting date and is therefore classified as current assets.

(v) The carrying amounts of the Group's receivables are mainly denominated in RMB and US\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

- (c) Impairment losses in respect of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) are recorded using an allowance account unless the Group is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) directly. The movement in the allowance for impairment of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) is disclosed in note 4.1(ii).
- (d) Prepayments mainly represent prepayments for purchase of construction materials and services.
- (e) The maximum credit risk exposure is the amount shown on the consolidated statement of financial position.

25. DEPOSITS FOR LAND ACQUISITION

Deposits for land acquisition arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained. The carrying amounts of the Group's deposits for land acquisition are mainly denominated in Renminbi.

26. PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas and other development projects with independent third parties and has made prepayments in accordance with the terms of these respective contracts. These prepayments would be converted into properties under development upon the completion of the contracts.

27. RESTRICTED CASH

Restricted cash mainly comprised of:

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain subsidiaries of the Group engaged in property development are required to place in designated bank accounts certain amount of proceeds from pre-completion sale of properties as guaranteed deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and construction of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2019, such guaranteed deposits amounted to RMB2,877,310,000 (2018: RMB3,707,171,000). They will be released after the construction of the relevant properties is completed or the related property ownership certificates are issued, whichever is earlier.
- (b) As at 31 December 2019, the Group's cash of RMB2,267,537,000 (2018: RMB160,656,000) was deposited in certain banks as guaranteed deposits for the benefit of mortgage loan facilities (note 38) granted by the banks to the purchasers of the Group's properties.
- (c) As at 31 December 2019, the Group's cash of RMB832,582,000 (2018: RMB2,916,332,000) was deposited in certain banks as guaranteed deposits for borrowings (note 31).
- (d) As at 31 December 2019, the Group's cash of RMB39,026,000 (2018: RMB8,133,000) was deposited in certain banks as guaranteed deposits for issuance of bills payables and settlement of tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. LONG-TERM BANK DEPOSITS, RESTRICTED CASH, SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES

	2019 RMB'000	2018 RMB'000
Long-term bank deposits	1,600,000	400,000
Restricted cash (note 27)	6,016,455	6,792,292
Short-term bank deposits	2,536,724	252,718
Cash and bank balances	26,824,859	15,479,139
	36,978,038	22,924,149

Note:

The effective interest rates and maturities of bank deposits in the PRC are ranged from 1.55% to 3.85% (2018: 1.95% to 3.85%) per annum and from 1 month to 53 months (2018: 14 days to 36 months) as at 31 December 2019.

As at 31 December 2019, short-term bank deposits of RMB200,000,000 (2018: RMB200,000,000) were pledged as collateral for the Group's borrowings (note 31).

Long-term bank deposits, restricted cash, short-term bank deposits and cash and bank balances are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
Denominated in – RMB	33,958,455	22,399,434
Denominated in – HK\$	342,984	250,387
Denominated in – US\$	2,660,833	262,589
Denominated in – EUR	15,766	11,739
	36,978,038	22,924,149

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CONTRACT LIABILITIES

The amount of RMB39,388,659,000 (2018: RMB39,154,089,000) represents deposits and instalments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.

30. LEASE LIABILITIES

	2019 RMB'000
Total minimum lease payments:	
Due within one year	241,716
Due in the second to fifth years	703,205
Due after the fifth years	1,045,943
	1,990,864
Future finance charges on leases liabilities	(604,565)
Present value of leases liabilities	1,386,299
Present value of minimum lease payments	
Due within one year	159,694
Due in the second to fifth years	450,364
Due after the fifth years	776,241
	1,386,299
Less:	
Portion due within one year included under current liabilities	(159,694)
Portion due after one year included under non-current liabilities	1,226,605

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Details for transitions to HKFRS 16 are set out in note 3.

During the year ended 31 December 2019, the total cash outflows for the leases and short-term leases and low-value assets are RMB238,514,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. LEASE LIABILITIES (Continued)

Details of the lease activities

As at 31 December 2019, the Group has entered into leases for motor vehicles, office equipment and properties.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particular
Motor vehicles	Right-of-use assets	21	1 to 2 years	<ul style="list-style-type: none"> • Certain lease contracts contain an option to renew the lease for additional year after the end of the contract by giving one month notice to landlord before the end of the contract • Certain lease contracts contain an option to terminate the lease by giving liquidated damages • Leases subject to fixed payment/quarterly/biannually/annually rental payment
Office equipment	Right-of-use assets	49	1 to 5 years	<ul style="list-style-type: none"> • Certain contracts contain an option to terminate the lease by giving liquidated damages • Certain contracts contain an option to purchase the office equipment at the end of the lease term • Certain contracts contain additional variable lease payments depends on the usage during the contract period • Leases subject to monthly/quarterly/biannually/annually rental payment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. LEASE LIABILITIES (Continued)

Details of the lease activities (Continued)

As at 31 December 2019, the Group has entered into leases for motor vehicles, office equipment and properties. (Continued)

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particular
Properties (including warehouse, staff quarters, offices and etc)	Right-of-use assets	1,105	1 to 20 years	<ul style="list-style-type: none"> • Certain leases contracts contain an option to renew the leases for additional one to three years after the end of contracts by giving one to six months' notice to landlord before the end of lease contracts • Certain leases contracts contain an option to purchase the properties at the end of lease term • Lease contracts subject to monthly/quarterly/biannually/annually rental payment.
Land use rights	Land use rights	26	15 to 65 years	Nil

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS

	Notes	2019 RMB'000	2018 RMB'000
Borrowings included in current liabilities:			
Senior Notes	(a)	3,663,743	2,963,540
Bank borrowings – secured	(c)	19,263,692	2,893,985
Bank borrowings – unsecured	(c)	1,167,308	1,629,373
Other borrowings – secured	(c)	6,492,249	4,490,557
Other borrowings – unsecured	(c)	1,191,225	3,638,908
Loan from a related company	(d)	108,781	108,781
Loans from associates	(e)	5,000	1,240,550
		31,891,998	16,965,694
Borrowings included in non-current liabilities:			
Senior Notes	(a)	52,755,120	36,763,326
Convertible Bonds	(b)	699,900	–
Bank borrowings – secured	(c)	17,243,728	34,902,751
Bank borrowings – unsecured	(c)	2,343,930	6,510,020
Other borrowings – secured	(c)	9,692,786	12,407,961
Other borrowings – unsecured	(c)	2,568,090	1,216,200
		85,303,554	91,800,258
Total borrowings		117,195,552	108,765,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes:

(a) Senior Notes

The Group has issued the following senior notes:

	Issue date	As at		As at		Repurchase/ repayment	As at		Issue price
		1 January 2018	New issuance	31 December 2018 and 1 January 2019	New issuance		31 December 2019		
Par value									
2019 12.0% Notes (US\$'000)	14 December 2018 30 June 2017 and 30 June 2017 and	–	300,000	–	300,000	–	(300,000)	–	100% at face value
2020 7.25% Notes (US\$'000)	4 May 2018 30 June 2017 and	460,000	330,000	–	790,000	–	(250,000)	540,000	100% at face value
2021 7.875% Notes (US\$'000)	11 December 2018	325,000	250,000	–	575,000	–	(175,000)	400,000	100% at face value
2021 11.75% Notes (US\$'000)	26 February 2019	–	–	–	–	400,000	–	400,000	99.567% at face value
2022 8.5% Notes (US\$'000)	30 June 2017	1,255,000	–	(108,000)	1,147,000	–	–	1,147,000	100% at face value
2022 11.25% Notes – tranche I (US\$'000)	9 April 2019	–	–	–	–	350,000	–	350,000	99.69% at face value
2022 11.25% Notes – tranche II * (US\$'000)	2 July 2019	–	–	–	–	200,000	–	200,000	102.926% at face value
2022 11.95% Notes – tranche I (US\$'000)	22 October 2019	–	–	–	–	400,000	–	400,000	99.265% at face value
2022 11.95% Notes – tranche II ** (US\$'000)	1 November 2019	–	–	–	–	200,000	–	200,000	100.790% at face value
2023 10.875% Notes – tranche I (US\$'000)	23 July 2019	–	–	–	–	300,000	–	300,000	99.604% at face value
2023 10.875% Notes – tranche II *** (US\$'000)	13 November 2019	–	–	–	–	150,000	–	150,000	96.6825% at face value
2023 11.5% Notes – tranche I (US\$'000)	30 May 2019	–	–	–	–	400,000	–	400,000	99.567% at face value
2023 11.5% Notes – tranche II **** (US\$'000)	24 June 2019	–	–	–	–	300,000	–	300,000	100.79% at face value
2023 11.95% Notes – tranche I (US\$'000)	12 November 2019	–	–	–	–	300,000	–	300,000	100.269% at face value
2024 9.375% Notes (US\$'000)	30 June 2017	3,119,000	–	(67,500)	3,051,500	–	–	3,051,500	100% at face value
Total (US\$'000)		5,159,000	880,000	(175,500)	5,863,500	3,000,000	(725,000)	8,138,500	
Amortised cost (US\$'000)		5,020,993			5,640,069			7,943,372	
Par value									
2019 6.1% Private Notes (HK\$'000)		2,325,000	–	(1,163,000)	1,162,000	–	(1,162,000)	–	
Amortised cost (HK\$'000)		2,326,546			1,161,773			–	
Total amortised cost (RMB'000)		34,752,933			39,726,866			56,418,863	

* 2022 11.25% Notes – tranche II was consolidated and form a single series with the 2022 11.25% Notes – tranche I.

** 2022 11.95% Notes – tranche II was consolidated and form a single series with the 2022 11.95% Notes – tranche I.

*** 2023 10.875% Notes – tranche II was consolidated and form a single series with the 2023 10.875% Notes – tranche I.

**** 2023 11.5% Notes – tranche II was consolidated and form a single series with the 2023 11.5% Notes – tranche I.

Except for the 2019 6.1% Private Notes, all of above senior notes are listed on the Singapore Exchange Securities Trading Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(a) Senior Notes (Continued)

The major terms and conditions of the senior notes include early redemption options of the Company and the repurchase of the senior notes upon a change of control. 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 as at 31 December 2019 and 2018.

The senior notes are secured by the pledge of shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group.

The movement of the Senior Notes is as follow:

	2019 RMB'000	2018 RMB'000
Carrying amount as at 1 January	39,726,866	34,752,933
Accrued interests (note 9)	5,062,042	3,007,885
Interests paid	(3,693,926)	(3,353,695)
Repurchase/repayment of Senior Notes	(6,087,357)	(2,157,866)
Senior Notes recognised	20,872,250	5,862,362
Transaction costs	(222,251)	(224,774)
Exchange difference	761,239	1,840,021
Carrying amount as at 31 December	56,418,863	39,726,866

During the year ended 31 December 2019, the Company repurchased US\$250,000,000 of the 2020 7.25% Notes (equivalent to approximately RMB1,683,375,000), US\$175,000,000 of the 2021 7.875% Notes (equivalent to approximately RMB1,351,400,000), and the 2019 6.1% Private Notes (equivalent to approximately RMB1,079,206,000), and repaid the 2019 12.0% Notes (equivalent to approximately RMB1,973,376,000) resulted a gain on repurchase of senior notes of approximately RMB178,438,000 (note 8). The repurchase did not constitute a substantial modification.

(b) Convertible Bonds

On 14 January 2019, the Company issued 10.5% convertible bonds at an aggregate principal amount of US\$100,000,000 (equivalent to approximately RMB643,496,000) (the "Convertible Bonds") which will be matured on 14 July 2021 (the "Maturity Date"). The Convertible bonds are denominated in United States dollars and are secured by the shares of the Company and certain subsidiaries of the Group. The Convertible Bonds entitle the holders to convert them into ordinary shares of the Company at any time starting from 41 days after the date of issue of the Convertible Bonds to 10 days before the Maturity Date at a conversion price of HK\$5 per share (translated into HK\$ at a fixed rate of exchange equal to US\$1.00: HK\$7.83) subject to antidilutive adjustments. The conversion price of the Convertible Bonds was adjusted to HK\$4.86 per share with effect from 25 June 2019, pursuant to the terms and conditions of the Convertible Bonds, as a result of the approval by the shareholders of a final dividend of HK9.0 cents per share for the year ended 31 December 2018. The conversion price of the Convertible Bonds was further adjusted to HK\$4.82 per share with effect from 5 December 2019, pursuant to the terms and conditions of the Convertible Bonds, as a result of the approval by the shareholders of an interim dividend of HK3.0 cents per share for the year ended 31 December 2019. Neither the Company nor the holders of the Convertible Bonds may demand early redemption. The terms of Convertible Bonds do not satisfy the "fixed for fixed" rule in HKFRS 9. The proceeds of the Convertible Bonds were allocated into two components, debt and financial derivative elements on initial recognition. The Convertible Bond bears interest at 10.5% per annum on the outstanding principal amount and would be payable semi-annually in arrears until the Convertible Bonds are converted or matured. As at 31 December 2019, there has been no conversion of the Convertible bonds. The Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(b) Convertible Bonds (Continued)

The Convertible Bonds was recognised as embedded financial derivatives and debt component as follows:

- Embedded financial derivatives comprise the fair value of the option of the holders of the Convertible bonds to convert the Convertible Bonds into ordinary shares of the Company at the conversion price.
- Debt component initially recognised at the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

The movement of the liability and embedded derivatives components of the Convertible Bonds for the year is set out below:

	Liability component RMB'000	Embedded derivatives component RMB'000 (note 33)	Total RMB'000
At the date of issuance	643,496	44,424	687,920
Transaction costs	(10,296)	(711)	(11,007)
Interest expense (note 9)	93,632	–	93,632
Interest paid	(37,133)	–	(37,133)
Fair value changes	–	38,478	38,478
Exchange difference	10,201	616	10,817
As at 31 December 2019	699,900	82,807	782,707

The major inputs used in the binomial models as at the inception date and year ended date were as follows:

	At 14 January 2019	At 31 December 2019
Stock price	HK\$2.28	HK\$2.27
Conversion price	HK\$5.00 per share	HK\$4.82 per share
Time to maturity	2.5 years	1.54 years
Risk-free rate	2.18%	2.04%
Expected volatility	56.07%	50.84%

Any changes in the major inputs in the model may result in changes in the fair value of the derivative component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(c) Bank and other borrowings

The Group's bank and other borrowings of RMB52,692,455,000 (2018: RMB54,695,254,000) were secured by certain properties, investment properties, land use rights, properties under development, completed properties held for sale, restricted cash and short-term bank deposits of the Group (notes 15, 17, 18, 22, 23, 27 and 28) and shares of certain of the Group's subsidiaries and associates.

The pledged assets for the Group's bank and other borrowings are as follows:

	2019 RMB'000	2018 RMB'000
Property, plant and equipment (note 15)	2,012,494	830,432
Investment properties (note 17)	20,198,000	19,365,268
Land use rights (note 18)	557,991	268,675
Properties under development (note 22)	42,060,748	43,079,449
Completed properties held for sale (note 23)	5,913,860	7,267,213
Short-term bank deposits (note 28)	200,000	200,000
Restricted cash (note 27)	832,582	2,916,332
	71,775,675	73,927,369

The Group's bank and other borrowings are guaranteed by certain subsidiaries of the Group:

	2019 RMB'000	2018 RMB'000
Group companies		
– guaranteed and secured by the Group's assets	52,292,555	50,973,305
– guaranteed by the Company	4,335,481	10,192,532
	56,628,036	61,165,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(d) Loan from a related company

The amount due is unsecured, carries interest rate at 12.0% (2018: 12.0%) per annum and is repayable on demand. The related company is controlled by a substantial shareholder of the Company.

(e) Loans from associates

The amounts due are unsecured, carries interest rates at 12.0% (2018: 12.0%) per annum and is repayable within one year.

(f) The weighted average effective interest rates at each of the reporting dates were as follows:

	2019 RMB'000	2018 RMB'000
Bank borrowings, included in non-current liabilities	7.0%	7.3%
Bank borrowings, included in current liabilities	6.6%	7.2%
Other borrowings, included in non-current liabilities	11.8%	11.1%
Other borrowings, included in current liabilities	10.7%	10.5%
Loans from associates, included in current liabilities	12.0%	10.9%
Loan from a related company, included in current liabilities	12.0%	12.0%
Senior Notes	10.7%	10.1%
Convertible Bonds	13.5%	—

(g) The amounts of the Group's borrowings are denominated in RMB except for Senior Notes, Convertible Bonds and certain bank and other borrowings with aggregate amounts of RMB58,827,932,000 and RMB1,265,318,000 (2018: RMB39,978,614,000 and RMB1,701,382,000), which are denominated in US\$ and HK\$ respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Other payables and accruals (note i)	6,127,111	8,731,821
Accrued interest	778,910	966,236
Accrued staff costs	347,694	299,257
Bills payables	735,712	795,197
Consideration payables related to acquisitions of subsidiaries	231,810	1,749,902
Consideration payables related to acquisitions of associate and joint venture	1,583,942	1,178,500
Consideration payables related to financial assets at FVTPL	687,454	1,441,772
Deed tax and other taxes payables	2,449,279	877,287
Deposits received	500,692	295,861
Amounts due to associates (note ii)	2,087,243	1,018,000
Amounts due to joint ventures (note ii)	11,011,816	2,246,498
Amounts due to non-controlling interests of subsidiaries (note ii)	479,907	316,931
	27,021,570	19,917,262
Less: non-current portion		
Consideration payable related to acquisition of a subsidiary	(10,248)	—
Current portion	27,011,322	19,917,262

Notes:

- (i) Other payables and accruals mainly included deposits received from construction companies, accrued operating expenses and advance from third parties for operations and amounts due to former shareholders in relation to newly acquired subsidiaries which are interest-free, unsecured and repayable on demand.

Included in other payables and accruals, there were payables amounting to RMB1,200,000,000 secured by non-interest bearing deposit of US\$289,355,000 (approximately equivalent to RMB1,969,293,000) (note 24). The remaining balances are interest-free, unsecured and repayable on demand.

- (ii) The amounts due are unsecured, interest-free and repayable on demand.
- (iii) The carrying amounts of other payables are denominated in RMB and approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 RMB'000	2018 RMB'000
Embedded financial derivatives of convertible bonds (note 31(b))	82,807	–

A valuation on the embedded derivatives of the convertible bonds has been performed by an independent qualified valuer at the date of issuance and 31 December 2019, the binomial model is used in the valuation of the embedded financial derivatives. A fair value loss of RMB82,191,000 was recognised in profit and loss for the year ended 31 December 2019.

34. DEFERRED INCOME TAX

	2019 RMB'000	2018 RMB'000
Deferred tax assets	864,268	784,310
Deferred tax liabilities	(4,886,993)	(4,478,563)
The net movement on the deferred income tax is as follows:		
Beginning of the year	(3,694,253)	(4,401,946)
Acquisitions of subsidiaries (note 40(b))	(157,300)	–
Disposals of subsidiaries (note 41(a))	46,946	–
Deemed disposals of subsidiaries (note 41(b))	59,417	(7,454)
Recognised in profit or loss (note 10)	(277,535)	715,147
End of the year	(4,022,725)	(3,694,253)

The movements in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. DEFERRED INCOME TAX (Continued)

Deferred tax assets arose from:

	Temporary difference arising from debtors, deposits and other receivables RMB'000	Tax losses RMB'000	Total RMB'000
Balance as at 1 January 2018	63,459	96,295	159,754
Deemed disposals of subsidiaries (note 41(b))	–	(7,454)	(7,454)
Credited to profit or loss	70,135	650,715	720,850
At 31 December 2018 and 1 January 2019	133,594	739,556	873,150
Acquisitions of subsidiaries (note 40(b))	–	1,190	1,190
Credited to profit or loss	136,387	663	137,050
At 31 December 2019	269,981	741,409	1,011,390

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB15,269,940,000 (2018: RMB13,867,582,000) that can be carried forward against future taxable income. These tax losses have no expiry date except that approximately RMB717,296,000 (2018: RMB525,608,000) will expiry from 2020 to 2024 (2018: 2019 to 2023).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. DEFERRED INCOME TAX (Continued)

Deferred tax liabilities arose from:

	Properties acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Revaluation of investment properties RMB'000	Fair value of financial assets at FVTPL RMB'000	Total RMB'000
Balance as at 1 January 2019	34,389	99,269	4,303,146	161,049	4,597,853
Charged/(credited) to profit or loss	–	–	53,094	(58,797)	(5,703)
At 31 December 2018 and 1 January 2019	34,389	99,269	4,356,240	102,252	4,592,150
Acquisitions of subsidiaries (note 40(b))	–	158,490	–	–	158,490
Disposals of subsidiaries (note 41(a))	–	–	(46,946)	–	(46,946)
Deemed disposals of subsidiaries (note 41(b))	–	–	(59,417)	–	(59,417)
Charged to profit or loss	–	–	44,605	345,233	389,838
At 31 December 2019	34,389	257,759	4,294,482	447,485	5,034,115

At 31 December 2019, the unrecognised deferred tax liabilities were RMB1,534,634,000 (2018: RMB769,786,000) relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2019 amounted to RMB30,692,686,000 (2018: RMB15,395,720,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary share of HK\$0.10 each					
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019					
	50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:					
At 1 January 2018					
	6,063,730,329	606,373	532,865	6,913,069	7,445,934
Issue of shares upon exercise of share options (notes (a) and 42(a))					
	5,284,000	528	424	8,989	9,413
Dividend paid (note 11)					
	–	–	–	(757,259)	(757,259)
Issue of shares as a result of scrip dividends (note b)					
	1,179,368	118	100	3,808	3,908
At 31 December 2018 and 1 January 2019					
	6,070,193,697	607,019	533,389	6,168,607	6,701,996
Issue of shares upon exercise of share options (notes (a) and 42(a))					
	16,673,000	1,667	1,455	22,598	24,053
Dividend paid (note 11)					
	–	–	–	(644,644)	(644,644)
At 31 December 2019					
	6,086,866,697	608,686	534,844	5,546,561	6,081,405

Changes in the share capital of the Company during the years ended 31 December 2019 and 2018 are as follows:

- (a) For the year ended 31 December 2019, 16,673,000 (2018: 5,284,000) shares were issued upon exercise of share options. Total proceeds were HK\$27,558,000 (equivalent to approximately RMB24,053,000) (2018: HK\$9,459,000 (equivalent to approximately RMB9,413,000)). The weighted average share price at the time of exercise was HK\$1.443 (2018: HK\$1.576) per share. The related transactions costs were deducted from the proceeds received.
- (b) During the year ended 31 December 2018, 1,179,368 new shares were issued by the Company at HK\$3.16 cents per share for the settlement of 2018 final scrip dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. THE GROUP'S RESERVES

	Merger reserve RMB'000 (note a)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000 (note d)	Retained earnings RMB'000	Total RMB'000
Balance as at 1 January 2018	382	23,243	959,537	167,972	(482,766)	11,273,618	11,941,986
Profit for the year	–	–	–	–	–	2,750,206	2,750,206
Other comprehensive loss for the year	–	(15,812)	–	–	–	–	(15,812)
Total comprehensive (loss)/income for the year	–	(15,812)	–	–	–	2,750,206	2,734,394
Acquisition of non-controlling interests	–	–	–	–	3,849	–	3,849
Issue of shares upon exercise of share options	–	–	–	(2,727)	–	–	(2,727)
Share-based payments (note 42(a))	–	–	–	260,612	–	–	260,612
Share options lapsed	–	–	–	(8,366)	–	8,366	–
Transfer to statutory reserves	–	–	6,009	–	–	(6,009)	–
Balance at 31 December 2018 and 1 January 2019	382	7,431	965,546	417,491	(478,917)	14,026,181	14,938,114
Profit for the year	–	–	–	–	–	4,594,265	4,594,265
Other comprehensive loss for the year	–	(15,449)	–	–	–	–	(15,449)
Total comprehensive (loss)/income for the year	–	(15,449)	–	–	–	4,594,265	4,578,816
Deemed disposal of a subsidiary without loss of control	–	–	–	–	(12,667)	–	(12,667)
Issue of shares upon exercise of share options	–	–	–	(9,282)	–	–	(9,282)
Share-based payments (note 42(a))	–	–	–	139,961	–	–	139,961
Share options lapsed	–	–	–	(74,225)	–	74,225	–
Transfer to statutory reserves	–	–	99,264	–	–	(99,264)	–
Balance at 31 December 2019	382	(8,018)	1,064,810	473,945	(491,584)	18,595,407	19,634,942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. THE GROUP'S RESERVES (Continued)

Notes:

- (a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.
- (b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 5% to 10% of the profit for the year after netting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate 10% of the net profit to the Statutory Reserves until the accumulated appropriation exceeds 50% of the registered capital.

For Chinese-foreign entities, in accordance with the Law of the PRC on Chinese-foreign Equity Joint Ventures, the percentage of profits to be appropriated to the Statutory Reserves is solely determined by the Board of Directors of these foreign investment enterprises.

In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the companies' articles of association, an appropriation to the Statutory Reserves, after net of accumulated losses of previous years, have to be made prior to profit distribution to the investor. The appropriation for the Statutory Reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

For the year ended 31 December 2019, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB99,264,000 (2018: RMB6,009,000) to the Statutory Reserves.

- (c) Share option reserve represents value of employee services in respect of share options granted under the Share Option Scheme (note 42).
- (d) Capital reserve arose from the difference between the amount by which the non-controlling interests are adjusted and the consideration paid for the acquisition of additional equity interest in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2019 RMB'000	2018 RMB'000
Profit for the year	4,164,008	3,294,256
Adjustments for:		
Income tax expenses (note 10)	5,303,595	4,477,629
Depreciation of property, plant and equipment (notes 7 and 15)	189,691	199,670
Depreciation of right-of-use assets (notes 7 and 18)	182,881	–
Amortisation of land use rights (notes 7 and 18)	18,158	25,788
Amortisation of intangible assets (notes 7 and 21)	342,890	178,328
Dividend income received from financial assets at FVTPL (note 8)	(30,966)	(20,945)
Provision for ECL (notes 4.1(ii) and 8)	478,070	529,332
Loss on disposal of property, plant and equipment (note a)	17,987	1,463
Loss on derecognition of interest in an associate (notes 8 and 19(a))	252,016	–
Net fair value (gain)/loss on financial assets at FVTPL (note 8)	(1,380,931)	271,276
Impairment loss on interest in an associate (notes 8 and 19(a))	–	658,685
Impairment loss on intangible assets (notes 8 and 21)	473,361	–
Impairment loss on goodwill (notes 8 and 21)	203,931	–
Write-down of completed properties held for sale and properties under development (note 8)	367,737	220,178
Written off of intangible assets (note 8)	22,230	7,654
Written off of debtors and other receivables (note 8)	275,251	–
Waiver of other payables (note 8)	–	(406,326)
Net gain on repurchases of senior notes (notes 8 and 31(a))	(178,438)	(142,745)
Net loss on disposal of investment properties (note 8)	193,825	7,102
Loss on disposal of deposits paid for land acquisition	40,753	–
Net gain on disposals of subsidiaries (note 41(a))	(245,581)	–
Net gain on deemed disposals of subsidiaries (note 41(b))	(2,460,638)	(2,912,593)
Fair value gain of investment properties (note 17)	(178,419)	(212,374)
Fair value loss of financial derivatives	82,191	–
Share of results of associates	(92,619)	(239,913)
Share of results of joint ventures (note 19(b))	197,697	48,726
Interest income (note 9)	(580,269)	(402,511)
Interest expense (note 9)	798,774	1,049,027
Net exchange losses	785,442	1,524,271
Share-based payments (note 13)	139,961	260,612
Changes in working capital:		
Inventories	(33,986)	(101,876)
Properties under development and completed properties held for sale	4,510,385	665,885
Debtors, deposits and other receivables	(14,046,271)	(3,371,556)
Deposits for land acquisition	(966,713)	1,977,494
Prepayments for proposed development projects	(8,017,852)	(1,981,370)
Restricted cash	(1,578,759)	(73,329)
Contract liabilities	(3,157,249)	15,511,643
Accrued construction costs	4,676,550	411,398
Other payables	18,593,565	3,195,994
Cash generated from operations	9,362,258	24,650,873

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated, see note 3.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Cash generated from operations (Continued)

Note:

Loss on disposal of property, plant and equipment are as follows:

	2019 RMB'000	2018 RMB'000
Net carrying value disposed (note 15)	48,192	17,531
Proceeds received	(30,205)	(16,068)
Loss on disposal of property, plant and equipment (note 8)	17,987	1,463

(b) Reconciliation of liabilities arising from financing activities

	2019		
	Borrowings RMB'000 (note 31)	Other payables RMB'000 (note 32)	Lease liabilities RMB'000 (note 30)
As at 1 January 2019, as previously stated	108,765,952	19,917,262	–
Adjustment on adoption of HKFRS 16 (note 3.1)	–	–	799,167
As at 1 January 2019, as restated	108,765,952	19,917,262	799,167
Changes from financing cash flows:			
Decrease in other payables	–	(1,730,072)	–
Increase in amounts due to associates	–	1,069,243	–
Increase in amounts due to joint ventures	–	962,641	–
Increase in amounts due to non-controlling interests of subsidiaries	–	162,976	–
Proceeds from bank and other borrowings	26,820,102	–	–
Proceeds from loans from associates	2,610,667	–	–
Repayment of loans from associates	(1,240,550)	–	–
Net proceeds from issuance of senior notes (note 31(a))	20,649,999	–	–
Net proceeds from issuance of convertible bonds (note 31(b))	633,200	–	–
Repayments of bank and other borrowings	(22,296,361)	–	–
Repayments of senior notes	(1,973,376)	–	–
Payments for repurchase of senior notes	(3,935,543)	–	–
Payment of lease liabilities	–	–	(226,776)
Total changes from financing cash flows	130,034,090	20,382,050	572,391
Non-cash changes			
– exchange differences	771,440	–	–
– finance expenses recognised (note 9)	10,804,891	–	71,678
Other changes (note)	(9,558,714)	16,490,493	742,230
Acquisitions of subsidiaries (note 40)	1,047,900	1,708,789	–
Disposals of subsidiaries (note 41(a))	(145,185)	(1,344,652)	–
Deemed disposals of subsidiaries (note 41(b))	(15,758,870)	(10,215,110)	–
As at 31 December 2019	117,195,552	27,021,570	1,386,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	2018	
	Borrowings RMB'000 (note 31)	Other payables RMB'000 (note 32)
As at 1 January 2018	111,173,187	17,419,782
Changes from financing cash flows:		
Increase in other payables	–	1,373,817
Increase in amounts due to associates	–	92,279
Increase in amounts due to joint ventures	–	2,246,498
Increase in amounts due to non-controlling interests of subsidiaries	–	1,234
Proceeds from bank and other borrowings	30,785,043	–
Proceeds from loans from associates	2,034,350	–
Repayment of loans from associates	(1,021,000)	–
Net proceeds from issuance of Senior Notes (note 31(a))	5,637,588	–
Repayments of bank and other borrowings	(28,035,327)	–
Repayments of Senior Notes	(2,015,121)	–
Total changes from financing cash flows	7,385,533	3,713,828
Non-cash changes		
– exchange differences	1,840,021	–
– finance expenses recognised (note 9)	9,017,412	–
Other changes (note)	(11,564,964)	541,459
Acquisitions of subsidiaries (note 40)	546,900	2,845,294
Increase in consideration payables related to acquisitions of subsidiaries	–	577,145
Deemed disposals of subsidiaries (note 41(b))	(9,632,137)	(5,180,246)
As at 31 December 2018	108,765,952	19,917,262

Note:

Other changes mainly represented the interest capitalisation, gain on repurchase of senior notes (note 31(a)), additions to new lease liabilities, decrease in other payables included in operating activities and repayment for consideration payables related to acquisitions of subsidiaries, associates and joint ventures included in investing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at 31 December 2019 and 2018:

	2019 RMB'000	2018 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units sold by the Group	32,816,544	30,587,387

The guarantees in respect of mortgage facilities granted by certain banks related to mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees expire or terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the mortgage loans obtained by the purchasers of properties.

The directors 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 consolidated financial statements for the guarantees.

39. COMMITMENTS

(a) Commitments for property development expenditure, acquisitions of property, plant and equipment, acquisitions of subsidiaries, an associate and a joint venture

	2019 RMB'000	2018 RMB'000
Contracted but not provided for		
– Acquisitions/construction of property, plant and equipment	69,257	100,178
– Acquisitions of land use rights and property development activities	34,429,933	35,376,964
– Acquisitions of subsidiaries	4,399,598	863,328
– Acquisition of an associate and a joint venture	560,000	1,878,239
	39,458,788	38,218,709

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. COMMITMENTS (Continued)

(b) Lease commitments

At the reporting date, the lease commitments for short-term leases (2018: the future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings and office equipment) are as follows:

	2019 RMB'000	2018 RMB'000
Not later than one year	6,441	167,967
Later than one year and not later than five years	–	398,140
Later than five years	–	586,360
	6,441	1,152,467

As at 31 December 2019, the Group leases staff quarters, offices and office equipment with a lease period of twelve months, which are qualified to be accounted for under low-value assets and short-term lease exemption under HKFRS 16.

As at 31 December 2018, the Group leases a number of properties and office equipment under operating leases. The leases run for an initial period of one to nineteen years, with an option to renew the lease and renegotiate the terms at the expiry date or at the dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	211,320	174,899
After 1 year but within 2 years	182,619	168,879
After 2 years but within 3 years	135,328	142,118
After 3 years but within 4 years	93,231	110,609
After 4 years but within 5 years	69,385	110,802
After 5 years	182,316	227,787
	874,199	935,094

The Group leases its investment properties (note 17) under operating lease arrangements which run for an initial period of one to twenty-one (2018: one to forty-eight) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisitions of assets

During the year ended 31 December 2019, the Group entered into agreements with independent third parties to acquire offices and certain property development companies at total consideration of RMB1,258,465,000. These companies did not operate any business prior to the acquisitions and only had land and building included in property, plant and equipment, properties under development and prepayment for proposed development projects. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of land and building included in property, plant and equipment, properties under development, and prepayment for proposed development projects.

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The aggregate balances of identifiable assets and liabilities arising from these acquisitions as at their respective acquisition date are as follows:

	2019 RMB'000
Property, plant and equipment	863,574
Properties under development	760,925
Prepayment for proposed development projects	12,666
Debtors, deposits and other receivables	231,179
Cash and bank balances	8,008
Other payables	(610,227)
Total identifiable net assets	1,266,125
Less: non-controlling interests	(7,660)
Identifiable net assets acquired	1,258,465
Total purchase consideration	
– Settled in cash during the year	1,237,465
– Payable	21,000
	1,258,465
Purchase consideration settled in cash	1,237,465
Cash and bank balances in subsidiaries acquired	(8,008)
Cash outflow on acquisitions of subsidiaries	1,229,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisitions of assets (Continued)

During the year ended 31 December 2018, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total consideration of approximately RMB1,571,903,000. These companies did not operate any business prior to the acquisitions and only had properties under development and prepayment for proposed development projects. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of properties under development and prepayment for proposed development projects.

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2018 RMB'000
Property, plant and equipment	11,107
Properties under development	3,295,976
Prepayment for proposed development projects	1,270,974
Debtors, deposits and other receivables	441,746
Prepaid taxes	1,947
Cash and bank balances	46,385
Accrued construction costs	(32,302)
Borrowings	(540,000)
Other payables	(2,752,411)
Net assets	1,743,422
Less: non-controlling interests	(171,519)
Net assets acquired	1,571,903
Total purchase consideration:	
– settled in cash during the year	999,558
– payable	572,345
	1,571,903
Purchase consideration settled in cash	999,558
Cash and bank balances in subsidiaries acquired	(46,385)
Cash outflow on acquisitions of subsidiaries	953,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses

Acquisition of Qinghai Pharmaceutical

During the year ended 31 December 2019, the Group entered into agreement with an independent third party to acquire 54.84% equity interests in Qinghai Pharmaceutical which is engaged in manufacturing and trading of pharmaceutical products to diversify their healthcare business at a consideration of RMB581,658,000. The directors of the Group were of the view that the acquisition constitutes acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the consideration paid for the acquisitions, the aggregate amounts of fair value of the assets acquired and liabilities assumed of Qinghai Pharmaceutical at the acquisition date.

	2019 RMB'000
Property, plant and equipment	88,030
Intangible assets	314,144
Land use rights	13,600
Deferred tax assets	260
Inventories	121,011
Debtors, deposits and other receivables	83,076
Cash and bank balances	23,037
Accrued construction costs	(450)
Income tax payable	(16,517)
Other payables	(56,439)
Deferred tax liabilities	(152,169)
Total identifiable net assets	417,583
Less: non-controlling interests	(309,782)
Identifiable net assets acquired	107,801
Goodwill (note 21)	473,857
Total purchase consideration	581,658
Purchase consideration settled in cash	581,658
Cash and bank balances in the subsidiary acquired	(23,037)
Cash outflow on acquisition of the subsidiary	558,621

Qinghai Pharmaceutical contributed revenues of approximately RMB238,179,000 and net profit of approximately RMB53,579,000 to the Group for the period from the acquisition date to 31 December 2019. Had Qinghai Pharmaceutical had contributed from 1 January 2019, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB70,247,000 and the increase in pro forma profit for the year by approximately RMB12,994,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisitions of Jiaxing Dashu Group and Jiangsu Hengyuan Group

During the year ended 31 December 2019, the Group entered into agreements to acquire 60% equity interests in Jiaxing Dashu Group and 51% equity interests in Jiangsu Hengyuan Group, which are principally engaged in the business of property management including residential communities, offices and commercial buildings, government facilities and other non-residential projects. The directors were of the view that the acquisition constitutes acquisitions of businesses.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the consideration paid for the acquisitions, the aggregate amounts of fair value of the assets acquired and liabilities assumed of Jiaxing Dashu Group and Jiangsu Hengyuan Group at the acquisition date.

	Jiaxing Dashu Group 2019 RMB'000	Jiangsu Hengyuan Group 2019 RMB'000	Total 2019 RMB'000
Property, plant and equipment	5,334	4,991	10,325
Intangible assets – customer relationship	12,287	13,000	25,287
Deferred tax assets	681	249	930
Debtors, deposits and other receivables	36,158	20,765	56,923
Cash and bank balances	16,896	2,346	19,242
Other payables	(30,110)	(15,879)	(45,989)
Contract liabilities	(7,873)	(1,936)	(9,809)
Income tax payables	(969)	(98)	(1,067)
Deferred tax liabilities	(3,071)	(3,250)	(6,321)
Total identifiable net assets at fair value	29,333	20,188	49,521
Less: non-controlling interests	(11,733)	(9,892)	(21,625)
Identifiable net assets acquired	17,600	10,296	27,896
Goodwill (note 21)	18,980	23,864	42,844
	36,580	34,160	70,740
Total purchase consideration			
– Settled in cash during the year	36,580	6,832	43,412
– Payable	–	27,328	27,328
	36,580	34,160	70,740
Purchase consideration settled in cash	36,580	6,832	43,412
Cash and bank balances in subsidiaries acquired	(16,896)	(2,346)	(19,242)
Cash outflow on acquisitions of subsidiaries	19,684	4,486	24,170

The Jiaxing Dashu Group contributed revenues of approximately RMB94,624,000 and net profit of approximately RMB5,084,000 to the Group for the period from the acquisition date to 31 December 2019. If the acquisitions had occurred on 1 January 2019, the Group's consolidated revenue and consolidated profit for the year would have been increased by approximately RMB37,530,000 and decreased by approximately RMB1,567,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisitions of Jiaxing Dashu Group and Jiangsu Hengyuan Group (continued)

The Jiangsu Hengyuan Group contributed revenues of approximately RMB14,300,000 and net profit of approximately RMB1,403,000 to the Group for the period from the acquisition date to 31 December 2019. If the acquisitions had occurred on 1 January 2019, the Group's consolidated revenue and consolidated profit for the year would have been increased by approximately RMB65,200,000 and decreased by approximately RMB1,812,000 respectively.

The consideration for the acquisition of Jiangsu Hengyuan Group of RMB34,160,000 is subject to downward adjustment of certain performance targets of the Jiangsu Hengyuan Group. With reference to the announcement of Kaisa Prosperity Holdings Limited ("Kaisa Prosperity") on 31 October 2019, the Group may, at its discretion, terminate the agreement or re-negotiate for a lower consideration with the vendors. However, the directors of the Group consider that the probability of not meeting these performance target is low.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

Acquisition of Xinghai Tea Co., Ltd.* ("Xinghai Tea")

On 27 January 2018, the Group acquired 80% equity interest in Xinghai Tea from third parties at a total cash consideration of RMB4,800,000 to diversify its business. Xinghai Tea is principally engaged in trading of tea leaf. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Xinghai Tea as at the date of acquisition are as follows:

	2018 RMB'000
Inventories	655
Debtors, deposits and other receivables	8,301
Cash and bank balances	128
Borrowings	(2,900)
Other payables	(184)
Total identifiable net assets at fair value	6,000
Less: non-controlling interests	(1,200)
Identifiable net assets acquired	4,800
Total purchase consideration:	
– Payable	4,800
Purchase consideration settled in cash	–
Cash and bank balances in a subsidiary acquired	(128)
Cash inflow on acquisition of a subsidiary	(128)

Xinghai Tea contributed total revenue of approximately RMB21,526,000 and net loss of approximately RMB1,950,000 to the Group for the period from the acquisition date to 31 December 2018. Had Xinghai Tea been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB1,720,000 and the increase in pro-forma loss for the year by approximately RMB156,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Beijing Haili Insurance Broker Co., Ltd.* ("Beijing Haili")

On 4 January 2018, the Group acquired 100% equity interest in the Beijing Haili at a cash consideration of RMB19,500,000 to diversify its business. Beijing Haili is principally engaged in insurance operation. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

Details of the aggregate fair values of the identifiable assets and liabilities of Beijing Haili as at the date of acquisition are as follows:

	2018 RMB'000
Debtors deposits and other receivables	19,568
Cash and bank balances	1,097
Other payables	(1,165)
Total identifiable net assets at fair value	19,500
Net assets acquired	19,500
Purchase consideration settled in cash	19,500
Cash and bank balances in a subsidiary acquired	(1,097)
Cash outflow on acquisition of a subsidiary	18,403

Beijing Haili contributed total revenue of approximately RMB17,570,000 and net loss of approximately RMB1,097,000 to the Group for the period from the acquisition date to 31 December 2018. Had Beijing Haili been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB195,000 and the increase in pro-forma loss for the year by approximately RMB12,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Guangzhou Mosi Culture Development Co., Ltd.* ("Guangzhou Mosi")

On 11 January 2018, the Group acquired 80% equity interest in Guangzhou Mosi at a cash consideration of RMB1 to diversify its business. Guangzhou Mosi is principally engaged in operating a cafe. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Guangzhou Mosi as at the date of acquisition are as follows:

	2018 RMB'000
Property, plant and equipment	346
Inventories	60
Debtors, deposit and other receivables	545
Cash and bank balances	4
Other payables	(955)
Total identifiable net assets at fair value	—
Less: non-controlling interests	—
Identifiable net assets acquired	—
Purchase consideration settled in cash	—
Cash and bank balances in a subsidiary acquired	(4)
Cash inflow on acquisition of the subsidiary	(4)

Guangzhou Mosi contributed total revenue of approximately RMB1,517,000 and net loss of approximately RMB4,293,000 to the Group for the period from the acquisition date to 31 December 2018. Had Guangzhou Mosi been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB47,000 and the increase in pro-forma loss for the year by approximately RMB133,000.

(c) Acquisition of additional interests in subsidiaries

During the year ended 31 December 2019, the Group entered into a cooperation agreement with an associate of the Group to acquire 90% direct equity interest in Guangzhou Yurui Real Estate Development Co., Ltd.* ("Guangzhou Yurui") and its subsidiaries ("Guangzhou Yurui Group") at RMB18,000,000. The Group's effective equity interest in Guangzhou Yurui Group then increased from 49% to 94.90%.

Guangzhou Yurui entered into a cooperation agreement with Guangdong Kaisa that Guangzhou Yurui injected RMB306,000,000 to Guangzhou Yaxiang Real Estate Development Co., Ltd.* ("Guangzhou Yaxiang") to obtain 25% equity interest in Guangzhou Yaxiang. The Group's effective equity interest in Guangzhou Yaxiang then increased from 49% to 60.48%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition of additional interests in subsidiaries (Continued)

Upon the capital injections to Guangzhou Yurui and Guangzhou Yaxiang, the Group is entitled to appoint two directors out of a total of three. In the view of the Group, the Group can operate the investees and direct all relevant financing and operating activities relating to daily investment activities for the investee by simple majority votes. Accordingly, Guangzhou Yurui Group and Guangzhou Yaxiang become subsidiaries of the Group.

Guangzhou Yurui Group and Guangzhou Yaxiang had properties under development and completed properties held for sale, hence the Group considered this would be acquisitions of properties under development and completed properties held for sale in substance.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2019 RMB'000
Property, plant and equipment	266
Properties under development	4,457,216
Completed properties held for sale	5,145,066
Debtors, deposits and other receivables	812,560
Prepaid tax	143,127
Cash and bank balances	736,346
Borrowings	(1,047,900)
Accrued construction costs	(1,607,294)
Contract liabilities and other payables	(7,900,439)
Total identifiable net assets at fair value	738,948
Less: non-controlling interests	(738,948)
Net assets acquired through capital injection	—
Capital injection	324,000
Cash and bank balances in subsidiaries acquired through capital injection	(736,346)
Net cash inflow on acquisitions of subsidiaries through capital injection	(412,346)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(d) Acquisition through capital injection

Capital injection in Hengyang Heng Ji Real Estate Co., Ltd.* (“Hengyang Heng Ji”) and Chengdu Huaguan Ke Heng Technology Co., Ltd.* (“Chengdu Huaguan”)

During the year ended 31 December 2018, the Group entered into cooperation agreements with other investors that the Group injected RMB41,600,000 and RMB20,816,000 to Hengyang Heng Ji and Chengdu Huaguan, which are controlled by independent third parties before the capital injection by the Group, respectively to obtain 51% and 51% equity interests in these two companies respectively.

According to the Hengyang Heng Ji’s and Chengdu Huaguan’s cooperation agreement, the Group is entitled to appoint four directors of Hengyang Heng Ji’s board of directors out of a total of five whereas the Group is entitled to appoint two directors of Chengdu Huaguan’s board of directors out of a total of three. In the view of the Group, the Group can operate the investees and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes. Accordingly, the investees are classified as subsidiaries of the Group.

Hengyang Heng Ji and Chengdu Huaguan had properties under development and deposits for land acquisitions respectively hence the Group considered this would be acquisitions of assets in substance.

Details of the aggregate fair values of the identifiable assets and liabilities of Hengyang Heng Ji and Chengdu Huaguan as at the date of acquisitions through capital injection are as follows:

	2018 RMB'000
Property, plant and equipment	44
Properties under development	12,658
Deposits for land acquisitions	168
Debtors, deposits and other receivables	81,365
Cash and bank balances	344
Borrowings	(4,000)
Other payables	(90,579)
Net assets acquired through capital injection	–
Cash inflow on acquisitions of subsidiaries through capital injection	(344)

41. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES

(a) Disposals of subsidiaries

During the year ended 31 December 2019, the Group entered into cooperation agreements with a number of independent third parties for the disposals of certain subsidiaries for an aggregate consideration of RMB305,906,000. Upon the share transferred, the Group’s equity interests in certain subsidiaries have been become from 100% to 45%, 50%, 50% and 51% respectively. These subsidiaries are engaged in investment holding and holding property redevelopment projects, property under development and completed properties held for sales. Upon the completion of disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as joint ventures of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

(a) Disposals of subsidiaries (Continued)

The following table summarises the net assets of the subsidiaries disposed of during the year ended 31 December 2019 year and the financial impacts are summarised as follows:

	2019 RMB'000
Net assets disposed of:	
Property, plant and equipment	59,593
Investment properties	557,000
Land use rights	30,358
Properties under development	31,188
Completed properties held for sale	105,150
Prepayments for proposed development projects	791,328
Debtors, deposits and other receivables	507,287
Prepaid tax	56
Cash and bank balances	1,309
Contract liabilities	(11,800)
Accrued construction costs	(51,251)
Income tax payable	(134,534)
Borrowings	(145,185)
Other payables	(1,344,652)
Deferred tax liabilities (note 34)	(46,946)
	348,901
Non-controlling interest	(9,968)
	338,933
Net assets disposed of	338,933
Net gain on disposals of subsidiaries	245,581
	584,514
Satisfied by:	
Cash	305,906
Fair values of the 45%, 50%, 50% and 51% equity interests in joint ventures (note)	278,608
	584,514
Net cash outflow arising on disposal:	
Cash received	305,906
Cash and bank balances disposals of	(1,309)
	304,597

Note: The fair value was determined by management with reference to the valuation reports for the underlying assets. The reminding interests held by the Group were remeasured at fair values at the date the Group lost control over these companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

(b) Deemed disposals of subsidiaries

During the year ended 31 December 2019, the Group entered into capital injection agreements with a number of independent third parties for the capital injection of certain subsidiaries. Upon the capital injection, the Group's equity interests in certain subsidiaries have been diluted from 100% owned subsidiaries to joint ventures or associates. These subsidiaries were engaged in investment holding and holding property redevelopment projects and property developments.

Upon completion of the deemed disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as associates and joint ventures of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in associates and joint ventures.

The following table summarises the net assets of the subsidiaries disposed of during the current period and the financial impacts are summarised as follows:

	2019 RMB'000
Net assets disposed of:	
Property, plant and equipment	62,736
Investment properties	909,000
Investment in an associate	167,160
Properties under development	14,813,388
Completed properties held for sale	930,746
Deposits for land acquisition	631,945
Prepayments for proposed development projects	2,537,925
Debtors, deposits and other receivables	12,747,090
Prepaid tax	26,658
Financial assets at fair value through profit or loss	28,656
Cash and bank balances	1,737,291
Contract liabilities	(3,559,273)
Accrued construction costs	(4,338,530)
Borrowings	(15,758,870)
Other payables	(10,215,110)
Deferred tax liabilities (note 34)	(59,417)
	661,395
Non-controlling interest	(176,313)
	485,082
Net assets disposed of	485,082
Net gain on deemed disposals of subsidiaries	2,460,638
	2,945,720
Satisfied by:	
Fair values of the equity interests in associates (note 19(a))	_#
Fair values of the equity interests in joint ventures (note 19(b))	2,945,720
	2,945,720
Net cash outflow arising on deemed disposals:	
Cash and bank balances disposals of	(1,737,291)

Amount less than RMB1,000

Note: The fair value was determined by management with reference to the valuation reports for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

(b) Deemed disposals of subsidiaries (Continued)

During the year ended 31 December 2018, the Group entered into cooperation agreements with a number of investors in which those investors would inject capital to certain subsidiaries operating in Guangzhou region.

Upon the capital injection by the investors, the Group's effective equity interests in these subsidiaries have been diluted from 100% to 49%. These subsidiaries were engaged in investment holding, property developments, holding property development projects located in Guangzhou. Upon completion of the deemed disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as associates of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in associates.

The following table summarises the net liabilities of the subsidiaries disposed of during the year and the financial impacts are summarised as follows:

	2018 RMB'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment	1,039
Financial assets at FVTPL	3,300
Deferred tax assets (note 34)	7,454
Properties under development	14,235,229
Completed properties held for sale	3,620,253
Prepayments for proposed development projects	68,286
Debtors, deposits and other receivables	2,028,459
Cash and bank balances	2,452,320
Contract liabilities	(5,922,487)
Accrued construction costs	(3,014,944)
Income tax payable	(258,515)
Borrowings	(9,632,137)
Other payables	(4,839,264)
	(1,251,007)
Non-controlling interests	(91,554)
Net liabilities disposed of	(1,342,561)
Net gain on deemed disposals of subsidiaries	1,342,561
	—
Satisfied by:	
Fair value of the 49% equity interest in associates	—
Net cash outflow arising on deemed disposals:	
Cash and bank balances disposals of	(2,452,320)

Note: The fair value was determined by management with reference to the valuation report for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

(b) Deemed disposals of subsidiaries (Continued)

During the year ended 31 December 2018, the Group entered into capital injection agreements with investors in which those investors would injected capital to certain subsidiaries.

Upon the capital injection by the investors, the Group's equity interests in the subsidiaries have been diluted from 100% to 45% or from 100% to 50%. These subsidiaries were engaged in property developments and had prepayments for proposed development projects located in Shenzhen. Upon completion of the deemed disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as joint ventures of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in joint ventures.

The following table summarises the net liabilities of the subsidiaries disposed of during the current year and the financial impacts are summarised as follows:

	2018 RMB'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment	68
Prepayments for proposed development projects	31,360
Debtors, deposits and other receivables	188,061
Cash and bank balances	120,121
Other payables	(340,982)
Net liabilities disposed of	(1,372)
Net gain on deemed disposals of subsidiaries	1,570,032
	1,568,660
Satisfied by:	
Fair values of the equity interests in joint ventures (note 19(b))	1,568,660
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	(120,121)

Note: The fair values were determined by management with reference to the valuation reports for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION

(a) Share Option Scheme of the Company

Pursuant to the shareholders' resolution passed on 14 June 2019, a post-IPO share option scheme is terminated and the new share option scheme (the "Share Option Scheme") is conditionally adopted with effective from 14 June 2019. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under Share Option Scheme are as follows:

	2019		2018	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	3.478	516,756,000	3.339	470,514,000
Granted during the year	3.243	52,000,000	4.354	63,000,000
Exercised during the year (note 35)	1.443	(16,673,000)	1.576	(5,284,000)
Lapsed during the year	3.669	(117,030,000)	3.465	(11,474,000)
At 31 December	3.464	435,053,000	3.478	516,756,000

As at 31 December 2019, 203,847,000 (2018: 178,156,000) outstanding options granted under the Share Option Scheme were exercisable (note).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(a) Share Option Scheme of the Company (Continued)

Note: Terms of share options at the reporting date were as follows:

Exercised period	Vesting period	Exercise price per share HK\$	Number of share options	
			2019	2018
10/6/2010-24/4/2022	9/12/2009-9/6/2010	3.105	5,350,000	5,350,000
30/3/2011-24/4/2022	9/12/2009-29/3/2011	3.105	8,250,000	8,250,000
24/4/2012-24/4/2022	9/12/2009-23/4/2012	3.105	8,500,000	8,500,000
23/7/2011-22/7/2020	23/7/2011-22/7/2011	2.000	2,100,000	3,360,000
23/7/2012-22/7/2020	23/7/2012-22/7/2012	2.000	2,300,000	3,360,000
23/7/2013-22/7/2020	23/7/2013-22/7/2013	2.000	2,900,000	3,560,000
23/7/2014-22/7/2020	23/7/2014-22/7/2014	2.000	3,540,000	4,160,000
23/7/2015-22/7/2020	23/7/2015-22/7/2015	2.000	6,020,000	8,977,000
6/6/2013-5/6/2022	6/6/2013-5/6/2014	1.500	3,784,000	4,168,000
6/6/2014-5/6/2022	6/6/2014-5/6/2015	1.500	4,031,000	5,370,000
6/6/2015-5/6/2022	6/6/2015-5/6/2016	1.500	11,277,000	15,923,000
6/6/2016-5/6/2022	6/6/2016-5/6/2017	1.500	12,279,000	16,816,000
6/6/2017-5/6/2022	6/6/2017-5/6/2018	1.500	12,722,000	16,962,000
21/2/2015-20/2/2024	21/2/2015-20/2/2016	2.610	–	1,200,000
21/2/2016-20/2/2024	21/2/2016-20/2/2017	2.610	–	1,200,000
21/2/2017-20/2/2024	21/2/2017-20/2/2018	2.610	–	1,200,000
21/2/2018-20/2/2024	21/2/2018-20/2/2019	2.610	–	1,200,000
21/2/2019-20/2/2024	21/2/2019-20/2/2020	2.610	–	1,200,000
19/7/2018-18/7/2027	19/7/2018-18/7/2019	3.550	49,400,000	59,000,000
19/7/2019-18/7/2027	19/7/2019-18/7/2020	3.550	49,400,000	59,000,000
19/7/2020-18/7/2027	19/7/2020-18/7/2021	3.550	49,400,000	59,000,000
19/7/2021-18/7/2027	19/7/2021-18/7/2022	3.550	98,800,000	118,000,000
22/9/2018-21/9/2027	22/9/2018-21/9/2019	6.660	4,000,000	4,000,000
22/9/2019-21/9/2027	22/9/2019-21/9/2020	6.660	4,000,000	4,000,000
22/9/2020-21/9/2027	22/9/2020-21/9/2021	6.660	4,000,000	4,000,000
22/9/2021-21/9/2027	22/9/2021-21/9/2022	6.660	8,000,000	8,000,000
29/11/2018-28/11/2027	29/11/2018-28/11/2019	4.370	5,600,000	5,600,000
29/11/2019-28/11/2027	29/11/2019-28/11/2020	4.370	5,600,000	5,600,000
29/11/2020-28/11/2027	29/11/2020-28/11/2021	4.370	5,600,000	5,600,000
29/11/2021-28/11/2027	29/11/2021-28/11/2022	4.370	11,200,000	11,200,000
3/4/2019-2/4/2028	3/4/2019-2/4/2020	4.320	–	4,000,000
3/4/2020-2/4/2028	3/4/2020-2/4/2021	4.320	–	4,000,000
3/4/2021-2/4/2028	3/4/2021-2/4/2022	4.320	–	4,000,000
3/4/2022-2/4/2028	3/4/2022-2/4/2023	4.320	–	8,000,000
12/6/2019-11/6/2028	12/6/2019-11/6/2020	4.370	2,600,000	8,600,000
12/6/2020-11/6/2028	12/6/2020-11/6/2021	4.370	2,600,000	8,600,000
12/6/2021-11/6/2028	12/6/2021-11/6/2022	4.370	2,600,000	8,600,000
12/6/2022-11/6/2028	12/6/2022-11/6/2023	4.370	5,200,000	17,200,000
24/1/2020-23/1/2029	24/1/2020-23/1/2021	2.380	2,000,000	–
24/1/2021-23/1/2029	24/1/2021-23/1/2022	2.380	2,000,000	–
24/1/2022-23/1/2029	24/1/2022-23/1/2023	2.380	2,000,000	–
24/1/2023-23/1/2029	24/1/2023-23/1/2024	2.380	4,000,000	–
12/4/2020-11/4/2029	12/4/2020-11/4/2021	3.700	6,800,000	–
12/4/2021-11/4/2029	12/4/2021-11/4/2022	3.700	6,800,000	–
12/4/2022-11/4/2029	12/4/2022-11/4/2023	3.700	6,800,000	–
12/4/2023-11/4/2029	12/4/2023-11/4/2024	3.700	13,600,000	–
			435,053,000	516,756,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(a) Share Option Scheme of the Company (Continued)

The Company offered to grant several directors and employees (the "July 2010 Grant") of 179,750,000 share options of HK\$0.10 each in the capital of the Company on 23 July 2010.

On 6 June 2012, the Company further offered to grant several directors and employees (the "June 2012 Grant") of 326,790,000 share options respectively of HK\$0.10 each in the capital of the Company.

During the year ended 31 December 2014, the Company offered to grant an employee and a consultant (the "February 2014 Grant") total of 11,000,000 share options and an employee (the "August 2014 Grant") total of 3,000,000 share option respectively of HK\$0.10 each in the capital of the Company on 21 February 2014 and 21 August 2014 respectively.

On 19 July 2017, the Company offered to grant to the directors of the Company and certain employees of the Company and its subsidiaries (the "July 2017 Grant") of 64,000,000 and 250,300,000 share options respectively, of HK\$0.1 each in the capital of the Company. The Company further granted a director of the Company (the "September 2017 Grant") and (the "November 2017 Grant") of 20,000,000 and 28,000,000 shares options on 22 September 2017 and 29 November 2017 respectively of HK\$0.1 each in the capital of the Company.

On 3 April 2018, the Company offered to grant to one of the directors of the Company (the "April 2018 Grant") of 20,000,000 share options of HK\$0.1 each in the capital of the Company. The Company further granted certain employees of the Company and its subsidiaries (the "June 2018 Grant") of 43,000,000 shares options on 11 June 2018 of HK\$0.1 each in the capital of the Company.

On 24 January 2019, the Company offered to grant to certain employees of the Company and its subsidiaries (the "January 2019 Grant") of 18,000,000 share options of HK\$0.1 each in the capital of the Company. The Company further granted certain employees of the Company and its subsidiaries (the "April 2019 Grant") of 34,000,000 share options on 12 April 2019 of HK\$0.1 each in the capital of the Company.

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	July 2010 Grant	June 2012 Grant	February 2014 Grant	August 2014 Grant	July 2017 Grant	September 2017 Grant	November 2017 Grant	April 2018 Grant	June 2018 Grant	January 2019 Grant	April 2019 Grant
Fair value under binomial model (HK\$'000)	142,362	198,688	8,514	2,592	543,168	68,887	61,987	37,218	77,023	17,677	51,857
Closing share price at grant date (HK\$)	1.71	1.39	2.60	2.83	3.55	6.66	4.26	4.31	4.35	3.69	2.37
Exercise price (HK\$)	2.00	1.50	2.61	2.84	3.55	6.66	4.37	4.32	4.37	3.70	2.38
Annual risk free interest rate	2.29%	1.04%	2.30%	1.94%	2.05%	2.01%	2.23%	2.64%	2.93%	2.49%	2.26%
Expected volatility	40%	44%	45%	43%	42%	43%	44%	44%	44%	45%	46%
Expected option life	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	Nil	Nil	6.0%	5.0%	Nil	Nil	Nil	2.5%	2.5%	2.5%	2.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(a) Share Option Scheme of the Company (Continued)

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The risk-free interest rate is equal to Hong Kong Dollar swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share option expense of RMB139,961,000 (2018: RMB260,612,000) during the year ended 31 December 2019.

(b) Share Option Scheme of Kaisa Health Group

Kaisa Health Group, a non-wholly owned subsidiary of the Company, operates a share option scheme (the "Kaisa Health's Scheme"). The Kaisa Health's Scheme was adopted pursuant to a special general meeting on 8 June 2015 for a period of 10 years as incentive or reward for the grantees for their contribution or potential contribution to Kaisa Health Group and its subsidiaries.

Under the Kaisa Health's Scheme, Kaisa Health Group may grant options to eligible participant which includes any full-time or part-time employees, consultants, potential employees, executives or officers (including executive, non-executive and independent non-executive directors) of Kaisa Health Group or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the board of directors, will contribute or has contributed to Kaisa Health Group and/or any of its subsidiaries.

Share options granted to a director, chief executive or substantial shareholder of Kaisa Health Group, or to any of their associates, are subject to approval by the independent non-executive directors of Kaisa Health Group. In addition, any share options granted to a substantial shareholder or any independent non-executive director of Kaisa Health Group, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in any one year up to and including the date of such grant (i) representing in aggregate value over 0.1% of the shares of Kaisa Health Group in issue on that date; and (ii) having an aggregate value, based on the closing price of the shares on the date of each grant, in excess of HK\$5 million, are subject to shareholders' approval in a general meeting.

The exercisable period of the options granted are determined by the board of directors of Kaisa Health Group at its absolute discretion. The share options will expire no later than ten years from the date of grant. At the time of grant of the share options, Kaisa Health Group may specify a minimum period for which an option must be held before it can be exercised. The acceptance date should not be later than 14 days after the date of offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Kaisa Health's Scheme may not exceed, in aggregate, nominal amount of 10% of the issued share capital of Kaisa Health Group at the date of approval of the Kaisa Health's Scheme. The Kaisa Health's Scheme limit may be increased from time to time to 10% of the shares in issue as at the date of such shareholders' approval. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The number of shares in respect of which options may be granted to each eligible participants in any one year is not permitted to exceed 1% of the shares of Kaisa Health Group in issue from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(b) Share Option Scheme of Kaisa Health Group (Continued)

At 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding under the Kaisa Health's Scheme was 259,140,000 (2018: 263,440,000), representing 5.1% (2018: 5.2%) of the shares of Kaisa Health Group in issue at that date.

No share options were granted during the years ended 31 December 2019 and 2018.

The fair values of share options were calculated using binomial option pricing model based on following data:

Grant date	16 June 2015	24 July 2015	12 September 2016
Share price at grant date	HK\$0.780	HK\$0.690	HK\$0.350
Exercise price	HK\$0.784	HK\$0.784	HK\$0.400
Expected volatility	73.49%	80.31%	76.75%
Expected life	5 years	5 years	6 years
Risk-free rate	1.296%	1.230%	0.713%
Expected dividend yield	5.17%	4.62%	0.00%
Early exercise multiples			
– Director and its associate	N/A	2.8x	2.8x
– Employees or consultants	2.2x	N/A	2.2x

The variables and assumptions used in computing the fair value of the share options were based on Kaisa Health Group's directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercisable period	Exercise price
2015A	16/6/2015	16/6/2015 – 15/6/2019	16/6/2016 – 15/6/2020	HK\$0.784
2015B	24/7/2015 (note)	16/6/2015 – 15/6/2019	16/6/2016 – 15/6/2020	HK\$0.784
2016	12/9/2016	12/9/2016 – 15/6/2019	12/9/2017 – 11/9/2022	HK\$0.400

Note: Share options subject to approval of independent shareholders was proposed and granted by board of directors of Kaisa Health Group on 16 June 2015. The approval was subsequently obtained on 24 July 2015 which was the date of grant as defined in accordance with HKFRS 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(b) Share Option Scheme of Kaisa Health Group (Continued)

A summary of the movements of the number of share options under the Kaisa Health's Scheme during the years is as follows:

Type of participant	Option type	Outstanding at		Outstanding at		
		1 January 2018	Forfeited during the year	31 December 2018 and 1 January 2019	Forfeited during the year	Outstanding at 31 December 2019
Mr. Wu	2015B	74,070,000	–	74,070,000	–	74,070,000
Ms. Jiang	2015B	74,070,000	–	74,070,000	–	74,070,000
Mr. Wu	2016	38,000,000	–	38,000,000	–	38,000,000
Ms. Jiang	2016	38,000,000	–	38,000,000	–	38,000,000
Ms. Wu Ansheng (note)	2016	8,000,000	–	8,000,000	–	8,000,000
Employees	2015A	3,800,000	–	3,800,000	(800,000)	3,000,000
Employees	2016	30,000,000	(6,500,000)	23,500,000	(3,500,000)	20,000,000
Consultants	2015A	4,000,000	–	4,000,000	–	4,000,000
		269,940,000	(6,500,000)	263,440,000	(4,300,000)	259,140,000
Exercisable at the end of the year		112,170,000		177,055,000		234,640,000
Weighted average exercise price		HK\$0.622	HK\$0.400	HK\$0.627	HK\$0.471	HK\$0.630

Note: Ms. Wu Ansheng is the general manager and sales director of a subsidiary of Kaisa Health Group and a sister of Mr. Wu.

In the opinion of the directors, the fair value of the services received from consultants cannot be estimated reliably, the equity-settled share-based payment transactions with consultants are measured at the fair value of the equity instruments granted.

(c) Share Option Scheme of Kaisa Prosperity

Kaisa Prosperity, a non-wholly owned subsidiary of the Company, operates a share option scheme (the "Kaisa Prosperity's Scheme"). The Kaisa Prosperity's Scheme was adopted pursuant to the shareholders' resolution passed on 18 June 2019. Pursuant to the terms of the share option scheme, Kaisa Prosperity may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of Kaisa Prosperity and its subsidiaries, advisers, consultants, suppliers, agents and customers of any members of the Kaisa Prosperity). The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Kaisa Prosperity's Scheme or any other Kaisa Prosperity's Schemes adopted by Kaisa Prosperity must not exceed 30% of the Kaisa Prosperity's shares in issue from time to time.

No options may be granted under the Kaisa Prosperity's Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by Kaisa Prosperity at the time of the grant, and the options expire no later than 10 years from the relevant date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(c) Share Option Scheme of Kaisa Prosperity (Continued)

The exercise price of the option under the Kaisa Prosperity's Scheme shall be no less than the highest of (i) the official closing price of Kaisa Prosperity's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of Kaisa Prosperity's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of Kaisa Prosperity.

Details of the movement of the share options under Kaisa Prosperity Scheme are as follows:

	Weighted average exercise price in HK\$ per share	Number
As at 1 January 2019	–	–
Granted during the year	15.7	11,450,000
As at 31 December 2019	15.7	11,450,000

On 19 July 2019, Kaisa Prosperity offered to grant to the directors of Kaisa Prosperity and certain employees of Kaisa Prosperity and its subsidiaries (the "July 2019 Grant") of 2,750,000 and 8,700,000 share options respectively, of HK\$0.1 each in the capital of Kaisa Prosperity.

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	July 2019 Grant
Fair value under binomial model	HK\$84,805,000
Closing share price at grant date	HK\$15.7
Exercise price	HK\$15.7
Annual risk free interest rate	1.87%
Expected volatility	50.86%
Expected option life	10 years
Expected dividend yield	1.15%

Expected volatility was determined by using the historical volatility of Kaisa Prosperity's share price from the listing date to the grant date. The risk free interest rate is equal to HK\$ swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(c) Share Option Scheme of Kaisa Prosperity (Continued)

As at 31 December 2019, none of the outstanding options granted under the share option scheme were exercisable (2018: Nil).

Note:

Terms of share options at the reporting date were as follows:

Exercise period	Exercise price per share HK\$	Number of share options as at 31 December 2019
19/7/2020 – 18/7/2029	15.70	2,290,000
19/7/2021 – 18/7/2029	15.70	2,290,000
19/7/2022 – 18/7/2029	15.70	2,290,000
19/7/2023 – 18/7/2029	15.70	4,580,000
		11,450,000

43. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost		
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	27,035,652	18,196,025
Long-term bank deposits (note 28)	1,600,000	400,000
Restricted cash (note 27)	6,016,455	6,792,292
Short-term bank deposits (note 28)	2,536,724	252,718
Cash and bank balances (note 28)	26,824,859	15,479,139
	64,013,690	41,120,174
Financial assets at FVTPL		
Financial assets at FVTPL (note 20)	7,850,391	6,895,826

Liabilities as per consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Financial liabilities at amortised cost		
Accrued construction costs	14,494,060	12,599,547
Borrowings (note 31)	117,195,552	108,765,952
Other payables, excluding deed tax and other tax payables	24,572,291	19,039,975
Lease liabilities (note 30)	1,386,299	–
	157,648,202	140,405,474
Financial liabilities at FVTPL		
Derivative financial instruments (note 33)	82,807	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling shareholder

Mr. Kwok Ying Shing

A related company, a company controlled by a substantial shareholder of the Company

Shenzhen Fund Resources Investment Holding Limited* (“深圳市富德資源投資有限公司”)

Associates

Guangdong Kaisa Jiayun Technology Co., Ltd.* (formerly known as “Guangdong Mingjia Lianhe Mobile Technology Co., Ltd.”*) (“廣東佳兆業佳雲科技股份有限公司·前稱廣東明家聯合移動科技股份有限公司”)

Guan Kongqueting Real Estate Development Co., Ltd.* (“固安孔雀亭房地產開發有限公司”)

Kaisa United Assets Management (Beijing) Co., Ltd.* (“佳兆業聯合資產管理(北京)有限公司”)

Shenzhen Qianhai Gold – Earth Wealth Management Co., Ltd.* (“深圳前海金土財富管理有限公司”)

Guangdong Kaisa Property Development Co., Ltd.* (“廣東佳兆業房地產開發有限公司”) and its subsidiaries

Shenzhen Longcheng Plaza Property Development Co., Ltd.* (“深圳市龍城廣場房地產開發有限公司”)

Shenzhen Shenxin ChanYe Holding Co., Ltd.* (formerly known as “Shenzhen Shenxin Financial Holding Co., Ltd.”*) (“深圳深信產業控股有限公司”前稱“深圳深信金融控股有限公司”)

Shenzhen Shenxin Financial Services Co., Ltd.* (“深圳深信金融服務有限公司”)

Shenzhen Shenxin Capital Management Co., Ltd.* (“深圳市深信資本管理有限公司”)

Shenzhen Tianjia Industrial Development Co., Ltd.* (“深圳市天佳實業發展有限公司”)

Ezhou Liangtai Real Estate Co., Ltd.* (“鄂州梁泰地產有限公司”)

Wuhan City Quan Hai Ji Xing Agricultural Products Logistics Co., Ltd.* (“武漢城市圈海吉星農產品物流有限公司”)

Lejie Electronic Products (Shenzhen) Co., Ltd.* (“樂捷電子產品(深圳)有限公司”)

Southern Shuanglin Bio-pharmacy Co., Ltd.* (formerly known as Zhenxing Biopharmaceutical Co., Ltd.*) (“南方雙林生物製藥股份有限公司”前稱“振興生化股份有限公司”)

Kunming Runhe Real Estate Development Co., Ltd.* (“昆明潤合房地產開發有限公司”)

Kaisa United Financial Group Holdings Limited* (“佳兆業聯合金融集團控股有限公司”)

Shenzhen State Free Pengxing Tax Free Commodity Company Ltd.* (“深圳市國免鵬星免稅商品有限公司”)

Dachang Hui Autonomous Country Jiatong Real Estate Development Co., Ltd.* (“大廠回族自治縣佳通房地產開發有限公司”)

Shenzhen Kaisa Sanshun Industrial Development Co., Ltd.* (“深圳市佳兆業三順實業發展有限公司”)

Zhuhai Jiatianhong Property Development Co., Ltd.* (“珠海市佳天宏房地產開發有限公司”)

Shenzhen Kaitai Urban Renewal Co., Ltd.* (“深圳市佳泰佳兆業城市更新有限公司”)

Guangdong Meisi Real Estate Company Ltd.* (“廣東美思置業有限公司”)

Shenzhen City Jingjia Urban Renewal Co., Ltd.* (“深圳市景佳城市更新有限公司”)

Hainan Free-Trade Zone Xiangruiyuan Real Estate Development Co., Ltd.* (“海南自貿區香瑞園房地產開發有限公司”)

Sanya Baijia Century Real Estate Development Co., Ltd.* (“三亞佰佳世紀房地產開發有限公司”)

Chongqing Yuzhaoxing Industrial Co., Ltd.* (“重慶渝盛業實業有限公司”) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Joint ventures

Guangzhou Nantian Company Limited* (“廣州南天商業大廣場建設發展有限公司”)
 Huizhou City Kaileju Company Limited* (“惠州市愷樂居置業有限公司”)
 Shenzhen Jiaxian Property Development Co., Ltd.* (“深圳市佳賢置業發展有限公司”)
 Shenzhen Ligao Property Development Company Limited* (“深圳力高宏業地產開發有限公司”)
 Shenzhen Jiademeihuan Traveling Development Co., Limited* (“深圳市佳德美奐旅遊開發有限公司”)
 Shenzhen Jiafu East Tourism Development Co., Ltd.* (“深圳市佳富東部旅遊開發有限公司”)
 Shenzhen Zhaofude Tourism Development Co., Ltd.* (“深圳市兆富德旅遊開發有限公司”) together named as JVs for Dapeng Xiasha Development Project* (“大鵬下沙合營發展專案”)
 Shenzhen Tiandi Tongchang Investment Development Co., Ltd.* (“深圳市天地同昌投資發展有限公司”)
 Shenzhen Longhua Kaisa Property Development Company Limited* (“深圳市龍華佳兆業置業發展有限公司”)
 Shenzhen Gongming Kaisa Property Development Company Limited* (“深圳市公明佳兆業置業發展有限公司”)
 Shenzhen Mingyang Kaisa Development Co., Ltd.* (“深圳市銘揚佳兆業實業發展有限公司”)
 Shenzhen Kaisa Xinxu City Geng Xin Co., Ltd.* (“深圳市佳兆業新秀城市更新有限公司”)
 Shenzhen Baoan Kaisa Real Estate Development Co., Ltd.* (“深圳市寶安佳兆業房地產開發有限公司”)
 Guangdong Jiasheng Property Development Co., Ltd.* (“廣東佳盛房地產開發有限公司”) and its subsidiary
 Zhongqing Xinzhaoxin Co., Ltd.* (“重慶新兆鑫實業有限公司”)
 Shenzhen Kaisa Zhiyuan Technology Co., Ltd.* (“深圳市佳兆業致遠科技有限公司”)
 Shenlian Industrial (Shenzhen) Co., Ltd.* (“深聯實業(深圳)有限公司”)
 Nanjing Jiaqi Real Estate Development Co., Ltd.* (“南京佳期房地產開發有限公司”)
 Hunan Mingtai Zhiye Development Company Ltd.* (“湖南明泰置業發展有限公司”) and its subsidiary
 Zhongshan Hong Kong Real Estate Development Company Limited* (“中山富港房地產開發有限公司”)
 Shenzhen Kaisa Zhiyuan Consulting Management Co., Ltd.* (“深圳市佳兆業致遠投資諮詢有限公司”)
 Dongguan Kaisa Industrial Development Co., Ltd.* (“東莞佳兆業實業有限公司”)
 Hangzhou Yijia Property Co., Ltd.* (“杭州億佳置業有限公司”) and its subsidiaries
 Henan Kaisa Real Estate Development Company Limited* (“河南省佳兆業房地產開發有限公司”)
 Xinxiang Kaisa Real Estate Development Co., Ltd.* (“新鄉市佳兆業房地產開發有限公司”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Joint ventures (Continued)

Nanjing Kaisa Jiayu Real Estate Development Company Limited* (“南京佳兆業佳御房地產開發有限公司”)
 Kaisa Technology Industrial (Shenzhen) Co., Ltd.* (“佳兆業科技產業(深圳)有限公司”) and its subsidiaries
 Kaisa Property (Shanghai) Co. Ltd.* (“佳兆業地產(上海)有限公司”) and its subsidiaries
 Wuhan Kaisa Logistic Co., Ltd.* (“武漢市佳兆業物流有限公司”) and its subsidiaries
 Taoyuan Construction (Shenzhen) Co., Ltd.* (“桃源建設(深圳)有限公司”) and its subsidiaries
 Chongqing Jiaye Xing Industrial Co., Ltd.* (“重慶興佳業實業有限公司”) and its subsidiary
 Changshan Kaisa Logistic Co., Ltd.* (“長沙市佳兆業物流有限公司”) and its subsidiaries
 Anshan Kaisa Business Management Co., Ltd.* (“鞍山佳兆業商業管理有限公司”)
 Zhongshan Jiajun Property Development Co., Ltd.* (“中山市佳駿房地產開發有限公司”)
 Kaisa Wewa Technology (Shenzhen) Limited Liabilities Co., Ltd.* (“佳兆業創享域科技(深圳)有限責任公司”) and its subsidiaries
 Huizhou Kaisa Property Development Co., Ltd.* (“惠州市佳兆業房地產開發有限公司”) and its subsidiaries
 Shenzhen Qixiang Kaisa Industrial Development Co., Ltd.* (“深圳市祺祥佳兆業實業發展有限公司”)
 Kaisa Guo Cheng Management Consulting (Shenzhen) Co., Ltd.* (“佳兆業國承置業(深圳)有限公司”)
 Shenzhen Nanshan Kaisa Zhiye Property Development Co., Ltd.* (“深圳市南山佳兆業置業發展有限公司”)
 Shenzhen Number 1 Logistic Co., Ltd.* (“深圳一號倉物流園有限公司”)
 Shenzhen Bright Zhiyuan Industrial Development Co., Ltd.* (“深圳市明光致遠實業發展有限公司”)
 Shenzhen Futian Kaisa Investment Consulting Co., Ltd.* (“深圳市福田佳兆業投資諮詢有限公司”)
 Liaoning Huili Property Development Co., Ltd.* (“遼寧匯利房地產開發有限公司”)

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

(b) Key management compensation

	2019 RMB'000	2018 RMB'000
Directors' fee	795	765
Salaries and other short-term employee benefits	135,740	129,035
Discretionary bonuses	2,563	3,259
Retirement scheme contributions	488	703
Share-based payments	92,440	151,773
	232,026	285,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions

	Notes	2019 RMB'000	2018 RMB'000
Advertising income from an associate		4,245	9,434
Property management fee income from associates		45,151	9,170
Financial advisory fees charged by an associate		38,345	74,551
Interest income from associates (note 9)		3,337	3,535
Interest expense charged by a related company	i	–	29,852
Interest expense charged by an associate	ii	241,471	54,273
Rental expenses charged by a controlling shareholder	iii	1,140	1,140

Notes:

- (i) Interest expense was charged at interest rate of 12.0% (2018: 12.0%) per annum on loan from a related company.
- (ii) Interest expense was charged at interest rate of 12.0% (2018: 4.4% to 14.0%) per annum on loans from associates.
- (iii) This represents payment of rental expense for various office premises to a controlling shareholder, Mr. Kwok Ying Shing. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

(d) Balances with related parties

	2019 RMB'000	2018 RMB'000
Loans from associates (note 31(e))	(5,000)	(1,240,550)
Loan from a related company (note 31(d))	(108,781)	(108,781)
Other revenue receivable from associates – included in trade receivables	59,766	–
Other revenue receivable from joint ventures – included in trade receivables	29,499	–
Prepaid financial advisory fee to an associate – included in prepayments	–	153,253
Amounts due from associates (note 24)	4,043,116	4,045,190
Amounts due from joint ventures (note 24)	7,292,123	891,612
Amounts due to associates (note 32)	(2,087,243)	(1,018,000)
Amounts due to joint ventures (note 32)	(11,011,816)	(2,246,498)
Interest payable to a related company – included in accrued interest in other payables	(235,535)	(235,535)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. EVENTS AFTER REPORTING PERIOD

- (i) After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. 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. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of material adverse effects on the financial statements as a result of the COVID-19 outbreak.
- (ii) On 15 January 2020, the Company issued senior notes with a principal amount of US\$500,000,000 (approximately RMB3,488,100,000) due 2025. The senior notes are interest-bearing at 10.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 15 January 2025.
- (iii) On 23 January 2020, the Company issued senior notes with a principal amount of US\$300,000,000 (approximately RMB2,092,860,000) due 2025. The senior notes are interest-bearing at 9.95% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 July 2025.
- (iv) On 20 February 2020, the Company issued senior notes with a principal amount of US\$400,000,000 (approximately RMB2,790,480,000) due 2021. The senior notes are interest-bearing at 6.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 18 February 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2019

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investments in subsidiaries	58,788,957	43,543,979
Financial assets at fair value through profit or loss	97,690	1,008,181
	58,886,647	44,552,160
Current assets		
Financial assets at fair value through profit or loss	6,637	6,637
Deposits and other receivables	2,190,510	2,075,346
Cash and bank balances	2,201,098	179,307
	4,398,245	2,261,290
Current liabilities		
Borrowings	4,523,551	3,409,648
Other payables	623,280	197,948
Derivative financial instruments	82,807	–
	5,229,638	3,607,596
Net current liabilities	(831,393)	(1,346,306)
Total assets less current liabilities	58,055,254	43,205,854
Non-current liability		
Borrowings	53,998,950	38,270,346
Net assets	4,056,304	4,935,508
EQUITY		
Share capital (note 35)	534,844	533,389
Share premium (note 35)	5,546,561	6,168,607
Reserves (note (a))	(2,025,101)	(1,766,488)
Total equity	4,056,304	4,935,508

Approved and authorised for issue by the Board of Directors on 31 March 2020.

Kwok Ying Shing
Director

Mai Fan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Reserve movement of the Company

	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2018	167,972	(922,983)	(755,011)
Loss and total comprehensive loss for the year	–	(1,257,647)	(1,257,647)
Issue of shares upon exercise of share options	(2,727)	–	(2,727)
Share-based payment	257,263	–	257,263
Share options lapsed	(8,366)	–	(8,366)
Balance at 31 December 2018 and 1 January 2019	414,142	(2,180,630)	(1,766,488)
Loss and total comprehensive loss for the year	–	(317,334)	(317,334)
Issue of shares upon exercise of share options	(9,351)	–	(9,351)
Share-based payment	140,804	–	140,804
Share options lapsed	(72,732)	–	(72,732)
Balance at 31 December 2019	472,863	(2,497,964)	(2,025,101)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd. 今盛工程管理諮詢(深圳)有限公司	the PRC, 27 July 2001	Limited liability company	HK\$714,000,000	100%	100%	Property development
Kaisa Urban Redevelopment Group (Shenzhen) Co., Ltd. 佳兆業城市更新集團(深圳)有限公司	the PRC, 26 March 2004	Limited liability company	RMB10,000,000	100%	100%	Property development
Kaisa Group (Shenzhen) Co., Ltd. 佳兆業集團(深圳)有限公司	the PRC, 3 June 1999	Limited liability company	RMB2,826,163,980	100%	100%	Property development
Shenzhen Naiao Kaisa Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司	the PRC, 15 February 2004	Limited liability company	RMB640,000,000	100%	100%	Property development
Huizhou Canrong Property Ltd. 惠州燦榮房產有限公司	the PRC, 14 January 1994	Limited liability company	RMB35,926,506	100%	100%	Property development
Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司	the PRC, 14 December 2010	Limited liability company	RMB372,570,000	N/A (note iii)	100%	Property development
Zhaoruijing Hotel Zhiye Management (Suizhong) Co., Ltd. 兆瑞景酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	Limited liability company	HK\$68,300,000	100%	100%	Hotel management
Leisure Land Hotel Zhiye Management (Suizhong) Co., Ltd. 可域酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	Limited liability company	RMB144,653,000	100%	100%	Hotel management
Zhuzhou Kaisa Zhiye Co., Ltd. 株州佳兆業置業有限公司	the PRC, 13 January 2011	Limited liability company	HK\$600,000,000	100%	100%	Property development
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	the PRC, 28 December 2010	Limited liability company	RMB850,000,000	100%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司	the PRC, 7 March 2011	Limited liability company	HK\$210,000,000	100%	100%	Property development
Zhuhai Kaisa Property Development Co., Ltd. 珠海市佳兆業房地產開發有限公司	the PRC, 9 June 2011	Limited liability company	RMB518,000,000	100%	100%	Property development
Bakai Property Development (Weifang) Co., Ltd 八凱房地產開發(濰坊)有限公司	the PRC, 22 June 2011	Limited liability company	US\$50,000,000	N/A (note i)	100%	Property development
Kaisa Property (Wuhan) Co., Ltd 佳兆業地產(武漢)有限公司	the PRC, 1 July 2011	Limited liability company	RMB547,528,247	100%	100%	Property development
Kaisa Tourism Development Co., Ltd 佳兆業旅遊開發有限公司	the PRC, 15 July 2011	Limited liability company	HK\$93,600,000	100%	100%	Property development
Kaisa Property (Suizhong) Co., Ltd 佳兆業地產(綏中)有限公司	the PRC, 15 July 2011	Limited liability company	HK\$246,500,000	100%	100%	Property development
Kaisa Property (Liaoyang) Co., Ltd. 佳兆業地產(遼陽)有限公司	the PRC, 24 August 2011	Limited liability company	US\$31,000,000	100%	100%	Property development
Anshan Kaisa Commerce Operation Management Co., Ltd 鞍山佳兆業商業管理有限公司	the PRC, 26 September 2011	Limited liability company	US\$26,582,581	N/A (note i)	100%	Commerce management
Kaisa Xindu Zhiye (Qingdao) Co., Ltd 佳兆業新都置業(青島)有限公司	the PRC, 18 February 2013	Limited liability company	US\$60,000,000	100%	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	the PRC, 11 April 1992	Limited liability company	RMB98,040,000	100%	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	the PRC, 29 January 2007	Limited liability company	RMB50,000,000	N/A (note ii)	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理(深圳)有限公司	the PRC, 20 October 1999	Limited liability company	RMB310,000,000	100%	100%	Property management
Kaisa Commerce Group Co., Ltd. 佳兆業商業集團有限公司	the PRC, 19 July 2004	Limited liability company	RMB1,000,000,000	100%	100%	Commerce management
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	the PRC, 21 March 1997	Limited liability company	RMB12,000,000	100%	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	the PRC, 27 October 2005	Limited liability company	RMB202,500,000	100%	100%	Property development
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發有限公司	the PRC, 6 September 2004	Limited liability company	RMB38,000,000	100%	100%	Property development
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	the PRC, 3 March 2006	Limited liability company	RMB20,000,000	100%	100%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	the PRC, 14 September 2007	Limited liability company	RMB1,000,000	100%	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	the PRC, 4 July 2008	Limited liability company	RMB10,000,000	80%	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	Limited liability company	RMB20,000,000	100%	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	the PRC, 4 January 2007	Limited liability company	RMB10,000,000	100%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	the PRC, 22 November 2007	Limited liability company	RMB155,000,000	100%	100%	Property development
Nanchong Kaisa Property Co., Ltd. 南充市佳兆業房地產有限公司	the PRC, 10 December 2010	Limited liability company	RMB10,000,000	100%	100%	Property development
Zhaoruijing Property (Yingkou) Co., Ltd. 兆瑞景地產(營口)有限公司	the PRC, 14 December 2010	Limited liability company	US\$21,056,200	100%	100%	Property development
Kaisa Property (Anshan) Co., Ltd. 佳兆業地產(鞍山)有限公司	the PRC, 16 December 2010	Limited liability company	US\$67,000,000	N/A	N/A (note iii)	Property development
Shenzhen Henggang Kaisa Investment Consulting Co., Ltd. 深圳市橫崗佳兆業投資諮詢有限公司	the PRC, 3 June 2011	Limited liability company	RMB10,000,000	100%	100%	Property development
Anshan Junhuishangpin Property Development Co., Ltd. 鞍山君匯上品房地產開發有限公司	the PRC, 28 June 2011	Limited liability company	US\$24,210,830	100%	100%	Property development
Wan Rui Fa Property (Anshan) Co., Ltd. 萬瑞發地產(鞍山)有限公司	the PRC, 28 June 2011	Limited liability company	US\$19,115,864	100%	100%	Property development
Dongguan City Oasis Garden Property Development Co., Ltd. 東莞市城市綠洲花園房地產開發有限公司	the PRC, 21 October 2011	Limited liability company	RMB10,000,000	100%	100%	Property development
Shanghai Xiangyi Management Consulting Co., Ltd. 上海向益管理諮詢有限公司	the PRC, 3 November 2011	Limited liability company	RMB25,000,000	100%	100%	Property development
Chongqing Shenlian Investment Co., Ltd. 重慶深聯投資有限公司	the PRC, 22 August 2012	Limited liability company	RMB20,000,000	60%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Dongguan Yulongshan Property Development Co., Ltd. 東莞市御龍山房地產開發有限公司	the PRC, 9 April 2013	Limited liability company	RMB20,000,000	100%	100%	Property development
Chongqing Tanxun Wulianwang Technology Co., Ltd. 重慶談訊物聯網科技有限公司	the PRC, 13 November 2013	Limited liability company	RMB10,000,000	100%	100%	Property development
Kaisa E-Commerce (Shenzhen) Co., Ltd. 佳兆業電子商務(深圳)有限公司	the PRC, 24 February 2014	Limited liability company	RMB20,000,000	100%	100%	Property development
Shenzhen no.1 Warehouse Fast Network Co., Ltd. 深圳市一號倉佳速網絡有限公司	the PRC, 9 December 2014	Limited liability company	RMB10,000,000	100%	100%	Property development
Boluo Guifangyuan Real Estate Development Co., Ltd. 博羅縣桂芳園房地產開發有限公司	the PRC, 17 November 2018	Limited liability company	RMB10,000,000	N/A (note ii)	100%	Property development
Wuhan Haiding Property Co., Ltd. 武漢市海鼎置業有限責任公司	the PRC, 22 November 2002	Limited liability company	RMB30,000,000	100%	100%	Property development
Shanghai Yuwan Mega Real Estate Development Co., Ltd. 上海裕灣兆業房地產開發有限公司	the PRC, 10 November 2016	Limited liability company	RMB30,000,000	75%	75%	Property development
Chongqing Xintong Real Estate Development Co., Ltd. 重慶市新事通房地產開發有限公司	the PRC, 27 December 2016	Limited liability company	RMB20,000,000	100%	100%	Property development
Shenzhen Zhenhua Harbour Enterprise Limited 深圳圳華港灣企業有限公司	the PRC, 3 May 1984	Limited liability company	RMB21,000,000	51%	51%	Property development
Shenzhen Nanao Hotel Co., Ltd. 深圳市南澳大酒店有限公司	the PRC, 4 September 2000	Limited liability company	RMB5,000,000	N/A (note ii)	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Shenzhen Sanlian Kendu Pharmaceutical Co., Ltd. 深圳三聯肯渡製藥股份有限公司	the PRC, 25 September 1995	Limited liability company	RMB100,000,000	70%	70%	Property development
Shaoxing Hongjia Housing Co., Ltd. 紹興鴻佳置業有限公司	the PRC, 25 July 2016	Limited liability company	RMB30,000,000	70%	70%	Property development
Guangzhou International Toys and Gift City Co., Ltd. 廣州國際玩具禮品城有限公司	the PRC, 31 October 2003	Limited liability company	RMB370,000,000	90%	N/A (note ii)	Property development
Zhuhai Jia Jun Investment Company Limited 珠海市佳駿投資有限公司	the PRC, 18 May 2016	Limited liability company	RMB50,000,000	100%	100%	Property development
Hunan Xian Yong Real Estate Development Co., Ltd. 湖南湘永房地產開發有限公司	the PRC, 12 October 2009	Limited liability company	RMB408,160,000	N/A (note ii)	100%	Property development
Nanjing Kaisa Jiayu Real Estate Development Company Limited 南京佳兆業佳御房地產開發有限公司	the PRC, 21 July 2016	Limited liability company	RMB50,000,000	N/A (note ii)	100%	Property development
Xinzheng Henderson Real Estate Development Company Limited 新鄭市佳兆業房地產開發有限公司	the PRC, 14 July 2017	Limited liability company	RMB400,000,000	100%	100%	Property development
Suzhou Tongjia Real Estate Development Co., Ltd. 蘇州市同佳房地產開發有限公司	the PRC, 17 July 2016	Limited liability company	RMB50,000,000	100%	100%	Property development
Zhongshan Real Estate Development Co., Ltd. Tomizawa 中山富澤房地產開發有限公司	the PRC, 17 March 2015	Limited liability company	RMB10,000,000	80%	80%	Property development
Hangzhou Jiixin Zhiye Co., Ltd. 杭州佳欣置業有限公司	the PRC, 18 September 2016	Limited liability company	RMB4,093,000	100%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Hangzhou Wance Zhiye Co., Ltd. 杭州萬冊置業有限公司	the PRC, 11 August 2016	Limited liability company	RMB50,000,000	100%	100%	Property development
Hunan Ding Cheng Da Real Estate Development Co., Ltd. 湖南鼎誠達房地產開發有限公司	the PRC, 26 September 2012	Limited liability company	RMB100,000,000	80%	80%	Property development
Zhongshan Fugang Real Estate Development Co., Ltd. 中山富港房地產開發有限公司	the PRC, 16 March 2017	Limited liability company	RMB150,600,000	N/A (note ii)	80%	Property development
Jiashan Shangwan Real Estate Development Co., Ltd. 嘉善尚灣房地產開發有限公司	the PRC, 13 October 2017	Limited liability company	RMB8,000,000	51%	51%	Property development
Shenzhen Woodland Height Shiye Co., Ltd. 深圳市桂芳園實業有限公司	the PRC, 13 October 2003	Limited liability company	RMB500,000,000	100%	100%	Property development
Huizhou Jinhu Property Development Co., Ltd. 惠州市金湖房地產有限公司	the PRC, 26 March 1993	Limited liability company	RMB100,000,000	N/A (note ii)	100%	Property development
Shenzhen Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司	the PRC, 14 November 2006	Limited liability company	RMB204,680,000	100%	100%	Property development
Chengdu Nanxing Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	the PRC, 5 November 2004	Limited liability company	RMB420,000,000	100%	100%	Property development
Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司	the PRC, 21 August 2007	Limited liability company	RMB220,000,000	100%	100%	Property development
Shenzhen Dapeng Kaisa Property Development Co., Ltd. 深圳市大鵬佳兆業房地產開發有限公司	the PRC, 17 November 2000	Limited liability company	RMB100,000,000	100%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司	the PRC, 19 July 2007	Limited liability company	RMB1,000,000,000	100%	100%	Construction engineering
Shenzhen Xingwoer Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	the PRC, 29 January 1999	Limited liability company	RMB10,000,000	100%	100%	Property development
Shanghai Xinwan Investment Development Co., Ltd. 上海新灣投資發展有限公司	the PRC, 17 January 2007	Limited liability company	RMB35,000,000	100%	100%	Property development
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	the PRC, 29 August 2007	Limited liability company	RMB60,000,000	N/A (note ii)	100%	Property development
Boluo Kaisa Real Estate Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	the PRC, 2 June 2008	Limited liability company	RMB10,000,000	100%	100%	Property development
Shenzhen Golden Bay Hotel Co., Ltd. 深圳市金沙灣大酒店有限公司	the PRC, 17 June 1997	Limited liability company	RMB50,000,000	100%	100%	Hotel management
Leisure Land Hotel Property Management Jiangyin Co., Ltd 可域酒店置業管理江陰有限公司	the PRC, 15 October 2009	Limited liability company	RMB150,000,000	100%	100%	Property development
Shenzhen Tianlian Industry Development Co., Ltd. 深圳市天利安實業發展有限公司	the PRC, 4 September 2002	Limited liability company	RMB46,000,000	100%	100%	Property development
Jiangsu Kaisa Investment Co., Ltd. 江蘇佳兆業投資有限公司	the PRC, 18 May 2010	Limited liability company	RMB15,000,000	100%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Baoji Crafts (Shenzhen) Co., Ltd. 寶吉工藝品(深圳)有限公司	the PRC, 28 December 1988	Limited liability company	RMB877,725,000	100%	100%	Property development
Jiangyin Washington Waterfront Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	the PRC, 10 December 2010	Limited liability company	RMB20,000,000	100%	100%	Property development
Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司	the PRC, 7 January 2010	Limited liability company	RMB260,000,000	100%	100%	Property development
Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司	the PRC, 22 February 2011	Limited liability company	RMB20,000,000	100%	100%	Property development
Dalian Kaisa Commerce Operation Management Co., Ltd. 大連市佳兆業商業經營管理有限公司	the PRC, 18 March 2011	Limited liability company	RMB120,000,000	100%	100%	Commerce management
Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司	the PRC, 19 April 2011	Limited liability company	RMB800,000,000	100%	100%	Property development
Kaisa Dai River East Property Development Co., Ltd. 佳兆業東戴河房地產開發有限公司	the PRC, 6 July 2011	Limited liability company	RMB50,000,000	100%	100%	Property development
Hunan Mingtai Zhiye Development Co., Ltd. 湖南明泰置業發展有限公司	the PRC, 12 October 2000	Limited liability company	RMB310,000,000	N/A (note ii)	100%	Property development
Shenzhen Yuefeng Investment Co., Ltd. 深圳市悅峰投資有限公司	the PRC, 25 April 2012	Limited liability company	RMB100,000,000	100%	100%	Property development
Guangzhou Yaxiang Property Development Co., Ltd. 廣州市雅翔房地產開發有限公司	the PRC, 7 May 2012	Limited liability company	RMB918,370,000	60.48% (note 40(c))	N/A (note ii)	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Taizhou Kaisa Jiangshan Property Development Co., Ltd 泰州佳兆業江山房地產開發有限公司	the PRC, 30 December 2011	Limited liability company	RMB50,000,000	51%	100%	Property development
Kaisa Property (Shanghai) Co., Ltd. 佳兆業地產(上海)有限公司	the PRC, 17 July 2012	Limited liability company	RMB30,000,000	N/A (note i)	100%	Property development
Wuhan Kaisa Investment Co., Ltd 武漢市佳兆業投資有限公司	the PRC, 13 July 2012	Limited liability company	RMB250,000,000	100%	100%	Property development
Shanghai Jinwan Zhaoye Property Development Co., Ltd. 上海金灣兆業房地產開發有限公司	the PRC, 2 August 2012	Limited liability company	RMB30,000,000	100%	100%	Property development
Jiangyin Binjiangyuan Property Development Co., Ltd 江陰濱江雅園房地產開發有限公司	the PRC, 14 September 2012	Limited liability company	RMB20,000,000	100%	100%	Property development
Dalian Huapu Zhiye Co., Ltd. 大連華普置業有限公司	the PRC, 9 December 2009	Limited liability company	RMB100,000,000	100%	100%	Property development
Shanghai Jiawan Zhaoye Property Co., Ltd 上海嘉灣兆業房地產有限公司	the PRC, 24 December 2012	Limited liability company	RMB30,000,000	100%	100%	Property development
Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd. 佳兆業文化體育(深圳)有限公司	the PRC, 25 January 2013	Limited liability company	RMB72,000,000	90%	90%	Commerce management
Kaisa Property (Hangzhou) Co., Ltd. 佳兆業房地產(杭州)有限公司	the PRC, 6 March 2013	Limited liability company	RMB40,820,000	100%	100%	Property development
Chengdu Tianjia Zhiye Co., Ltd. 成都天佳置業有限公司	the PRC, 19 April 2013	Limited liability company	RMB200,000,000	100%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Shenzhen Jiawangji Property Development Co., Ltd. 深圳市佳旺基房地產開發有限公司	the PRC, 5 February 2010	Limited liability company	RMB50,000,000	70%	70%	Property development
Wuhan Junhui Property Development Co., Ltd. 武漢市君匯房地產開發有限公司	the PRC, 20 May 2013	Limited liability company	RMB50,000,000	100%	100%	Property development
Shanghai Yingwan Zhaoye Property Development Co., Ltd. 上海贏灣兆業房地產有限公司	the PRC, 20 June 2013	Limited liability company	RMB50,000,000	100%	100%	Property development
Shanghai Rongwan Zhaoye Property Development Co., Ltd. 上海榮灣兆業房地產開發有限公司	the PRC, 17 October 2013	Limited liability company	RMB30,000,000	100%	100%	Property development
Wan Tai Chang Property Development (Suizhong) Co., Ltd. 萬泰昌房地產開發(綏中)有限公司	the PRC, 15 October 2013	Limited liability company	HK\$428,999,750	100%	100%	Property development
Hangxilongye Property (Hangzhou) Co., Ltd. 杭溪隆業房地產(杭州)有限公司	the PRC, 26 June 2013	Limited liability company	RMB98,000,000	100%	100%	Property development
Shanghai Chengwan Zhaoye Property Development Co., Ltd. 上海誠灣兆業房地產有限公司	the PRC, 2 August 2013	Limited liability company	RMB58,820,000	100%	100%	Property development
Hunan Daye Property Development Co., Ltd. 湖南達業房地產開發有限公司	the PRC, 9 August 2013	Limited liability company	RMB100,000,000	100%	100%	Property development
Chongqing Kaisa Property Development Co., Ltd. 重慶佳兆業房地產開發有限公司	the PRC, 13 November 2013	Limited liability company	RMB946,675,000	100%	100%	Property development
Guangzhou Zhaochang Property Development Co., Ltd. 廣州市兆昌房地產開發有限公司	the PRC, 21 June 2013	Limited liability company	RMB30,000,000	94.9% (note 40(c))	N/A (note ii)	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司	the PRC, 15 September 2006	Limited liability company	RMB20,000,000	100%	100%	Property development
Fenglong Group Co., Ltd. 豐隆集團有限公司	the PRC, 29 October 1993	Limited liability company	RMB168,000,000	100%	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	the PRC, 14 January 1994	Limited liability company	HK\$256,026,685	100%	100%	Property development
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司	the PRC, 24 March 2008	Limited liability company	US\$3,794,256	100%	100%	Property development
Kaisa Real Estate Jiangyin Co., Ltd. 佳兆業地產江陰有限公司	the PRC, 15 October 2009	Limited liability company	RMB450,000,000	100%	100%	Property development
Kaisa Real Estate (Liaoning) Co., Ltd. 佳兆業地產(遼寧)有限公司	the PRC, 28 January 2010	Limited liability company	RMB1,086,670,000	100%	100%	Property development
Shenzhen Zhengchangtai Investment Consulting Co., Ltd 深圳市正昌泰投資諮詢有限公司	the PRC, 13 June 2007	Limited liability company	RMB10,000,000	100%	100%	Property development
Wan Rui Chang Property Development Co., Ltd 萬裕昌計算機技術開發(深圳)有限公司	the PRC, 26 October 2001	Limited liability company	HK\$2,000,000	100%	100%	Commerce management
Kaisa Holdings Limited 佳兆業集團有限公司	HK, 16 July 1999	Limited liability company	HK\$10,000	100%	100%	Property development
Beijing Jinmao Caixun Xinci Co., Ltd 北京金貿財迅資訊有限公司	the PRC, 5 December 2005	Limited liability company	RMB24,400,000	100%	100%	Commerce management
Dong Sheng Investment Company Limited 東升投資有限公司	BVI, 25 July 2007	Limited liability company	US\$1	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Rui Jing Investment Company Limited 瑞景投資有限公司	BVI, 23 July 2007	Limited liability company	HK\$1	100%	100%	Investment holding
Kaisa (Huizhou) Road Construction Development Co., Ltd. 佳兆業(惠州)道路建設發展有限公司	the PRC, 2 February 2008	Limited liability company	US\$40,000,000	100%	100%	Commerce management
Tai An Da Investment Company Limited 泰安達投資有限公司	BVI, 2 March 2010	Limited liability company	US\$2	100%	100%	Investment holding
Wan Rui Fa Investment Company Limited 萬瑞發投資有限公司	HK, 2 March 2010	Limited liability company	HK\$10,000	100%	100%	Investment holding
Tai He Sheng Investment Company Limited 泰和盛投資有限公司	BVI, 2 March 2010	Limited liability company	US\$1	100%	100%	Investment holding
Tai Chong Li Investment Company Limited 泰昌利投資有限公司	BVI, 2 March 2010	Limited liability company	US\$1	100%	100%	Investment holding
Wan Jin Chang Investment Limited 萬晉昌投資有限公司	HK, 2 March 2010	Limited liability company	HK\$1	100%	100%	Investment holding
Wan Rui Chang Investment Company Limited 萬瑞昌投資有限公司	HK, 2 March 2010	Limited liability company	HK\$1	100%	100%	Investment holding
Wan Tai Chang Investment Company Limited 萬泰昌投資有限公司	HK, 2 March 2010	Limited liability company	HK\$1	100%	100%	Investment holding
Shenzhen Kaisa Hotel Management Co., Ltd. 深圳市佳兆業酒店管理有限公司	the PRC, 15 September 2010	Limited liability company	RMB110,750,000	100%	100%	Hotel management
Hong Kong Kaisa Industry Co., Limited 香港佳兆業實業有限公司	HK, 24 November 2010	Limited liability company	US\$1,000	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Changzhou Kaisa Property Development Co., Ltd 常州佳兆業房地產開發有限公司	the PRC, 8 December 2010	Limited liability company	RMB506,958,095	100%	100%	Property development
Sunny Sino Investments Limited 熙華投資有限公司	HK, 21 September 2011	Limited liability company	US\$1	100%	100%	Investment holding
Xifeng Management Consulting (Shenzhen) Co., Ltd. 熙豐管理諮詢(深圳)有限公司	the PRC, 17 November 2011	Limited liability company	RMB1,000,000	100%	100%	Commerce management
Shenzhen Denghong Management Consulting Co., Ltd 深圳市德弘管理諮詢有限公司	the PRC, 8 November 2011	Limited liability company	RMB500,000,000	100%	100%	Commerce management
Action Enrich Limited 行裕有限公司	BVI, 2 May 2012	Limited liability company	US\$1,000	100%	100%	Investment holding
Chengdu Dingchengda Property Development Co., Ltd 成都市鼎誠達房地產開發有限公司	the PRC, 6 July 2012	Limited liability company	RMB10,000,000	100%	100%	Property development
Zuobo Management Consulting (Shenzhen) Co., Ltd 佳兆業左博置業(深圳)有限公司	the PRC, 21 August 2012	Limited liability company	RMB20,000,000	100%	100%	Property development
Wan Rui Chang Property Development (Suizhong) Co., Ltd 萬瑞昌房地產開發(綏中)有限公司	the PRC, 1 August 2012	Limited liability company	HK\$244,000,000	100%	100%	Property development
Kaisa Property (Dandong) Co., Ltd 佳兆業地產(丹東)有限公司	the PRC, 30 October 2012	Limited liability company	US\$50,500,000	100%	100%	Property development
Shenzhen Cixiang Kaisa Property Development Co., Ltd. 深圳市西鄉佳兆業房地產開發有限公司	the PRC, 27 May 2013	Limited liability company	RMB50,000,000	100%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Splendid Maple Limited 燁楓有限公司	BVI, 21 May 2013	Limited liability company	US\$10,000	100%	100%	Investment holding
Huidong Kaisa Property Development Limited 惠東縣佳兆業房地產開發有限公司	the PRC, 13 February 2014	Limited liability company	RMB50,000,000	N/A (note ii)	100%	Property development
Suzhou Kaisa Property Development Co., Ltd. 蘇州市佳兆業房地產開發有限公司	the PRC, 20 February 2014	Limited liability company	RMB196,000,000	100%	100%	Property development
Chengdu Jincheng Jiaye Property Development Co., Ltd. 成都錦城佳業房地產開發有限公司	the PRC, 24 February 2014	Limited liability company	RMB10,000,000	100%	100%	Property development
Nanjing Aoxin Property Development Co., Ltd. 南京奧信房地產開發有限公司	the PRC, 11 November 2011	Limited liability company	RMB50,000,000	100%	100%	Property development
Shanghai Qingwan Zhaoye Property Development Co., Ltd. 上海青灣兆業房地產開發有限公司	the PRC, 21 August 2014	Limited liability company	RMB50,000,000	100%	100%	Property development
Chengdu Jinxinrui Property Development Co., Ltd. 成都市錦新瑞房地產開發有限公司	the PRC, 7 November 2012	Limited liability company	RMB50,000,000	100%	100%	Property development
Shenzhen Guanyang Property Development Co., Ltd. 深圳冠洋房地產有限公司	the PRC, 5 June 2009	Limited liability company	RMB100,000,000	51%	51%	Property development
Shenzhen Jielingzixun Co., Ltd. 深圳市傑領資訊諮詢有限公司	the PRC, 3 November 2014	Limited liability company	RMB1,000,000	100%	100%	Commerce management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Hainan Kaisa Industrial Group Co., Ltd. 海南佳兆業實業集團有限公司	the PRC, 24 April 2010	Limited liability company	RMB1,000,000,000	100%	100%	Property development
Guangzhou Kaisa Investment Co., Ltd. 廣州佳兆業投資諮詢有限公司	the PRC, 8 March 2010	Limited liability company	RMB10,000,000	55%	55%	Property development
Shenzhen Kaisa Real Estate Co., Ltd. 深圳市佳兆業置業有限公司	the PRC, 7 September 2012	Limited liability company	RMB10,000,000	100%	100%	Property development
Shenzhen Guan Lan Kaisa Real Estate Development Co., Ltd. 深圳市觀瀾佳兆業置業發展有限公司	the PRC, 30 August 2013	Limited liability company	RMB50,000,000	100%	100%	Property development
Shenzhen Jirui Real Estate Development Co., Ltd. 深圳市吉瑞置業發展有限公司	the PRC, 4 September 2014	Limited liability company	RMB10,000,000	100%	100%	Property development
Shenzhen Jili Real Estate Development Co., Ltd. 深圳市吉麗房地產開發有限公司	the PRC, 25 October 2019	Limited liability company	RMB632,800,000	100%	N/A	Property development
Qinghai Pharmaceutical Co., Limited 青海製藥廠有限公司	the PRC, 31 May 2000	Limited liability company	RMB100,000,000	54.84% (note 40(b))	N/A	Manufacturing and trading of pharmaceutical products
Guangzhou Jingsheng Real Estate Development Co., Ltd. 廣州市景晟房地產開發有限公司	the PRC, 8 August 2019	Limited liability company	RMB10,000,000	100%	N/A	Property development
Dalian Shizhan Real Estate Development Co., Ltd. 大連世展房地產開發有限公司	the PRC, 26 January 2014	Limited liability company	RMB138,000,000	100% (note iv)	N/A	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Chongqing Kunzhourun Real Estate Development Co., Ltd. 重慶瓊洲潤置業發展有限公司	the PRC, 31 July 2018	Limited liability company	RMB20,080,000	100% (note iv)	N/A	Property development
Ningbo Kangzheng Real Estate Development Co., Ltd. 寧波康正置業有限公司	the PRC, 20 October 2017	Limited liability company	RMB100,000,000	30%	30%	Property development
Hengyang Hengji Real Estate Development Co., Ltd. 衡陽恒基置業有限公司	the PRC, 27 October 2010	Limited liability company	RMB81,600,000	51%	51%	Property development
Zhongshan Jiayu Property Development Limited 中山佳旭房地產開發有限公司	the PRC, 23 August 2018	Limited liability company	RMB5,000,000	80%	100%	Property development
Chengdu Huaguan Keheng Technology Co., Ltd. 成都華冠可恒科技有限公司	the PRC, 26 June 2017	Limited liability company	RMB40,816,327	51%	51%	Property development
Chengdu Jinxi Shengrong Real Estate Development Co., Ltd. 成都錦熙晟榮房地產開發有限公司	the PRC, 26 April 2017	Limited liability company	RMB10,000,000	51%	51%	Property development
Qingdao Jiake Real Estate Development Co., Ltd. 青島佳科房地產開發有限公司	the PRC, 25 December 2018	Limited liability company	RMB10,000,000	51%	51%	Property development
Foshan Foija Real Estate Development Co., Ltd. 佛山市佛佳房地產開發有限公司	the PRC, 24 May 2018	Limited liability company	RMB30,000,000	100%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Bazhou Yujingxuan Real Estate Development Co., Ltd. 霸州市裕景軒房地產開發有限公司	the PRC, 8 August 2017	Limited liability company	RMB5,000,000	51%	51%	Property development
Shenzhen Longfei Textile limited liabilities Co., Ltd. 深圳市龍飛紡織工業有限責任公司	the PRC, 20 October 1992	Limited liability company	RMB359,693,539	95% (note iv)	N/A	Property development
Chengdu Jiaruihua Real Estate Development Co., Ltd. 成都佳瑞華房地產開發有限公司	the PRC, 19 October 2017	Limited liability company	RMB10,000,000	100%	100%	Property development
Xingbotong Electrical (Shenzhen) Co., Ltd. 興博通電子(深圳)有限公司	the PRC, 28 May 2001	Limited liability company	RMB390,000,000	100%	100%	Property development
Shenzhen Baolijianye Investment Co., Ltd. 深圳市保利建業投資有限公司	the PRC, 6 November 2012	Limited liability company	RMB80,000,000	53.40%	53.4%	Property development
Suzhou Jiayuanhuafu Real Estate Development Co., Ltd. 蘇州市佳源華府房地產開發有限公司	the PRC, 17 January 2018	Limited liability company	RMB50,209,400	100%	100%	Property development
Shenzhen Ruijing Information Consulting Co., Ltd. 深圳市瑞景信息諮詢有限公司	the PRC, 10 January 2017	Limited liability company	RMB50,000,000	100%	100%	Property development
Huizhou Jiashang Investment Co., Ltd. 惠州市佳尚投資有限公司	the PRC, 1 August 2017	Limited liability company	RMB10,000,000	70%	70%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Shenzhen Dashengtong Real Estate Development Co., Ltd. 深圳市達盛通置業有限公司	the PRC, 28 April 2016	Limited liability company	RMB10,000,000	30%	30%	Property development
Shenzhen Shipping Group Co., Ltd. 深圳市航運集團有限公司	the PRC, 24 March 1982	Limited liability company	RMB70,000,000	70%	70%	Water-way passenger and cargo transportation
Pinggu Nuoxin Real Estate Development (Dalian) Co., Ltd. 平谷諾信置業(大連)有限公司	the PRC, 8 November 2011	Limited liability company	RMB90,812,600	100% (note iv)	N/A	Property development
Shenzhen Dapeng Shipping Co., Ltd. 深圳市鵬星船務有限公司	the PRC, 1 December 1982	Limited liability company	RMB5,000,000	70%	70%	Water-way passenger and cargo transportation
Shenzhen Football Club Co., Ltd. 深圳市足球俱樂部有限公司	the PRC, 28 October 1994	Limited liability company	RMB110,000,000	90%	90%	Cultural operation
Kaisa Prosperity Holdings Limited 佳兆業美好集團有限公司	Cayman Islands, 13 October 2018	Limited liability company	RMB1,232,000	75%	75%	Investment holding
Zhongshan Runbang Real Estate Development Co., Ltd. 中山市潤邦房地產開發有限公司	the PRC, 24 May 2012	Limited liability company	RMB1,000,000	100%	100%	Property development
Chengdu Shengshi Phoenix Nest Property 成都盛世鳳巢置業有限公司	the PRC, 7 January 2014	Limited liability company	RMB30,000,000	100%	100% (note iv)	Property development
Chongqing Dingzhu Development Co., Ltd. 重慶鼎鑄實業發展有限公司	the PRC, 28 June 2018	Limited liability company	RMB18,000,000	N/A (note ii)	100% (note iv)	Property development
Zhuhai Hao Hui Business Service Co., Ltd. 珠海浩輝商務服務有限公司	the PRC, 28 May 2015	Limited liability company	RMB10,000,000	100%	100% (note iv)	Commerce management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest		Principal activities
				2019	2018	
Xinxiang Kaisa Real Estate Development Co., Ltd. 新鄉市佳兆業房地產開發有限公司	the PRC, 23 August 2018	Limited liability company	RMB10,000	51% (note ii)	100%	Property development
Suizhong Jia Yue Real Estate Development Co., Ltd. 綏中佳悅房地產開發有限公司	the PRC, 21 August 2018	Limited liability company	RMB5,000	100%	100%	Property development
Zhangjiang Kaisa Top Quality Real Estate Development Co., Ltd. 張家港市佳兆業上品房地產開發有限公司	the PRC, 2 July 2018	Limited liability company	RMB5,000	100%	N/A	Property development
Xuzhou Jiale Real Estate Development Co., Ltd. 徐州佳樂房地產開發有限公司	the PRC, 27 June 2018	Limited liability company	RMB17,500,000	51%	51%	Property development
Shaoxing Ming Yue Real Estate Co., Ltd. 紹興明悅置業有限公司	the PRC, 25 July 2016	Limited liability company	RMB2,000	51%	100%	Property development

Notes:

- (i) The Group entered into agreements with a number of investors to dispose certain equity interests in certain subsidiaries. Upon shares transferred, the Group lost its control in these subsidiaries. These companies ceased to be subsidiaries of the Group and were accounted for as joint ventures of the Group, using equity method, see note 41(a).
- (ii) The Group entered into agreements with a number of investors for the capital injection in certain subsidiaries. Upon capital injection, the Group's equity interest in these subsidiaries have been diluted from 100% and lost control in these subsidiaries. These companies ceased to be subsidiaries of the Group, and were accounted for as joint ventures and associates of the Group, using equity method, see note 41(b).
- (iii) The Group sell its completed properties held for sales and properties under development to independent third parties through disposals of companies. The consideration was recorded as revenue during the years ended 31 December 2019 and 31 December 2018.
- (iv) The Group acquired assets through acquisitions of subsidiaries. See note 40(a).
- (v) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

The table below shows details of non-wholly owned subsidiary of the Company that is individual material non-controlling interests of the Group as at 31 December 2019 and 2018:

Name of subsidiary	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Shenzhen Marine and its subsidiaries ("Shenzhen Marine Group") (note i)	the PRC	30%	30%	16,238	60,344	10,314,280	10,298,042

Notes:

- i As at 31 December 2019, the Group held 70% (2018: 70%) equity interest in Shenzhen Marine, which indirectly held 51% (2018: 51%) equity interest in Shenzhen Zhenhua Harbour Enterprise Limited* ("深圳圳華港灣企業有限公司").
- ii During the year ended 31 December 2019, the Group entered into cooperation agreements with independent third parties, it is agreed that the Group and the investors set up certain subsidiaries with total contribution amounts of RMB8,211,000,000 and RMB7,889,000,000 (2018: RMB1,632,000,000 and RMB1,568,000,000) respectively to obtain the lands for further development. Upon capital injection, the Group and the investors had 51% and 49% (2018: 51% and 49%) equity interest in these subsidiaries.
- * The English translation of the name of the Company established in the PRC is for reference only. The official name of the Company is in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Summarised financial information in respect of the Group's subsidiary with individual material non-controlling interest as set out below. The summarised financial information below represents amounts before intra-group eliminations.

	Shenzhen Marine Group	
	2019 RMB'000	2018 RMB'000
Current assets	17,414,404	16,957,815
Non-current assets	3,208,906	771,977
Current liabilities	(4,583,505)	(2,693,926)
Non-current liabilities	(977,507)	(27,695)
Equity	15,062,298	15,008,171
Equity attributable to owners of the Company	4,748,018	4,710,129
Equity attributable to non-controlling interests	10,314,280	10,298,042

	Shenzhen Marine Group	
	2019 RMB'000	2018 RMB'000
Revenue	898,178	826,598
Profit for the year	65,983	187,923
Other comprehensive income/(loss) for the year	(11,856)	13,227
Total comprehensive income attributable to owners of the Company	37,889	140,806
Total comprehensive income attributable to the non-controlling interests	16,238	60,344
Total comprehensive income for the year	54,127	201,150
Net cash from operating activities	92,976	632,826
Net cash used in investing activities	(1,297,276)	(664,883)
Net cash from financing activities	1,404,013	57,076
Net cash inflow/(outflow)	199,713	25,019

Amount less than RMB1,000

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Non-current assets					
Property, plant and equipment	4,819,506	3,055,880	2,551,580	1,087,064	760,171
Right-of-use assets	1,358,516	–	–	–	–
Investment properties	35,309,000	35,930,000	32,025,830	30,690,680	20,738,703
Land use rights	753,493	669,078	395,815	163,178	162,942
Investments in associates	11,918,789	7,072,822	5,284,835	1,331,121	783,175
Investments in joint ventures	14,092,325	8,677,152	6,818,118	931,751	–
Available-for-sale financial assets	–	–	4,400,796	154,538	–
Financial assets at fair value through profit or loss	7,807,357	6,567,622	–	–	–
Debtors, deposits and other receivables	553,500	1,652,852	823,860	–	–
Goodwill and intangible assets	1,238,218	1,105,288	1,206,237	217,798	–
Long-term bank deposits	1,600,000	400,000	–	–	1,479
Convertible bonds receivable	–	–	41,328	–	–
Deferred tax assets	864,268	784,310	9,699	26,543	32,207
	80,314,972	65,915,004	53,558,098	34,602,673	22,478,677
Current assets					
Properties under development	63,674,746	64,764,338	68,066,413	60,559,839	63,861,735
Completed properties held for sale	13,003,874	13,130,534	18,170,966	16,246,233	17,663,012
Inventories	260,302	105,305	2,714	–	–
Available-for-sale financial assets	–	–	–	13,104	10,000
Deposits for land acquisition	19,891,354	19,445,196	21,422,522	17,693,750	4,002,386
Prepayments for proposed development projects	23,782,080	19,080,815	15,925,608	13,620,415	10,566,950
Debtors, deposits and other receivables	33,461,565	22,600,171	14,124,677	5,786,042	5,357,835
Prepaid taxes	1,092,397	1,134,324	850,499	727,280	298,157
Restricted cash	6,016,455	6,792,292	7,939,574	5,696,597	969,403
Financial assets at fair value through profit or loss	43,034	328,204	96,467	–	–
Short-term bank deposits	2,536,724	252,718	1,232,206	56,917	13,974
Cash and bank balances	26,824,859	15,479,139	11,998,423	10,819,117	2,324,546
	190,587,390	163,113,036	159,830,069	131,219,294	105,067,998

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Current liabilities					
Advance proceeds received					
from customers and deposits received	–	–	29,564,933	27,973,395	14,524,168
Contract liabilities	39,388,659	39,154,089	–	–	–
Accrued construction costs	14,494,060	12,599,547	15,170,791	10,704,790	14,591,720
Income tax payable	10,739,849	7,773,315	5,649,679	4,440,460	3,989,909
Lease liabilities	159,694	–	–	–	–
Borrowings	31,891,998	16,965,694	22,173,037	7,762,301	33,713,019
Other payables	27,011,322	19,917,262	17,315,611	7,652,852	5,959,975
Derivative financial instruments	82,807	–	–	263,822	–
	123,768,389	96,409,907	89,874,051	58,797,620	72,778,791
Net current assets	66,819,001	66,703,129	69,956,018	72,421,674	32,289,207
Total assets less current liabilities	147,133,973	132,618,133	123,514,116	107,024,347	54,767,884
Non-current liabilities					
Lease liabilities	1,226,605	–	–	–	–
Borrowings	85,303,554	91,800,258	89,000,150	79,774,515	38,405,150
Other payables	10,248	–	104,171	–	–
Deferred tax liabilities	4,886,993	4,478,563	4,411,645	4,203,433	3,163,089
	91,427,400	96,278,821	93,515,966	83,977,948	41,568,239
Net assets	55,706,573	36,339,312	29,998,150	23,046,399	13,199,645
EQUITY					
Share capital	534,844	533,389	532,865	450,450	450,450
Share premium	5,546,561	6,168,607	6,913,069	4,253,704	4,253,704
Reserves	19,634,942	14,938,114	11,641,988	8,241,973	8,845,390
Equity attributable to owners of the Company	25,716,347	21,640,110	19,087,922	12,946,127	13,549,544
Non-controlling interests	29,990,226	14,699,202	10,910,228	10,100,272	(349,899)
Total equity	55,706,573	36,339,312	29,998,150	23,046,399	13,199,645

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	48,021,685	38,704,967	32,779,347	17,771,517	10,926,535
Cost of sales	(34,191,622)	(27,576,209)	(23,845,129)	(15,459,546)	(10,583,158)
Gross profit	13,830,063	11,128,758	8,934,218	2,311,971	343,377
Other gains and (losses) , net	(677,844)	(638,696)	(123,454)	(560,512)	(216,339)
Net gain on disposals of subsidiaries	245,581	–	–	–	–
Net gain on deemed disposals of subsidiaries	2,460,638	2,912,593	–	–	–
Selling and marketing costs	(1,996,166)	(1,262,466)	(896,012)	(842,695)	(559,419)
Administrative expenses	(3,350,817)	(2,601,078)	(2,501,232)	(1,745,262)	(1,066,169)
Fair value gain of investment properties	178,419	212,374	2,088,849	4,161,371	3,824,520
Fair value loss of financial derivatives	(82,191)	–	(969,204)	(21,500)	(42,219)
Loss on step acquisition of a subsidiary	–	–	(146,258)	–	–
Operating profit	10,607,683	9,751,485	6,386,907	3,303,373	2,283,751
Share of results of associates	92,619	239,913	31,685	(40,578)	(3,586)
Share of results of joint ventures	(197,697)	(48,726)	37	8,223	–
Finance income	580,269	402,511	1,486,084	39,236	10,717
Finance costs	(1,615,271)	(2,573,298)	(1,238,286)	(2,159,602)	(2,117,161)
Finance (costs) /income– net	(1,035,002)	(2,170,787)	247,798	(2,120,366)	(2,106,444)
Gain on extinguishment of financial liabilities	–	–	–	716,143	–
Profit before income tax	9,467,603	7,771,885	6,666,427	1,866,795	173,721
Income tax expenses	(5,303,595)	(4,477,629)	(3,622,579)	(2,214,306)	(1,428,205)
Profit/ (Loss) for the year	4,164,008	3,294,256	3,043,848	(347,511)	(1,254,484)

FINANCIAL SUMMARY

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME** (Continued)

	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
<i>Other comprehensive (loss)/income, including reclassification adjustments</i>					
<i>Item that may be classified subsequently to profit or loss:</i>					
Changes in fair value of available-for-sale financial assets, net of tax	–	–	–	(210)	–
Exchange differences on translation of foreign operations	(25,165)	6,641	(6,387)	–	–
Other comprehensive (loss)/income for the year, including reclassification adjustments	(25,165)	6,641	(6,387)	(210)	–
Total comprehensive income/ (loss) for the year	4,138,843	3,300,897	3,037,461	(347,721)	(1,254,484)
Profit/ (Loss) for the year attributable to:					
Owners of the Company	4,594,265	2,750,206	3,284,889	(612,380)	(1,121,577)
Non-controlling interests	(430,257)	544,050	(241,041)	264,869	(132,907)
	4,164,008	3,294,256	3,043,848	(347,511)	(1,254,484)
Total comprehensive income/ (loss) for the year attributable to:					
Owners of the Company	4,578,816	2,734,394	3,283,297	(612,590)	(1,121,577)
Non-controlling interests	(439,973)	566,503	(245,836)	264,869	(132,907)
	4,138,843	3,300,897	3,037,461	(347,721)	(1,254,484)

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