合景泰富集團
KWG GROUP HOLDINGS

KWG GROUP HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability　Stock Code: 1813

2020 ANNUAL REPORT

Build Home With Heart
Create Future With Aspiration

KWG
GROUP HOLDINGS

Contents

Corporate Information and Information for Shareholders

CORPORATE INFORMATION

Directors

Executive Directors
KONG Jianmin *(Chairman)*
KONG Jiantao
(Chief Executive Officer)
KONG Jiannan
CAI Fengjia

Independent Non-executive Directors
LEE Ka Sze, Carmelo *JP*
TAM Chun Fai
LI Binhai

Company Secretary

CHAN Kin Wai

Authorised Representatives

KONG Jianmin
CHAN Kin Wai

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Registered Office

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

Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Agent

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Hong Kong Branch Share Registrar

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

Principal Bankers

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

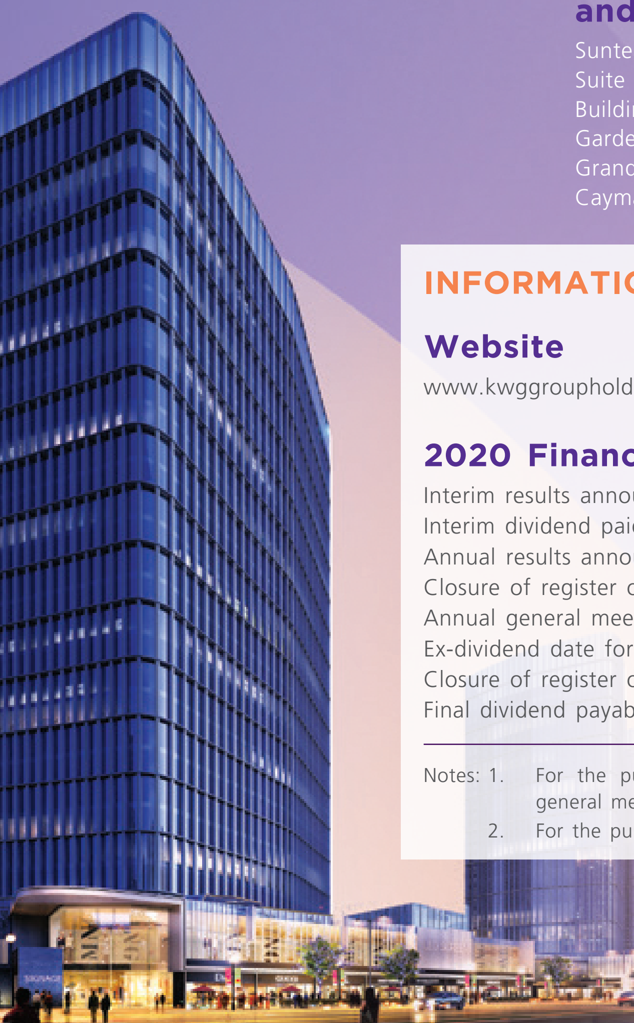
Auditor

Ernst & Young
Registered Public Interest Entity Auditor

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman



INFORMATION FOR SHAREHOLDERS

Website

www.kwggroupholdings.com

Stock Code

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

2020 Financial Calendar

Interim results announcement	:	27 August 2020
Interim dividend paid	:	15 January 2021
Annual results announcement	:	25 March 2021
Closure of register of members[1]	:	31 May to 3 June 2021 (both days inclusive)
Annual general meeting	:	3 June 2021
Ex-dividend date for final dividend	:	11 June 2021
Closure of register of members[2]	:	16 to 18 June 2021 (both days inclusive)
Final dividend payable	:	on or around 6 August 2021

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

2. For the purpose of determining shareholders' entitlement to the proposed final dividend

Corporate Profile

Founded in 1995, KWG Group Holdings Limited ("KWG" or the "Company", together with its subsidiaries, collectively the "Group") was listed on the Main Board of The Stock Exchange of Hong Kong (stock code: 01813.HK) in July 2007. As one of the leading integrated urban operators in China, the Group has always upheld its core philosophy of "Build home with heart, create future with aspiration". Originated from Guangzhou, KWG has strategically expanded nationwide across China and has been exploring opportunities in Greater-Bay-Area, Yangtze-River-Delta Area, Pan Bohai Rim Region and Western and Central regions with a strong focus on tier-one and tier-two cities, covering more than 40 cities.

Over the past 26 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, serviced apartments, villas, offices, hotels and shopping malls. While deepening property development and commercial operation, the Group has also made strategic expansions into a wide range of segments including cultural tourism, education, healthcare to gain synergic development with property business.

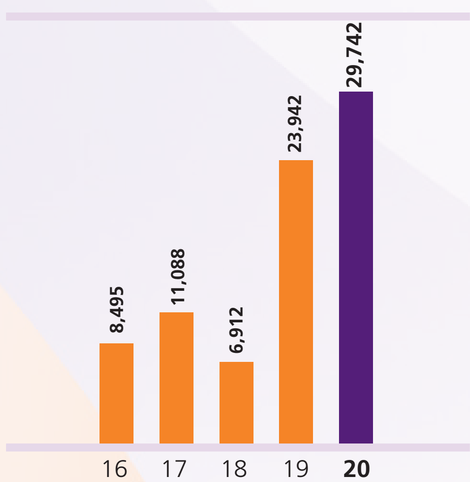
The Group's current land bank is sufficient for development in the coming 3 to 5 years.

In the future, the Group will focus on the development of residential properties and commercial properties while seeking to deploy more resources for the establishment of a diversified property development in order to keep the profit portfolio steady, spread the investment risks and ensure stable development.

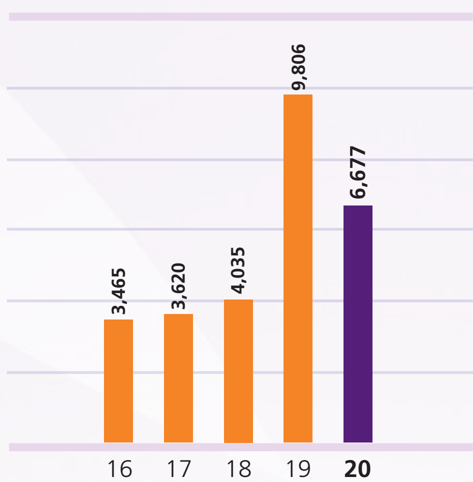
Financial Highlights

	Year Ended 31 December				
	2020 RMB'000	2019 RMB'000 (Restated)	2018 RMB'000 (Restated)	2017 RMB'000 (Restated)	2016 RMB'000 (Restated)
CONSOLIDATED RESULTS					
Revenue from continuing operations	**29,742,063**	23,941,953	6,911,750	11,087,739	8,495,206
Profit attributable to owners of the Company	**6,676,592**	9,805,813	4,035,415	3,620,071	3,464,714
Earnings per share attributable to owners of the Company (RMB cents)					
– Basic	**210**	309	128	117	115
– Diluted	**210**	309	127	117	115
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**232,198,379**	214,322,679	184,537,161	134,945,038	110,741,810
Total liabilities	**178,281,688**	176,080,088	152,765,152	106,699,345	86,732,898

Revenue from Continuing Operations
(in RMB Million)



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



Honours and Awards

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

No.	Awarded in	Award	Entity/project awarded	Awarded by
1	2020	2020 China's Top 30 Listed Real Estate Enterprises	The Group	Guandian.cn
2	2020	2020 Top 100 PRC Property Enterprises	The Group	China Index Academy
3	2020	TOP 10 of 2020 China's Top 100 Property Companies by Profitability	The Group	China Index Academy
4	2020	2020 China's Top 10 Property Development Companies by Comprehensive Development	The Group	China Real Estate Association
5	2020	2020 Top 10 PRC Property Companies Listed in Hong Kong by Comprehensive Strength	The Group	China Index Academy
6	2020	2020 Noteworthy Property Companies in Capital Market	The Group	China Index Academy
7	2020	Top 100 Hong Kong Listed Companies (Top 100 by Comprehensive Strength) – the 7th in the (Top 10 by Turnover Growth)	The Group	Hosted by Top 100 Hong Kong Limited Companies Research Centre with the assistance of Finet and Atlantis Investment
8	2020	Top 100 Hong Kong Listed Companies (Top 100 by Comprehensive Strength) – the 6th in the (Top 10 by Net Profit after Tax Growth)	The Group	Hosted by Top 100 Hong Kong Limited Companies Research Centre with the assistance of Finet and Atlantis Investment
9	2020	Golden Brick Award for Real Estate in China – 2020 Social Responsibility Model Enterprise	The Group	21st Century Business Herald

No.	Awarded in	Award	Entity/project awarded	Awarded by
10	2020	2020 Charitable Donation Unit of the Emergency Aid Project for COVID-19	The Group	Guangzhou Charity Association
11	2020	"2020 Outstanding Contribution Enterprise in Anti-epidemic and the Public Welfare Project Award of the Year" at the 10th China Philanthropy Festival	The Group	Syobserve.com, www.gongyidaily.com and several media
12	2020	Top 10 of China Real Estate Integrated Development Expert Pioneer Brand Value in 2020 – Integrated City Operations	The Group	China Index Academy
13	2020	2020 Top 500 PRC Private Enterprises	The Group	All-China Federation of Industry and Commerce
14	2020	2020 Dingge Award (鼎革獎) – Model Award for Digital Transformation Pioneers in China of the Year	The Group-Integrated Financial Operation and Management System Project (SAP System Project)	Co-sponsored by Harvard Business Review (Chinese version), Institute for Global Industry of Tsinghua University, and SAP (China) Co., Ltd. (思愛普SAP (中國)有限公司)

No.	Awarded in	Award	Entity/project awarded	Awarded by
15	2020	Most Watched Properties at Chongqing Property Short Video Festival	The Cosmos Chongqing	Toutiao (今日頭條)
16	2020	2020 Model Properties	KWG Tianjin Apex	Anjuke Tianjin
17	2020	Model City Projects of the Year	KWG Water Moon	Phoenix New Media Real Estate
18	2020	Top 8 in 2020 Top 100 Commercial Property Companies	The Group's Commercial Segment	China Index Academy
19	2020	2020–2021 China's Benchmark Commercial Property Projects	Suzhou U Fun	China Index Academy
20	2020	2020 Shanghai Art Business District – Featured Activities	Shanghai U Fun	Shanghai Municipal Administration of Culture and Tourism, Shanghai Commission of Commerce
21	2020	Most Popular New Shopping Malls in 2020	Chengdu M • Cube	Trendy Life (潮生活)
22	2020	Most Expected Landmark Projects of Experience of the Year	Guangzhou Knowledge City U Fun	winshang.com
23	2020	Top 10 Urban Popular Shopping Malls	Chengdu U Fun	Trendy Life (潮生活)
24	2020	First-Preferred Hotel Brands of Business Traveller in China	The Mulian Hotel	China Hospitality Association
25	2020	Top 10 Mid-end Hotels with Limited Service in China & Top 1 of China Art-themed Hotels by Meadin Brand Index (MBI)	The Mulian Hotel	Meadin.com
26	2020	2020 Influential Brands in Asia – The Best New Fashion Hotel Brand of the Year	MUSTEL	Asia Pacific Hotel Association and China Real Estate Chamber of Commerce

Chairman's Statement

To Embrace Digitalization with Innovation
To Promote Comprehensive Cross-industry Cooperation
To Achieve Co-creation, Sharing and Situation of All-win!

Shenzhen Grand Oasis

Dear Shareholders,

I am pleased to present the annual results of the Group for the year ended 31 December 2020. The Group recorded proportionate revenue of approximately RMB46,813.9 million, representing an increase of 20.2% as compared to the same period of 2019. Core profit amounted to RMB6,514.2 million, representing an increase of 24.9% year-on-year.

The board of directors of the Company (the "Board" or the "Directors") has resolved to declare a final dividend of RMB53 cents per ordinary share. Including interim dividend, full year dividend was equivalent to RMB93 cents per ordinary share for the year ended 31 December 2020.

The year 2020 was an extraordinary year when China achieved her 13th Five-Year Plan and drew the blueprint for the 14th Five-Year Plan. It was also the year when China completed the tasks of building a moderately prosperous society in all respects and achieved her first centenary goal. In this year, KWG worked with all circles of the society to fight against the pandemic together and strived to promote economic recovery. Facing the complex and volatile internal and external environment and the new challenges brought by the pandemic, KWG gave careful thinking on how to change our mentalities to understand business logic at a more profound level, strengthen operation awareness, upgrade operating system, and continue to create value for our society, shareholders, and customers, as well as how to innovate with a challenger mentality to achieve breakthroughs under the macroeconomic policy control of the "three red lines" and the "five categories of housing loans", and also under the trend of urban redevelopment that was clearly put forward in the "14th Five-Year Plan".

2020 was the 25th anniversary of KWG's establishment. On the main battlefield of business operations, the Group bravely faced the new challenges brought by policies and market environments, and strived to consolidate its main business, achieve innovations and changes in breaking through management bottlenecks, promote digital transformation for strengthening operations, and treasure the pursuit of product design and quality to enhance customer satisfaction. The Group explored for vitality amidst reforms, advanced courageously in innovation, and successfully achieved its RMB100 billion milestone sales target in 2020.

1. Innovating Marketing Model, Promoting Stable Sales Growth, and Achieving the RMB100 Billion Milestone Sales Target

The outbreak of COVID-19 has drastically changed the production and lifestyle of human beings, and real estate enterprise marketing also faces severe challenges. The Group conducts our marketing according to actual situation, actively seeks changes to achieve breakthroughs and innovations, and explores new directions under severe circumstances. The Group has developed the online marketing platform, namely "CoKWG Premium Houses" to encourage customers to buy houses online without leaving their homes, and to learn about all the properties dynamics online. At the same time, the Group actively leveraged the traffic acquisition effects of live streaming platforms such as Kwai and Tik Tok and other vertical media, and successfully held innovative marketing activities, such as "6.18 KWG House Purchase Festival", "KWG-T-Mall 11.11 House Purchase Festival", and "KWG Tribute to China, KWG Journey Hand-in-Hand – the 25th Anniversary Property Sales Season". We adopted innovative and convenient online marketing models, paid close attention to diversified customer needs for house purchases, and focused on solving purchase barriers during the epidemic.

The Group achieved annual sales of RMB103.6 billion in 2020, a year-on-year increase of 20%, with an accomplishment on our full-year sales target. In 2021, the Group will launch new projects in core cities such as Guangzhou, Suzhou, Chengdu, and Chongqing. We believe that the layout in Greater-Bay-Area and Yangtze-River-Delta Area, and the premium and sufficient sellable resources in tier-one and tier-two cities will continue to support the scalable growth in sales of the Group.

2. Penetrating Into the Two Main Regions with Premium Land Reserves, and Focusing on Urban Redevelopment with General Trend

Since our inception 26 years ago, the Group has been deeply involved in Greater-Bay-Area and Yangtze-River-Delta Area. Apart from the two major areas, the Group also has presence in some core individual cities, with the Bohai Rim area centered on Beijing and Tianjin, and the south-western region dominated by Chengdu, Chongqing and Nanning. The Group insists on implementing a prudent and pragmatic land reserve strategy, focusing on the development in tier-one and tier-two cities. In 2020, we added 21 new projects to our landbank, and with the newly purchased lands located in the two main areas, complementing our total sellable resources of approximately RMB70 billion.

2020 was the year when the Group executed its urban redevelopment in full force. The "14th Five-Year Plan" clearly put forth the implementation of urban redevelopment actions. Thanks to the strong support from the policy aspect, the urban redevelopment in Greater-Bay-Area has been accelerated. In 2020, the Group furthered the progress in urban redevelopment. Leveraging its excellent product quality and complexes operation experience, the Group established presence in major cities such as Guangzhou, Shenzhen, Foshan and Dongguan in

Chengdu M • Cube

the Greater-Bay-Area to promote urban redevelopment projects. Currently, among the ongoing urban redevelopment projects, the Group has successfully won the tender of two old villages. In 2021, some projects are expected to be converted. Looking forward to the coming future, urban redevelopment will replenish the Group's premium land reserve within the one-hour economic circle of central districts in core cities in Greater-Bay-Area and continue to generate sellable resources. Meanwhile rental properties will also raise rental income constantly, providing stable cash flow to the Group.

Chengdu U Fun

3. Cross-Industry Layout to Create a Better life and Digital Transformation to Enhance Operational Capabilities

In the new era with richer market demands, the real estate industry needs to upgrade and transform besides focusing on the main business. KWG follows the industry general trend and adopts a diversified industrial layout strategy. In terms of investment properties, KWG has deepened the penetration in tier-one and tier-two cities, and has opened 37 investment properties, including 9 shopping malls, 8 office buildings and 20 hotels. In the coming few years, the Group will further open 26 shopping malls and 10 office buildings one after another and set scale-development layout of own brand hotels by the means of combination of asset-heavy with asset-light operation model. The Group's commercial business will grow richly and continuously to cultivate our long-term stable income stream and cash flow. Adhering to the business spirit concept of "Arts, Attitude, and

Symbiosis", KWG will continue to enrich its business form, empower urban redevelopment, and rejuvenate the cities with its creative product design and leading business management capabilities.

With industry transformation and upgrading, KWG Group constantly seeks reforms and innovations in internal management while continuing to expand its business boundaries. The Group is at the forefront of the industry digital reform, vigorously promoting digital transformation.

In 2020, the leading SAP project of smart enterprise platform jointly built between the Group and IBM had completed the phase III construction of the financial sharing centre, marking the Group of owning a comprehensive business financial platform covering all modules, processes and businesses. The successful implementation of SAP is conducive to promoting the scalable development of the Group's presence and implementing refined management, which is beneficial in controlling risk, optimizing operation, improving efficiency and empowering management. In 2020, the Group comprehensively upgraded its "CoKWG" membership management platform and launched a brand new smart customer service platform from the customer's perspective, which enabled the intelligentization of KWG's cross-business ecosystem and provide customers with better quality and comprehensive services.

KWG will continue to embrace digitalization, deepen digital transformation, build the Group's technological strength, respond to new development needs, and achieve high-quality and stable development.

4. Prudent Financial Position and Diversified Financing Channels

During the reporting period, the Group effectively lowered its leverage. The net gearing decreased to 61.7%, and the proportionate core gross profit margin and proportionate net profit margin were 31.1% and 14.7%, respectively, maintaining a relatively high industry level with prudent financial position.

Under the "three red lines" policy, the Group strived to accelerate cash collection, strengthened treasury and budget management, and optimized costs and expenditures through digitalized management. Additionally, the Group optimized its debt structure through multiple financing channels. In 2020, the Group's total borrowing scale has further declined. Sufficient bank credits are on hand with multiple effective domestic and overseas financing channels. During the reporting period, the Group had three USD bonds issuances in total of USD900 million, including the issuance of 7-year bond of USD300 million at 7.4% interest rate in January 2020, the issuance of 5-year bond of USD200 million at 5.95% interest rate in August 2020, and the issuance of 5.25-year bond of USD400 million at 6.3% interest rate in November 2020.

Chengdu Yunshang Retreat

Outlook

2021 is the first year of the "14th Five-Year Plan" and the centenary anniversary of Chinese Communist Party. Standing at the historical crossover of the China's "Two Centenary Goals", KWG Group will continue to adhere to the mission of "Building Homes with Heart, Create Future with Aspiration", follow the general trend, focus on our business and proceed with ambition under the central government's principal tone of "housing properties are for living in, not for speculation" and also the general trend of "keep the prices of land and housing as well as market expectations stable "stipulated in the Report On The Work Of The Government in 2021. In the new year, KWG will continue to penetrate deeply in the two main regions, acquire premium land reserves, and accelerate the pace of urban redevelopment. Meanwhile, the Group will continue to deepen digital transformation, comprehensively enhance its competitiveness, and improve corporate governance standard to seize the opportunities of management advantages to build a sound and stable operation layout. In 2021, facing the new policy orientations and market demands, KWG will equip ourselves a challenger mindset, be innovative and seek for changes, so as to facilitate comprehensive co-operation across our businesses.

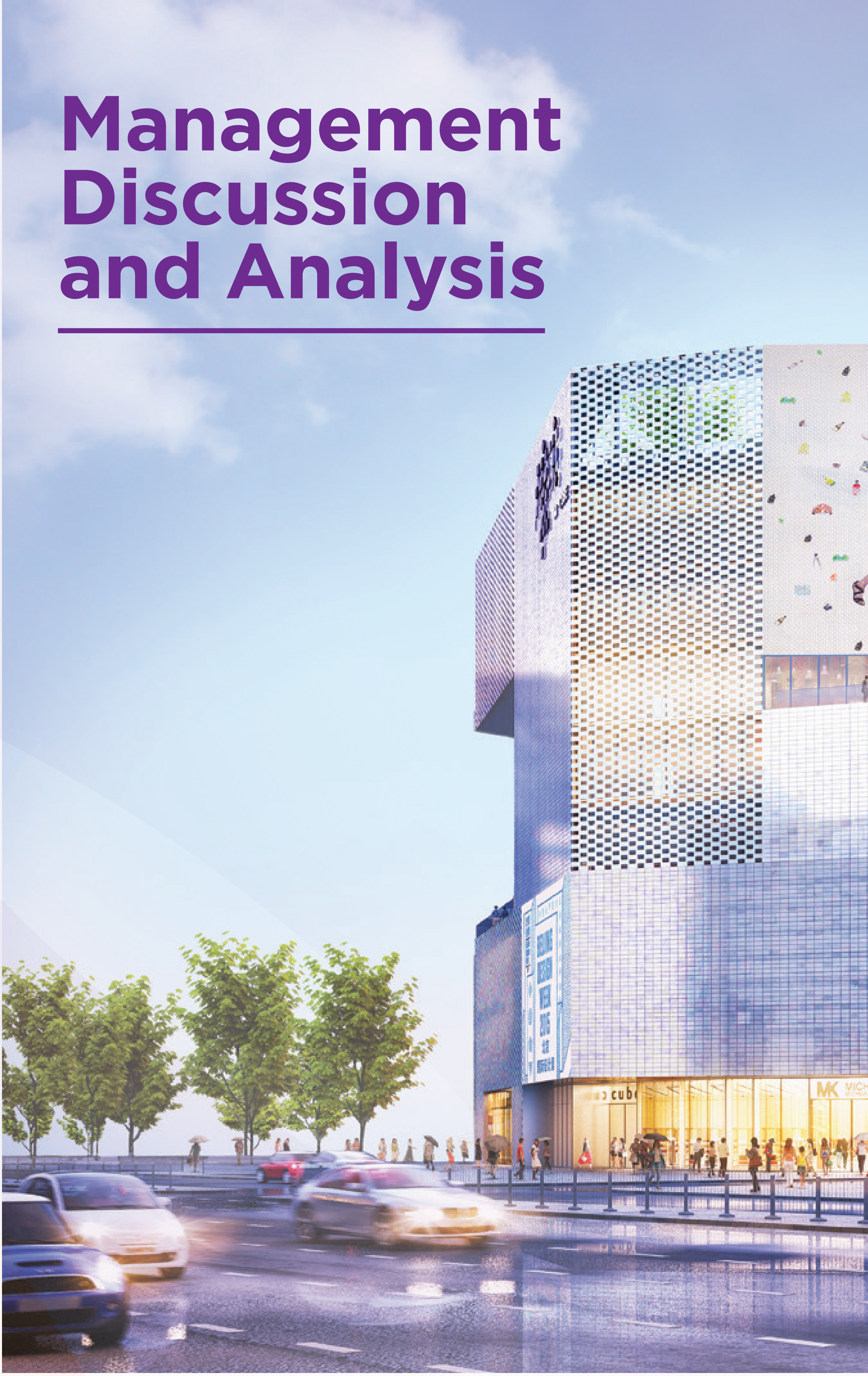
Appreciation

On behalf of the Group and the Board of Directors, I would like to extend my sincere appreciation to all shareholders, investors, partners, and customers for their ensuring support and assistance to KWG. I would also like to express uttermost gratitude to all of the directors, management and our employees for their unwavering contributions and dedication, as KWG could only sustain our development with their outstanding wisdom and unremitting efforts. In 2021, let us embark on our new development journey, set our sail together and firmly navigate forward!

KONG Jianmin
Chairman

25 March 2021

Management Discussion and Analysis



Guangzhou The Jadeite

Financial Review

Revenue

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

The revenue amounted to approximately RMB29,742.1 million in 2020, representing an increase of 24.2% from approximately RMB23,942.0 million (restated) in 2019.

In 2020, the revenue generated from property development, property investment and hotel operation were approximately RMB28,486.7 million, RMB801.1 million and RMB454.3 million, respectively.

Proportionate revenue amounted to approximately RMB46,813.9 million in 2020, representing an increase of 20.2% from approximately RMB38,954.1 million in 2019.

Property development

Revenue generated from property development increased by 25.2% to approximately RMB28,486.7 million in 2020 from approximately RMB22,761.9 million in 2019, primarily due to an increase in the total gross floor area ("GFA") delivered to 2,155,240 sq.m. in 2020 from 1,771,190 sq.m. in 2019.

The average selling price ("ASP") increased from 12,851 per sq.m. in 2019 to RMB13,217 per sq.m. in 2020, reflecting a change in delivery portfolio with different city mix and product mix as compared with that for the corresponding period in 2019.

Proportionate revenue generated from property development increased by 22.1% to approximately RMB44,635.0 million in 2020 from approximately RMB36,544.9 million in 2019.

Property investment

Revenue generated from property investment increased by 27.8% to approximately RMB801.1 million in 2020 from approximately RMB626.9 million in 2019, primarily due to an increased leaseable GFA from leased investment properties.

Hotel operation

Revenue generated from hotel operation decreased by 17.9% to approximately RMB454.3 million in 2020 from approximately RMB553.1 million in 2019, primarily due to the adverse impact of the unexpected outbreak of the COVID-19.

Cost of Sales

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

Cost of sales increased by 23.6% to approximately RMB20,383.2 million in 2020 from approximately RMB16,496.0 million (restated) in 2019, mainly due to the increase in total GFA delivered in sale of properties.

Land cost per sq.m. increased from RMB3,102 in 2019 to RMB4,309 in 2020.

Construction cost per sq.m. decreased from RMB4,626 in 2019 to RMB3,490 in 2020, due to the change in delivery portfolio with different city mix compared with that in 2019.

Proportionate core cost of sales increased by 21.4% to approximately RMB32,273.7 million in 2020 from approximately RMB26,580.1 million in 2019, primarily due to an increase of total proportionate GFA delivered in sale of properties.

Gross Profit

Gross profit of the Group increased by 25.7% to approximately RMB9,358.8 million in 2020 from approximately RMB7,446.0 million (restated) in 2019. The increase of gross profit was principally due to the increase in the total revenue in 2020. The Group reported gross profit margin of 31.5% for 2020 as compared with 31.1% (restated) for 2019.

Proportionate core gross profit of the Group increased by 17.5% to approximately RMB14,540.3 million in 2020 from approximately RMB12,374.0 million in 2019. The Group reported proportionate core gross profit margin of 31.1% in 2020 (2019: 31.8%).

Other Income and Gains, Net

Other income and gains decreased by 42.9% to approximately RMB1,628.1 million in 2020 from approximately RMB2,853.7 million (restated) in 2019, mainly comprising interest income and management fee income related to our joint venture projects of approximately RMB711.8 million and RMB420.1 million respectively.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 21.5% to approximately RMB1,222.4 million in 2020 from approximately RMB1,006.4 million (restated) in 2019, mainly due to the increase in sales commission, which was in line with the increase in revenue generated from sale of properties during 2020.

Administrative Expenses

Administrative expenses of the Group slightly increased by 0.6% to approximately RMB1,560.8 million in 2020 from approximately RMB1,551.0 million (restated) in 2019.

Chongqing Jade Moon Villa

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB3.0 million in 2020 (2019 (restated): approximately RMB4.5 million).

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB415.2 million for 2020 (2019 (restated): approximately RMB3,716.5 million), mainly related to various leaseable commercial properties in various regions.

Finance Costs

Finance costs of the Group being approximately RMB1,034.2 million in 2020 (2019 (restated): approximately RMB1,531.0 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

Income Tax Expenses

Income tax expenses decreased by 2.8% to approximately RMB3,397.8 million in 2020 from approximately RMB3,497.4 million (restated) in 2019, primarily due to a decrease on profit before tax as a result of the decrease in fair value gains on investment properties in 2020.

Profit for the year from a discontinued operation

Upon the spin-off of KWG Living Group Holdings Limited ("KWG Living") on 30 October 2020, the Company did not retain any interest in the issued share capital of KWG Living and KWG Living became a fellow subsidiary of the Company, which was classified as a discontinued operation. The results of KWG Living as a discontinued operation for the year was approximately RMB236.2 million (2019 (restated): approximately RMB185.0 million).

Profit for the Year

The Group reported profit for the year of approximately RMB6,901.3 million in 2020 (2019: approximately RMB10,056.1 million). Proportionate net profit margin was 14.7% (2019: 25.8%).

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2020, the carrying amounts of the Group's cash and bank balances were approximately RMB44,580.5 million (31 December 2019: approximately RMB56,734.0 million).

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2020, the carrying amount of the restricted cash was approximately RMB3,944.7 million (31 December 2019: approximately RMB5,356.1 million).

Borrowings and Charges on the Group's Assets

As at 31 December 2020, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB31,642.4 million, RMB26,073.2 million and RMB20,145.0 million respectively. Amongst the bank and other loans, approximately RMB7,531.4 million will be repayable within 1 year, approximately RMB16,590.3 million will be repayable between 2 and 5 years and approximately RMB7,520.7 million will be repayable over 5 years. Amongst the senior notes, approximately RMB2,277.7 million will be repayable within 1 year, approximately RMB19,241.4 million will be repayable between 2 and 5 years and approximately RMB4,554.1 million will be repayable over 5 years. Amongst the domestic corporate bonds, approximately RMB15,446.2 million will be repayable within 1 year and approximately RMB4,698.8 million will be repayable between 2 and 3 years.

As at 31 December 2020, the Group's bank and other loans of approximately RMB27,748.9 million were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale with total carrying value of approximately RMB27,838.2 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. The Group's domestic corporate bonds were guaranteed by the Company.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately RMB4,249.2 million as at 31 December 2020 which were denominated in Hong Kong dollar of approximately RMB2,288.6 million and denominated in U.S. dollar of approximately RMB1,960.6 million respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of approximately RMB5,423.5 million which were charged at fixed interest rates as at 31 December 2020. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2020. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2020.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2020, the gearing ratio was 61.7% (31 December 2019: 75.4%).

Risk of Exchange Rate Fluctuation

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

During 2020, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar increased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

(i) As at 31 December 2020, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB20,271.7 million (31 December 2019: approximately RMB16,765.5 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2020 and 2019 for the guarantees.

(ii) As at 31 December 2020 and 2019, the Group had provided guarantees in respect of certain bank loans for joint ventures and associates.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2020, the Group employed a total of approximately 6,000 employees (31 December 2019: approximately 11,400). The decrease was mainly due to the spin-off of KWG Living on 30 October 2020. Employee benefit expense (excluding Directors' and chief executive's remuneration) of the Group incurred was approximately RMB1,295.7 million during the year ended 31 December 2020. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state- managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company has adopted the share option scheme and the share award scheme in order to recognize and motivate the contributions by the eligible participants of the Group, and help in retaining them for the Group's further development.

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

Market Review

The year 2020 was an extraordinary year when China achieved her 13th Five-Year Plan and drew the blueprint for the 14th Five-Year Plan. It was also the year when China completed the task of building a moderately prosperous society in all respects and achieved her first centenary goal. In the beginning of the year, the sudden outbreak of the COVID-19 pandemic quickly ravaged the world, driving a major change in global economic structure. Being the first hit by the pandemic, China was the quickest to contain it as well as to resume operation and production, becoming the only economy in the world achieving positive economic growth.

Looking back into 2020, under the complicated and volatile internal and external environment, the real estate industry still showed strong resilience despite under numerous challenges. According to data from the National Bureau of Statistics, the national real estate development investment in 2020 was about RMB14.14 trillion, increase by 7.0% year-on-year. The national commercial housing sales were nearly RMB17.36 trillion, up by 8.7% year-on-year. In the first half year, in order to reduce the impact of the epidemic control, city-specific policies were implemented for different cities. The central government lowered the reserve ratio three times to release liquidity and strengthened market productivity. The loan prime rate (LPR) was reduced twice, with a decrease in the LPR for loans of 5 years or above amounting to 15 basis points in total. The housing mortgage rate showed a downward trend. As the epidemic is gradually brought under control, enterprises resumed operation and production, and the real estate industry gradually recovered. Under the epidemic situation, the central government has always adhered to the general tone of "housing properties are for living in and not for speculation" and "not using real estate as a means to stimulate the economy in the short run". It took measures in monetary policy, financial policy, land policy, and housing security policy together to ensure protecting the stability and continuity of the real estate policy and promoted the sustained, steady and healthy development of the real estate industry. From the implementation of the "three red lines" in the third quarter in controlling the debt level to the release of the "five categories" of property-related loans guidance in controlling cash into real estates at the end of the year, it fully reflected the gradually matured macro-prudent management regime of the real estate long-term mechanism.

Business Review

Facing the complicated and volatile external environment and the new challenges posed by the COVID-19 epidemic to the entire industry, the Group adhered to the strategic direction of stable operation and synergistic development. In the main battlefield of business operations, the Group grasped the nettle, faced competition directly, and performed solid works to consolidate its main business. For the innovation and development of different aspects, the Group took the lead and stepped up efforts in digital transformation, continuing to improve organizational capabilities, facilitate diversity and accelerate synergistic development. On 30 October 2020, the Group conducted a spin-off of its subsidiary, namely KWG Living successfully and KWG living was officially listed on the Main Board of the Stock Exchange (Stock Code: 03913.HK). Since then, the Company did not retain any interest in the issued share capital of KWG Living and KWG Living was also not a subsidiary of the Company any more. KWG Living mainly engages in providing property management service to diversified sectors, such as residence, commercial properties and public facilities and also providing commercial operational services to commercial properties, including shopping malls and office building as well. The spin-off will enable more focused business development, strategic planning and better allocation of resources for the Group and KWG Living with respect to their respective businesses. Both the Group and KWG Living will achieve the efficient decision-making process under the separate management structure which will be helpful for seizing emerging business opportunities, especially with a dedicated management team for our KWG Living to focus on its business development.

2020 was the year when the Group achieved its RMB100 billion milestone target. The Group's pre-sales amounted to RMB103.6 billion, representing a year-on-year increase of 20%. ASP stood at approximately RMB17,000 per sq.m., similar to that in the corresponding period of 2019. Among the 130 projects currently for sale, analysed by contribution to pre-sales amount, 36% were from Greater-Bay-Area and 36% were from Yangtze-River-Delta Area. When analysed by the ranking of cities, 88% were from tier-one and tier-two cities.

In 2020, the Group launched brand new projects including Guangzhou The Emerald, Guangzhou Clover Shades, Shenzhen Grand Oasis, Hangzhou Oriental Dawn, Hangzhou Precious Mansion, Suzhou Lunar River, Suzhou Blessedness Seasons, Ningbo Cloud Mansion, Xuzhou Oriental Milestone, Beijing New Chang'an Mansion, Kunming Salar de Uyuni, etc. The projects are differentiated with exquisite geographical location and premium product quality, which have aroused keen interest in the market.

Leveraging the Group's outstanding product forging capabilities, forward-looking strategic layout, stable and promising operating capabilities, and comprehensive operational strengths in diversity and co-ordination, it led to a continuous leap in brand value. In 2020, given the comprehensive strengths of the Group and its business segments, the Group won a number of awards by renowned institutions such as China Index Academy, China Real Estate Association, Guandian and hexun.com: including 2020 China Top 30 Listed Real Estate Enterprises, Top 10 of 2020 China's Top 100 Property Companies by Profitability, 2020 China's Top 10 Property Development Companies by Comprehensive Development, 2020 Top 10 PRC Property Companies Listed in Hong Kong by Comprehensive Strengths, 2020 Noteworthy Property Companies in Capital Market, Top 8 in 2020 Top 100 Commercial Property Companies, Top 10 Financially Prudent Model Listed Real Estate Companies, and Outstanding Brands of Chinese Real Estate Products.

In 2020, the Group continued to adopt prudent land acquisition strategy in order to obtain premium land reserve for tier-one and tier-two cities, further exploring the core cities in Greater-Bay-Area and Yangtze-River-Delta Area. During the reporting period, the Group successfully acquired 21 projects in cities including Guangzhou, Hangzhou, Suzhou, Chengdu, Jiaxing, Xuzhou, Nantong, Yancheng, Tianjin and Kunming, through tenders, auctions and listings in the public market, joint developments as well as industry injection. The Group obtained premium projects in Jiaxing and Yancheng at lower cost via industry injection and will build up grand complex in the future. The new projects in 2020 totaled 3.32 million sq.m. of gross GFA for a total gross land cost of RMB23.6 billion, and 2.76 million sq.m. of attributable GFA for an attributable land cost of RMB19.4 billion, which increased the gross sellable resources by approximately RMB70 billion. Analysed by amounts of the gross sellable resources, the locations of the newly acquired land still focused in Greater-Bay-Area (accounted for 41%) and Yangtze-River-Delta Area (accounted for 50%) and the tier-one and tier-two cites accounted for 80%, which indicating that our focused strategy remained unchanged. Both new acquisition attributable ratio and consolidation ratio increased to 82% and 93% respectively.

As of 31 December 2020, the Group owned 175 projects in 41 cities across Mainland China and Hong Kong with an attributable land bank of approximately 16.63 million sq.m., gross GFA of approximately 24.42 million sq.m. and gross sellable resources of approximately RMB530 billion, which is sufficient for the Group's development in the next 3 to 5 years.

Under the backdrop of limited scale in urban development, major cities in China have moved from a quantity-driven development stage to an inventory-centric stage, and urban redevelopment will therefore become the new growth model. 2020 was a year in which the Group took comprehensive steps to its urban redevelopment projects. The Group was deeply involved in Guangzhou, Foshan, Shenzhen, and Dongguan, deployed in core urban regions, and achieved new breakthroughs in many urban redevelopment projects. So far, the Group has successfully bidden two urban redevelopment projects: Jishan Village in Tianhe District in Guangzhou, and Shixia Village in Zengcheng District in Guangzhou. 3 projects in Guangzhou have commenced the demolition, which are the Nangang Village, Shuangsha Village and Hongwei Village located in Huangpu District in Guangzhou. The Group accurately interprets the prevailing trend and continues to proceed with the "Three Old Transformation" in order to be benefit from the urban redevelopment policy of Greater-Bay-Area. Currently, the Group has 34 urban redevelopment projects in progress in Guangzhou, Foshan, Shenzhen and Dongguan. The Group has been taking pragmatic actions to accelerate the urban redevelopment and foster robust growth of the cities in Greater-Bay-Area by comprehensively enhancing the radiation and influence of the old reconstruction area, optimizing industrial structure and enhance the comprehensive strengths of the region.

Investment Properties

Originated from Guangzhou, the Group has strategically expanded nationwide across China. The Group focuses on core regions including Greater-Bay-Area, Yangtze-River-Delta Area, Bohai-Rim Region, Chengdu, Chongqing and Nanning. After years of development, the Group has a total of 37 commercial projects in operation, including 9 shopping malls, 8 office buildings and 20 hotels. By identifying the commercial potential and delivering long-term commercial value, the Group boosts the robust urban development. All commercial properties in operation are located in core areas and new CBDs in tier-one and tier-two cities, providing the Group with recurring and stable cash inflow and profit, crossing the economic cycle together with the Group's real estate business.

(1) Shopping mall

With 26 years of intensive industry development, the Group has witnessed every stage of China's commercial golden development. With its forward-looking vision of tapping the potential of new urban areas and excellent refined operation capabilities, the Group has realized a unique vibrancy, subtly leading the commercial upgrade of new urban areas, and leaving the "art, ecology and LOHAS" commercial footnotes for the development of shopping malls in China.

Through differentiated and precise positioning and premium brand combination, the Group established three product lines of shopping mall under the brands "U Fun", "M • Cube" and "Ufun Walk" to meet the leisure and entertainment needs at different customer segments.

In early 2020, the outbreak of the COVID-19 pandemic significantly affected the retail sales and customer traffic of shopping malls nationwide, posing new challenges to the traditional retail industry. The Group adhered to the business philosophy of working together with merchants. In an effort to assist the prevention and control of the pandemic, the Group took practical measures to safeguard the interest of merchants, including the launch of an online-to-offline sales platform for merchants, as well as the offering of a 50% rent reduction for 22 days to all merchants in the commercial projects under the Group to relieve their hardship during the difficult time. Under the special epidemic environment, the group quickly responded, continuously tried to explore new industry models, resonated with business merchants, activated business vibrancy, and promoted market recovery with a diversified marketing mix. While fully implementing the central government's prevention and control policy of "reducing people from gathering and avoiding cross-infection", the Group precisely focused on urban consumer demand, followed the trend of the online digital economy, and used the latest technological means to actively adjust and innovate to achieve breakthrough. Online streaming, 360° panoramic experience, online shopping, brand linkage, and other online service models have been fully rolled out. Through the "community culture + social e-commerce" marketing model, the offline inventory is strengthened to achieve full integration between online and offline activities. As the epidemic prevention and control continues to improve and the containment of the pandemic has entered into the stage of normalization, the shopping malls in operation took quick actions to recover the performance. The overall occupancy rate of the Group's malls was 91% in 2020, the overall foot traffic this year exceeded 30 million, new members increased by 25% year-on-year, and retail sales increased by 8% year-on-year, which collectively, leading the urban economy recovery.

Currently, the Group has 9 shopping malls in operation, which are located in Guangzhou, Beijing, Shanghai, Chengdu, Suzhou and Foshan respectively. With the challenges of the new environment under the epidemic, the Group still opened new shopping malls in 2020 as scheduled. In October, we welcomed the grand opening of Chengdu M • Cube and U8 Pub Street. Together with the opened U Fun Shopping Mall, Mulian Hotel, W Hotel, International Commerce Place office buildings and high-end Cosmos series of residences and apartments, multi-format business are supporting one another, entwining a huge integrated commercial cluster, and collaborating with a diverse ecology to create a new consumption scene in southern Chengdu, creating a new city landmark. The opening of Foshan Ufun Walk Phase II and Nansha Ufun Walk Phase II also injected unique vibrancy into new urban areas.

Looking forward into 2021, Guangzhou Knowledge City U Fun will soon usher in its opening, and will create a "life playground for all people" with an innovative commercial form of "park-like experience mall". Moreover, Chongqing U Fun, Shanghai Ufun Walk, Guangzhou The Summit Ufun Walk Phase II, Beijing Tongzhou Ufun Walk, Chengdu The Cosmos Commercial are also planned to open in this year.

In future, while propelling the integration of online and offline digital operations and providing "new mode", the Group's commercial segment will continue to build more malls in tier-one and tier-two cities to link-up more cities together to develop symbiotically. It will also create a stable and continuous rental income for the Group in future.

(2) Office

The Group gathers financial resources for cities. It has built a number of high-end office buildings and industrial headquarters bases in the core areas of Guangzhou, Shanghai, Chengdu, Suzhou, Nanning and other cities. It has now operated 8 office buildings, providing stable cash inflow for the Group. The operating office buildings in Guangzhou include International Finance Place and International Metropolitan Plaza in Pearl River New Town, International Commerce Place in Pazhou and Colorland Centre in Nansha. The office building in Shanghai is International Metropolis Plaza in Pudong Bund and those in Chengdu, Suzhou and Nanning include Chengdu International Commerce Place in the Financial High-tech District, Leader Plaza in Suzhou Industrial Park and Guangxi International Finance Place at the headquarters in Nanning Wuxiang New District.

As the Group's office properties are located in the CBDs of tier-one and top tier-two cities, the tenants are mainly well-known banks and multinational groups. The tenant structure is of superior and stable, which can effectively resist the impact of the epidemic. During the epidemic, the Group's office occupancy rate remained stable and high. In 2020, the overall occupancy rate was approximately 90%. Leveraging its superior geographical location, the Group's office segment has adopted an innovative integrated business model, equipped with 5A intelligent hardware as standard, and implemented comprehensive quality management to create an all-round, multi-functional business system and efficient and convenient business working space.

Looking forward into 2021, International Finance Place in Tongzhou in Beijing, Ke Xian Centre in Guangzhou Development Zone and KWG Flourishing Biotech Square in Guangzhou Biological Island will welcome their grand openings. In the next few years, more office buildings will come into operation, which will contribute to the rapid and stable growth of the Group's rental income.

(3) Hotel

At present, the Group has operated 20 hotels, including those in co-operation with international hotel management groups and its own brand hotels.

In 2020, the sudden bursting in of the COVID-19 pandemic has brought unprecedented challenges to the development of the hotel industry. The domestic effective control of the epidemic brought gradual recovery to business travel and the group's hotel operations gradually recovered and stabilized thereafter. In September 2020, Guangzhou W Hotel unveiled its new and glamourous look. In October, the grand opening of highly-anticipated Chengdu W Hotel, the 7th W hotel in Greater China and the 1st W hotel in South-western Greater China, has created a new touch point integrating design, music, fashion and vibrancy, rousing the spirit of prosperous sleepless southern Chengdu, becoming a new landmark of Chengdu.

In the past 8 years, the Group's own brand of the Mulian Hotel, has accumulated experience in co-operating with many international hotel management groups, while focusing more on exploring the intrinsic links between the brand and Chinese consumers. In July 2020, Mulian Hotel Group officially launched its brand invigoration and upgrade of "Art Traveling and Living Platform", committed to leading the "Mulian Life", creating a new business travel lifestyle, and fully meeting the travel needs of different consumer groups. The Group has created diversified product portfolio in all aspects: including luxury five-star hotel "MORDIN", light luxury business hotel "Mulian Hotel", high-end resort hotel "Mulian Resort Hotel", trendy design hotel "MUSTEL".

March in 2021, the "Mixed Space" hotel "MUSTEL" under Mulian Hotel Group opened in Chengdu. As a trendy design hotel brand designed for youngsters between 20–30 year old, the MUSTEL Hotel will integrate multi-cultural experience into the physical space through the insights into the younger generation, and infinitely extend the imagination of "hotels", and create the unprecedented hotel experience for creative and fashionable travellers, accomplishing an inspiring, interesting and independent community space hotel.

Currently, The Mulian Hotel Group has its layout in 7 tier-one and tier-two cities nationwide with a total of 15 hotels in operation. Facing the new challenges and opportunities brought by the post-epidemic era, the Mulian Hotel will continue to set its layout in major tier-one and tier-two cities across the country, continue to refresh its brand value with precise positioning to meet the travelling needs and check-in experience of business travelers. At the same time, the hotel group will also achieve digital transformation, implement a combination of asset-heavy with asset-light operation model, and steadily move towards a network ecology of operating in "one hundred cities with one thousand hotels" nationwide. In the next five years, the Mulian Hotel will establish solid foothold in Guangdong Province while seeking business expansion across the country, establishing a unique hotel industry chain.

With the Group's matured commercial operation regime, premium operation platform, and experienced team, the Group will continue to create its brand value, enrich business forms, build up a full-scale business chain, and create the "name card" of the city.

Accelerating digital transformation and improving management standard

In recent years, as the real estate industry has gradually moved towards the inventory-centric era, real estate companies need to upgrade and transform, and carry out diversified and synergistic development to match growing customer demand. The need for technological empowerment and accelerating digital transformation comes into being. Starting from actual needs and focusing on the long-term layout, the Group has joined hands with IBM and completed the SAP system setup in June 2020 in order to achieve refined internal management, controllable risks, comprehensive improvement of management efficiency, and scientific management decision-making. The system was fully built and successfully implemented a smart enterprise platform covering all modules, complete processes and all business types of the Group, realizing the Group's digital technology innovation and ecological structure, and marking the Company's marching into a new stage of digitalization. Not only has the SAP system built a group financial sharing platform, optimizes corporate fund management methods, it also realizes panoramic project management and control, thereby effectively improving the marketing standards and assisting corporate operation, scalable enhancement, and synergistic development of diversified businesses.

In 2020, the Group's "CoKWG" APP has also upgraded from a single online membership service platform to a comprehensive service platform for the Group, becoming a portal for aggregating member traffic for multi-segments, and facilitating online services and integration of multiple business forms. It allows members to enjoy the online applications of all business forms of the Group through one APP. Through internal integration and external connection, efficient synergy has been generated by "CoKWG" APP, to innovate and radiate the reusable enterprise-grade capabilities of the Group, offering premium and diversified services towards customers.

Actively participating in social charity and practicing corporate social responsibility

While achieving high-quality and stable development, the Group has always regarded charity and public welfare as an obligatory responsibility and supported the development of China's charity with practical actions. In facing the ravaging COVID-19 pandemic, the Group has always adhered to the spirit of "jointly working together to overcome the difficulties", took quick actions to raise donations proactively: On 23 January 2020, the first batch of medical protective materials donated by the Group rushed to support Wuhan; On 28 January the Group donated 400,000 pieces N95 protective masks, 50,000 pairs of protective gloves and other urgently needed medical protection materials to the epidemic regions through Guangzhou Charity Foundation. The Group has set up a "Co-operating Together" anti-epidemic fund of RMB10 million, dedicated for fighting against the COVID-19 epidemic. The Group also warmly carried out the "Heli China Guarding 'Orange Roses' (合禮中國 • 守護橙玫瑰)" programme by donating specific anti-epidemic insurance to the frontline sanitation fighters in Wuhan to protect the safety and health of front-line anti-epidemic personnel. The Group offered a 50% rent reduction to branded merchants who settled in the Group "U Fun" and "M • Cube" shopping centres to reduce the adverse impact of the epidemic on their business operations.

The Group has been constantly innovative in the field of public welfares. By cooperation with Maitian Education Foundation, the Group launched the charity painting activity of "KWG Art Museum-Draw a Rainbow". The Group donated 1,000 "rainbow pockets" to children in remote less-developed regions through inviting member families of various business segments under the Group, which contributed to extension of colorful art education to rural schools across the country, and creation of new charity model.

The Group has always adhered to the concept of sustainable development, exploring green construction and residential life, laying fresh air systems and smart homes. At the same time, the Group is committed to creating a green office environment, energy conservation and emission reduction. The Group formulates green construction standards, adopts advanced equipment and technology, and uses environmentally-friendly materials to reduce the negative impact of the project on the environment. In response to the issue of global warming, the Group has also taken active measures in various aspects such as business operations, improvement of architecture and design. For example, in designing Shenzhen Grand Oasis, space was reserved for natural ventilation, and measures such as permeable paving, grass greening, and roof greening were adopted to enable the project to have a good building physical thermal environment, thereby reducing the heat island effect. Suzhou The Swan Harbor Park adopted the design of "sponge city", setting the rainwater recycling system in order to improve the urban water circulation capacity.

In the aspect of environment, society and corporate governance, the group is well-recognized by the industry and has been awarded "BB" rating by MSCI.

In future, the Group will continue to actively practice corporate social responsibility, repay the society in good faith, deliver warmth and positive energy to society, and contribute its due strengths to the social development in the new era.

Outlook

The year 2021 marks the start of the 14th Five-Year Plan and the centenary anniversary of the CPC. Looking forward into 2021, under the central government's policy of "housing properties are for living in and not for speculation", "stability" will be the principal tone of real estate industry development. Under the background of dual control from the "three red lines" policy to the release of the "five categories" of property-related loan, the real estate industry will face new challenges. The 14th Five-Year Plan clearly puts forward the implementation of urban redevelopment action, which will benefit the adjustment and optimization of urban structure, improving the development of cities and transforming the urban development and construction mode, showing great and far-reaching significance to comprehensively improving the quality of urban development, continuously meeting the people's ever-growing needs for a better life, and promoting sustained and sound economic and social development. China's large cities have gradually entered the inventory-centric era from incremental era, urban renewal will become a new growth model of urban development. With the introduction of the new policy of centralized land supply in 22 cities and the gradual introduction of future detailed rules, higher requirements have been put forward for the capital channels, land acquisition channels and digital transformation of real estate enterprises. Real estate enterprises with high capital turnover capacity, multiple land acquisition channels, digital transformation in advance and efficient operation capacity will have more advantages thereover.

The Group has been following the general trend to set development direction, implementing balanced and stable asset management strategy, and attaching importance to high-quality land reserve. Since its inception, the Group has been exploring opportunities in Greater-Bay-Area and Yangtze-River Delta Area with strong focuses on tier-one and tier-two cities. Currently, the group's land bank and sellable resources in these two regions account for 58% and 70% of the total land bank and total gross sellable resources respectively. Looking ahead into 2021, the Group will launch a new series – the "ZHEN" projects, including Guangzhou The Landmark Arte, Guangzhou The Beryl, Guangzhou The Lakeside Mansion and Chengdu The Jadeite and other projects. The Group designs products with heart and artistic ingenuity, creating a superior living style. In 2021, the Group's pre-sales target is set at RMB124 billion. representing a year-on-year increase of 20%. Total sellable resources for 2021 will be RMB205 billion, among which, analyzed by regions, 57% is from Greater-Bay-Area and 26% is from Yangtze-River-Delta Area. When analyzed by the ranking of cities, 53% is from tier-one and 37% from tier-two cities. The stable land investment and expansion, high-quality land reserve and sellable resources, as well as the layout and accelerated transformation of urban redevelopment projects of the Group, will jointly support the Group's future sales scale to continue to grow steadily.

While deeply rooted in real estate development, the Group attaches great importance to the comprehensive and diversified industrial layout. Through many years of development, the Group has realized the synergetic co-existence of diversified businesses in terms of residential, shopping centres, office buildings, hotels, city-industry integration, cultural and tourism, education, and health. The Group's investment properties are concentrated in the core locations of the tier-one and tier-two cities. In next few years, more commercial properties will be opened successively, bringing sustainable and stable operating cash flow to the Group.

Looking forward into the future, the Group will pay more attention to brand value, accelerate digital transformation and continue to enhance professionalism, think hard and infuse soul into products in order to continuously create value for customers!

Overview of the Group's Property Development

As at 31 December 2020, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan, Hefei, Wuhan, Xuzhou, Jiaxing, Taizhou, Jinan, Changshu, Lishui, Chongqing, Taicang, Wuxi, Zhaoqing, Zhongshan, Nantong, Liuzhou, Shenzhen, Shaoxing, Huizhou, Jiangmen, Wenzhou, Dongguan, Yangzhou, Ningbo, Meishan, Chenzhou, Wuzhou, Xi'an, Kunming, Yancheng and Hong Kong.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1	The Summit	Guangzhou	Residential/villa/serviced apartment/office/commercial	1,192	100
2	International Metropolitan Plaza ("IMP")	Guangzhou	Office/commercial	40	50
3	Tian Hui Plaza (including The Riviera and Top Plaza)	Guangzhou	Serviced apartment/office/ commercial/hotel	44	33.33
4	KWG Flourishing Biotech Square (formerly known as The Star)	Guangzhou	Office/commercial	84	100
5	Top of World	Guangzhou	Villa/serviced apartment/office/ commercial/hotel	301	100
6	The Eden	Guangzhou	Residential/commercial	2	50
7	Paradise by Moony Sky	Guangzhou	Villa/hotel	30	70
8	Essence of City	Guangzhou	Residential/villa/commercial	58	100
9	International Commerce Place ("ICP")	Guangzhou	Office/commercial	50	50
10	CFC (including Mayfair and International Finance East)	Guangzhou	Serviced apartment/office/ commercial	69	33.33
11	The Horizon	Guangzhou	Residential/villa/serviced apartment/office/commercial/ hotel	14	50
12	Blooming River	Guangzhou	Residential/villa/commercial	122	50
13	Nansha River Paradise	Guangzhou	Residential/commercial	7	40
14	The Jadeite	Guangzhou	Residential	8	40
15	V-city	Guangzhou	Serviced apartment/commercial	165	70
16	Montkam	Guangzhou	Residential/villa	24	30
17	E-city	Guangzhou	Serviced apartment/commercial	488	67
18	Guangzhou Luogang M • Cube	Guangzhou	Commercial/hotel	15	60
19	Ke Xian Center (formerly known as KWG Center)	Guangzhou	Office/commercial	8	50

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
20	The Beryl (Guangzhou Development Area Hotel A Project)	Guangzhou	Villa/serviced apartment/ commercial/hotel	14	60
21	The Beryl (Guangzhou Development Area Hotel B Project)	Guangzhou	Villa/serviced apartment/office/ commercial	16	60
22	Landmark Arte (formerly known as The Corniche)	Guangzhou	Residential/serviced apartment/ commercial	79	80
23	Clover Shades	Guangzhou	Residential/commercial	54	43.75
24	The Emerald	Guangzhou	Residential	85	100
25	Guangzhou Biotech Park (formerly known as Guangzhou Southern Medical Industrial Park)	Guangzhou	Villa/serviced apartment/office/ commercial	192	80
26	Longyatt Mansion (formerly known as Guangzhou Conghua City South Project)	Guangzhou	Residential/commercial	92	100
27	Dreams Garden (formerly known as Guangzhou Conghua City North Project)	Guangzhou	Residential/commercial	284	100
28	Lakeside Mansion	Guangzhou	Residential/commercial	323	100
29	Richmond Greenville	Guangzhou	Residential	95	100
30	Guangzhou Nansha Project	Guangzhou	Educational	30	20
31	IFP	Guangzhou	Office/commercial	61	100
32	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
33	The Mulian Huadu	Guangzhou	Hotel	25	100
34	W Hotel/W Serviced Apartments	Guangzhou	Hotel/serviced apartment	80	100
35	The Mulian Guangzhou	Guangzhou	Hotel	8	100
36	The Sapphire	Suzhou	Residential/serviced apartment/ office/commercial/hotel	31	100
37	Suzhou Apex	Suzhou	Residential/serviced apartment/ commercial/hotel	112	100
38	Suzhou Emerald	Suzhou	Residential/commercial	1	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
39	Leader Plaza	Suzhou	Serviced apartment/office/commercial	25	100
40	Fortune Building	Suzhou	Office/commercial/hotel	32	100
41	Suzhou Jade Garden	Suzhou	Residential/commercial	2	100
42	Orient Aesthetics	Suzhou	Residential/commercial	3	16
43	Orient Moon Bay	Suzhou	Residential	12	50
44	Swan Harbor Park	Suzhou	Residential/serviced apartment/office/commercial	96	30
45	Lunar River	Suzhou	Residential/commercial	48	51
46	Blessedness Seasons	Suzhou	Residential/commercial	38	49
47	Moonlit River	Suzhou	Residential	48	50
48	The Vision of the World	Chengdu	Residential/serviced apartment/commercial	53	100
49	Chengdu Cosmos	Chengdu	Residential/serviced apartment/office/commercial/hotel	240	100
50	Chengdu Sky Ville	Chengdu	Residential/serviced apartment/office/commercial	140	50
51	Yunshang Retreat	Chengdu	Residential/villa/serviced apartment/commercial/hotel	588	55
52	The Jadeite	Chengdu	Residential/villa/commercial/hotel	62	100
53	Fragrant Seasons	Beijing	Residential/villa/serviced apartment/commercial	2	100
54	La Villa	Beijing	Residential/villa/commercial	8	50
55	Beijing Apex	Beijing	Residential/villa/serviced apartment/commercial	28	50
56	M • Cube	Beijing	Commercial	16	100
57	Summer Terrace	Beijing	Residential/commercial	16	100
58	Uptown Riverside I	Beijing	Serviced apartment/office/commercial	128	100
59	Uptown Riverside II	Beijing	Serviced apartment/office/commercial	98	100
60	Rose and Ginkgo Mansion	Beijing	Residential/villa/office/commercial	27	33
61	The Core of Center (Beijing Niulanshan Complex Project)	Beijing	Residential/villa/serviced apartment/commercial/hotel	200	100

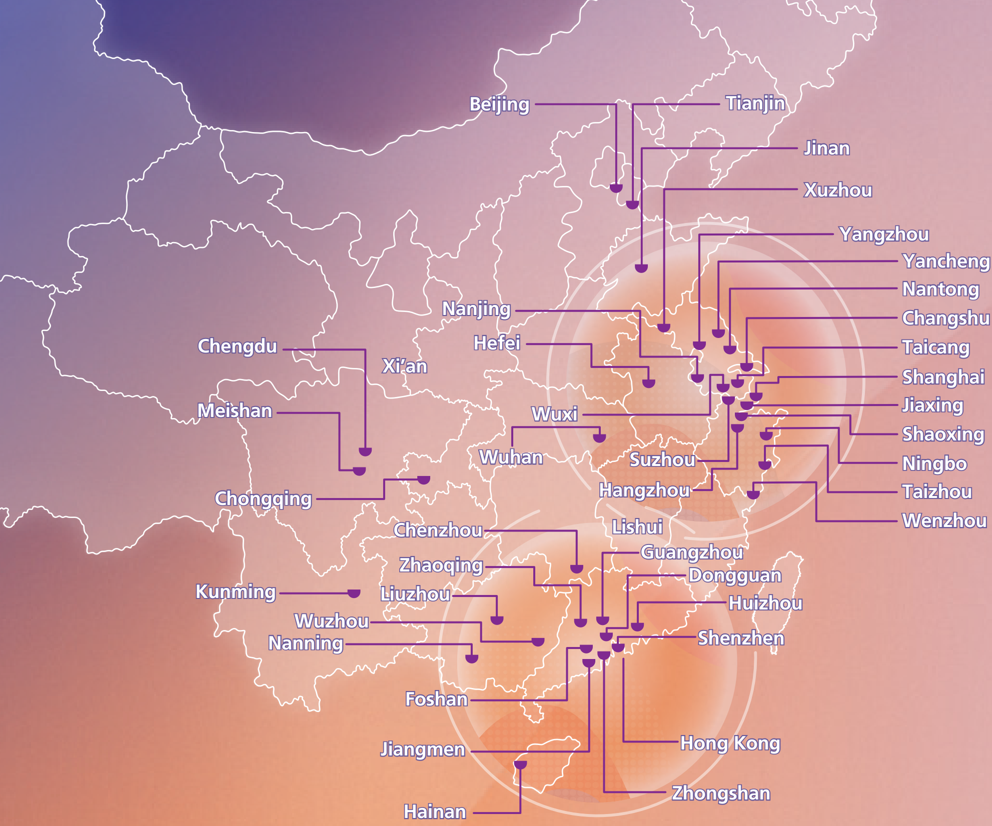
No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
62	The Core of Center (Beijing Niulanshan 1107# Project)	Beijing	Residential	37	100
63	New Chang'an Mansion	Beijing	Residential/office/commercial/hotel	29	51
64	Pearl Coast	Hainan	Residential/villa/commercial/hotel	114	100
65	Villa Como	Hainan	Residential/villa/commercial/hotel	347	100
66	Egret Bay	Hainan	Residential/serviced apartment/ commercial	33	20
67	Hainan Wenchang Changsa Project	Hainan	Serviced apartment/commercial	76	100
68	International Metropolis Plaza	Shanghai	Office/commercial	30	75.5
69	Shanghai Apex	Shanghai	Residential/serviced apartment/ commercial/hotel	19	51
70	Shanghai Sapphire	Shanghai	Serviced apartment/commercial	25	51
71	Amazing Bay	Shanghai	Residential/serviced apartment/ office/commercial/hotel	49	50
72	Vision of World	Shanghai	Residential/serviced apartment/ commercial/hotel	54	51
73	Glory Palace	Shanghai	Residential	58	100
74	Shanghai Biotech Park (formerly known as Shanghai Qingpu Project)	Shanghai	Office/commercial	121	90
75	Jinnan New Town	Tianjin	Residential/villa/serviced apartment/commercial	367	25
76	Tianjin The Cosmos	Tianjin	Residential/villa/commercial	262	100
77	Tianjin Apex	Tianjin	Residential/office/commercial/hotel	102	100
78	Jin Yue Fu	Tianjin	Residential/commercial	97	100
79	The Core of Center	Nanning	Residential/villa/serviced apartment/commercial/hotel	260	100
80	International Finance Place	Nanning	Office/commercial	60	100
81	Top of World	Nanning	Residential/villa/serviced apartment/commercial/hotel	86	100
82	Fragrant Season	Nanning	Residential/villa/commercial	17	100
83	Impression Discovery Bay I	Nanning	Residential/commercial	37	34
84	Impression Discovery Bay II	Nanning	Residential/commercial	50	34
85	Emerald City	Nanning	Residential/serviced apartment/ commercial	418	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
86	The Mulian Hangzhou	Hangzhou	Commercial/hotel	18	100
87	The Moon Mansion	Hangzhou	Residential/villa	2	51
88	Sky Ville	Hangzhou	Residential/villa	1	100
89	Puli Oriental	Hangzhou	Residential/commercial	8	50
90	Urban Artwork	Hangzhou	Serviced apartment/commercial	15	60
91	Malus Moon	Hangzhou	Residential/villa/commercial	40	100
92	Oriental Dawn	Hangzhou	Residential/commercial	59	50
93	Precious Mansion	Hangzhou	Residential/villa/office/commercial	79	76.74
94	Season Mix	Hangzhou	Residential/commercial/hotel	46	25
95	Shine City	Nanjing	Residential/office/commercial	8	50
96	South Bank Palace	Nanjing	Residential/commercial	13	19.75
97	Ruyi Palace	Nanjing	Residential/commercial	21	50
98	Oriental Bund	Foshan	Residential/villa/serviced apartment/commercial	1,025	50
99	The Riviera	Foshan	Residential/commercial	81	51
100	One Palace	Foshan	Residential/serviced apartment/ commercial	57	33.3
101	Foshan Apex	Foshan	Residential/serviced apartment/ commercial	13	50
102	China Image	Foshan	Residential/commercial	37	34
103	Water Moon	Hefei	Residential/commercial	130	100
104	City Moon	Hefei	Residential/commercial	1	100
105	The One	Hefei	Residential/commercial	99	80
106	Park Mansion	Hefei	Residential	2	50
107	Joyful Season	Wuhan	Residential/villa/commercial	74	60
108	The Buttonwood Season I	Wuhan	Residential/villa/commercial	16	100
109	The Buttonwood Season II	Wuhan	Residential/villa/commercial	142	100
110	Exquisite Bay	Xuzhou	Residential/commercial	3	50
111	Fragrant Season	Xuzhou	Residential/commercial	13	50
112	Xuzhou Tongshan Project I	Xuzhou	Residential	6	33
113	Xuzhou Tongshan Project II	Xuzhou	Residential/commercial	34	33
114	Oriental Milestone	Xuzhou	Residential	153	100
115	Majestic Mansion	Jiaxing	Residential/commercial	9	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
116	Star City	Jiaxing	Residential	1	25
117	Noble Peak	Jiaxing	Residential	2	100
118	Jiaxing CRH New Town Project	Jiaxing	Residential/serviced apartment/ office/commercial/hotel	383	100
119	Top of World Residence I	Taizhou	Residential	2	100
120	Top of World Residence II	Taizhou	Residential/commercial	10	100
121	Linhai Mansion	Taizhou	Residential/commercial	90	100
122	Star Mansion	Taizhou	Residential/commercial	15	33
123	Lead Peak Mansion	Taizhou	Residential/commercial	32	100
124	Jinan Zhangqiu Project	Jinan	Residential	99	49
125	Jinan Zhang Ma Tun C6# Project	Jinan	Residential/commercial	26	20
126	Jinan Zhang Ma Tun C8# Project	Jinan	Residential/commercial	26	20
127	Fragrant Season	Changshu	Residential	12	40
128	Brown Stone Life	Changshu	Residential	6	25
129	Liu Xiang Mansion	Lishui	Residential/commercial	8	49
130	The Riviera Chongqing	Chongqing	Residential/commercial	47	100
131	The Cosmos Chongqing	Chongqing	Residential/serviced apartment/ office/commercial/hotel	286	100
132	The Moon Mansion	Chongqing	Residential/commercial	16	39
133	Splendid City	Chongqing	Residential/commercial	34	50
134	Mansion of Jasper	Chongqing	Residential/commercial	34	50
135	Jade Moon Villa	Chongqing	Residential/commercial	70	50
136	Jinzhu Tianyi Huayuan	Taicang	Residential	69	66.7
137	Oriental Mansion	Wuxi	Residential/commercial	1	20
138	Exquisite Palace	Wuxi	Residential/commercial	38	45
139	Star Mansion	Wuxi	Residential/commercial	10	50
140	Vision of the World	Zhaoqing	Residential/commercial	120	100
141	River View Mansion	Zhaoqing	Residential/commercial	35	33
142	The Moon Mansion	Zhongshan	Residential/commercial	50	50
143	Serenity in Prosperity	Nantong	Residential/villa/commercial	8	51
144	Oriental Beauty	Nantong	Residential	11	70

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
145	Central Mansion (formerly known as Nantong Chongchuan Project)	Nantong	Residential	27	70
146	The Moon Mansion	Liuzhou	Residential/villa/commercial	74	100
147	Fortunes Season	Liuzhou	Residential/commercial/hotel	1,014	100
148	Shenzhen Bantian Project	Shenzhen	Serviced apartment/office/commercial	119	100
149	KWG Topchain City Center	Shenzhen	Serviced apartment/office/commercial	62	51
150	Grand Oasis	Shenzhen	Serviced apartment/office/commercial/hotel	46	55
151	Shenzhen Longhua Project	Shenzhen	Residential	90	50
152	Shaoxing Project	Shaoxing	Residential/villa	1	24.9
153	Life in Yueshan County	Huizhou	Residential/commercial	263	100
154	Huizhou Longmen Project-Educational#[2019]011	Huizhou	Educational	11	100
155	Huizhou Longmen Project-Educational#[2019]014	Huizhou	Educational	61	100
156	The Horizon	Jiangmen	Residential	1	100
157	Jiangmen Apex International	Jiangmen	Residential/serviced apartment/commercial	108	100
158	Cullinan Mansion	Wenzhou	Residential/commercial	71	100
159	Art Wanderland	Dongguan	Residential/villa/commercial	12	12.5
160	Dongguan Hengli Project	Dongguan	Residential/villa	50	20
161	Yangzhou Apex	Yangzhou	Residential/commercial	131	80
162	Ningbo Beilun Project	Ningbo	Residential	3	49
163	Parkview Palace	Ningbo	Residential	2	49
164	Cloud Mansion	Ningbo	Residential	38	50
165	Meishan Apex	Meishan	Residential/commercial	29	100
166	River State	Meishan	Residential/commercial	110	34
167	Chenzhou Wangxian Eco-tourism Project	Chenzhou	Residential/villa	72	50
168	KWG Tusholdings Ice Snow	Wuzhou	Residential/commercial	256	75
169	Meet	Xi'an	Serviced apartment/commercial/hotel	37	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
170	Salar de Uyuni	Kunming	Residential/commercial/hotel	259	51
171	Kunming Zhaotong Project #17–28	Kunming	Residential	68	55
172	Kunming Zhaotong Project #17–29	Kunming	Residential	88	55
173	Yancheng High-tech District Project	Yancheng	Residential/serviced apartment/commercial/hotel	690	100
174	Hong Kong Ap Lei Chau Project	Hong Kong	Residential	35	50
175	Upper RiverBank	Hong Kong	Residential/commercial	27	50



Project Overview

Guangzhou – 35 projects
Total Attributable GFA
approximately 4,217,000 sqm
The Summit
International Metropolitan Plaza
Tian Hui Plaza (including The Riviera and Top Plaza)
KWG Flourishing Biotech Square (formerly known as The Star)
Top of World
The Eden
Paradise by Moony Sky
Essence of City
International Commerce Place
CFC (including Mayfair and International Finance East)
The Horizon
Blooming River
Nansha River Paradise
The Jadeite
V-city
Montkam
E-city
Guangzhou Luogang M • Cube
Ke Xian Center (formerly known as KWG Center)
The Beryl (Guangzhou Development Area Hotel A Project)
The Beryl (Guangzhou Development Area Hotel B Project)
Landmark Arte (formerly known as The Corniche)
Clover Shades
The Emerald
Guangzhou Biotech Park (formerly known as Guangzhou Southern Medical Industrial Park)
Longyatt Mansion (formerly known as Guangzhou Conghua City South Project)
Dreams Garden (formerly known as Guangzhou Conghua City North Project)
Lakeside Mansion
Richmond Greenville
Guangzhou Nansha Project
IFP
Four Points by Sheraton Guangzhou, Dongpu
The Mulian Huadu
W Hotel/W Serviced Apartments
The Mulian Guangzhou

Foshan – 5 projects
Total Attributable GFA
approximately 1,213,000 sqm
Oriental Bund
The Riviera
One Palace
Foshan Apex
China Image

Huizhou – 3 projects
Total Attributable GFA
approximately 335,000 sqm
Life in Yueshan County
Huizhou Longmen Project-Educational#[2019]011
Huizhou Longmen Project-Educational#[2019]014

Shenzhen – 4 projects
Total Attributable GFA
approximately 317,000 sqm
Shenzhen Bantian Project
KWG Topchain City Center
Grand Oasis
Shenzhen Longhua Project

Zhaoqing – 2 projects
Total Attributable GFA
approximately 155,000 sqm
Vision of the World
River View Mansion

Jiangmen – 2 projects
Total Attributable GFA
approximately 109,000 sqm
The Horizon
Jiangmen Apex International

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

Dongguan – 2 projects
Total Attributable GFA
approximately 62,000 sqm
Art Wanderland
Dongguan Hengli Project

Zhongshan – 1 project
Total Attributable GFA
approximately 50,000 sqm
The Moon Mansion

Yancheng – 1 project
Attributable GFA
approximately 690,000 sqm
Yancheng High-tech District Project

Suzhou – 12 projects
Total Attributable GFA
approximately 451,000 sqm
The Sapphire
Suzhou Apex
Suzhou Emerald
Leader Plaza
Fortune Building
Suzhou Jade Garden
Orient Aesthetics
Orient Moon Bay
Swan Harbor Park
Lunar River
Blessedness Seasons
Moonlit River

Jiaxing – 4 projects
Total Attributable GFA
approximately 395,000 sqm
Majestic Mansion
Star City
Noble Peak
Jiaxing CRH New Town Project

Shanghai – 7 projects
Total Attributable GFA
approximately 356,000 sqm
International Metropolis Plaza
Shanghai Apex
Shanghai Sapphire
Amazing Bay
Vision of World
Glory Palace
Shanghai Biotech Park (formerly known as Shanghai Qingpu Project)

Hangzhou – 9 projects
Total Attributable GFA
approximately 271,000 sqm
The Mulian Hangzhou
The Moon Mansion
Sky Ville
Puli Oriental
Urban Artwork
Malus Moon
Oriental Dawn
Precious Mansion
Season Mix

Hefei – 4 projects
Total Attributable GFA
approximately 232,000 sqm
Water Moon
City Moon
The One
Park Mansion

Xuzhou – 5 projects
Total Attributable GFA
approximately 209,000 sqm
Exquisite Bay
Fragrant Season
Xuzhou Tongshan Project I
Xuzhou Tongshan Project II
Oriental Milestone

Taizhou – 5 projects
Total Attributable GFA
approximately 149,000 sqm
Top of World Residence I
Top of World Residence II
Linhai Mansion
Star Mansion
Lead Peak Mansion

Yangzhou – 1 project
Total Attributable GFA
approximately 131,000 sqm
Yangzhou Apex

Wenzhou – 1 project
Total Attributable GFA
approximately 71,000 sqm
Cullinan Mansion

Taicang – 1 project
Total Attributable GFA
approximately 69,000 sqm
Jinzhu Tianyi Huayuan

Wuxi – 3 projects
Total Attributable GFA
approximately 51,000 sqm
Oriental Mansion
Exquisite Palace
Star Mansion

Nantong – 3 projects
Total Attributable GFA
approximately 46,000 sqm
Serenity in Prosperity
Oriental Beauty
Central Mansion (formerly known as Nantong Chongchuan Project)

Ningbo – 3 projects
Total Attributable GFA
approximately 43,000 sqm
Ningbo Beilun Project
Parkview Palace
Cloud Mansion

Nanjing – 3 projects
Total Attributable GFA
approximately 42,000 sqm
Shine City
South Bank Palace
Ruyi Palace

Changshu – 2 projects
Total Attributable GFA
approximately 18,000 sqm
Fragrant Season
Brown Stone Life

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

Shaoxing – 1 project
Total Attributable GFA
approximately 1,000 sqm
Shaoxing Project

Tianjin – 4 projects
Total Attributable GFA
approximately 829,000 sqm
Jinnan New Town
Tianjin The Cosmos
Tianjin Apex
Jin Yue Fu

Beijing – 11 projects
Total Attributable GFA
approximately 589,000 sqm
Fragrant Seasons
La Villa
Beijing Apex
M • Cube
Summer Terrace
Uptown Riverside I
Uptown Riverside II
Rose and Ginkgo Mansion
The Core of Center (Beijing Niulanshan Complex Project)
The Core of Center (Beijing Niulanshan 1107# Project)
New Chang'an Mansion

Jinan – 3 projects
Total Attributable GFA
approximately 151,000 sqm
Jinan Zhangqiu Project
Jinan Zhang Ma Tun C6# Project
Jinan Zhang Ma Tun C8# Project

Liuzhou – 2 projects
Total Attributable GFA
approximately 1,088,000 sqm
The Moon Mansion
Fortunes Season

Chengdu – 5 projects
Total Attributable GFA
approximately 1,083,000 sqm
The Vision of the World
Chengdu Cosmos
Chengdu Sky Ville
Yunshang Retreat
The Jadeite

Nanning – 7 projects
Total Attributable GFA
approximately 928,000 sqm
The Core of Center
International Finance Place
Top of World
Fragrant Season
Impression Discovery Bay I
Impression Discovery Bay II
Emerald City

Hainan – 4 projects
Total Attributable GFA
approximately 570,000 sqm
Pearl Coast
Villa Como
Egret Bay
Hainan Wenchang Changsa Project

Chongqing – 6 projects
Total Attributable GFA
approximately 487,000 sqm
The Riviera Chongqing
The Cosmos Chongqing
The Moon Mansion
Splendid City
Mansion of Jasper
Jade Moon Villa

Kunming – 3 projects
Total Attributable GFA
approximately 415,000 sqm
Salar de Uyuni
Kunming Zhaotong Project #17-28
Kunming Zhaotong Project #17-29

Wuzhou – 1 project
Total Attributable GFA
approximately 256,000 sqm
KWG Tusholdings Ice Snow

Wuhan – 3 projects
Total Attributable GFA
approximately 232,000 sqm
Joyful Season
The Buttonwood Season I
The Buttonwood Season II

Meishan – 2 projects
Total Attributable GFA
approximately 139,000 sqm
Meishan Apex
River State

Chenzhou – 1 project
Total Attributable GFA
approximately 72,000 sqm
Chenzhou Wangxian Eco-tourism Project

Xi'an – 1 project
Total Attributable GFA
approximately 37,000 sqm
Meet

Directors and Senior Management's Profile

Directors

Executive Directors

KONG Jianmin, aged 53, is the founder of the Group and the executive director and the chairman of the Company (the "Chairman"). Mr. Kong is also the chairman of the nomination committee and a member of the remuneration committee of the Company. On 19 June 2020, Mr. Kong was appointed as the non-executive director and the chairman of KWG Living (the shares of which were listed on the mainboard of Stock Exchange on 30 October 2020 with the stock code 03913.HK). Mr. Kong is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. Kong graduated from Jinan University majoring in computer science in 1989. He has over 26 years of experience in property development and investment. Mr. Kong is a brother of Messrs. KONG Jiantao and KONG Jiannan. Mr. Kong is also a director of most of the Company's subsidiaries incorporated in the BVI, Hong Kong and the PRC.

KONG Jiantao, aged 50, is the executive director and the chief executive officer of the Company (the "Chief Executive Officer"). Mr. Kong is responsible for the overall operation of the Group's projects. He has over 26 years of experience in property development and has been a director of the Group since 1995. Mr. Kong is the younger brother of Messrs. KONG Jianmin and KONG Jiannan. Mr. Kong is also a director of most of the Company's subsidiaries incorporated in the BVI, Hong Kong and the PRC.

KONG Jiannan, aged 55, is the executive director of the Company. On 19 June 2020, Mr. Kong was appointed as the executive director and the chief executive officer of KWG Living. He is a graduate of The Open University of China and joined the Group in 1999. Mr. Kong is the elder brother of Messrs. KONG Jianmin and KONG Jiantao. Mr. Kong is also a director of most of the Company's subsidiaries incorporated in the BVI, Hong Kong and the PRC.

CAI Fengjia, aged 51, is the executive director of the Company, and also the chief executive officer of the Company's real estate business. Mr. Cai graduated from Hunan University with a bachelor's degree in architecture and is a registered architect. Mr. Cai joined the Group in May 2007 and served as the deputy general manager of its Suzhou's real estate sector, the general manager of its Hangzhou's real estate sector and the general manager of Eastern China District. He was appointed as chief executive officer of real estate business of the Company in December 2017. Prior to joining the Group, Mr. Cai worked in Guangdong Architectural Design Institute from 1992 to 2005.

Independent Non-Executive Directors

LEE Ka Sze, Carmelo *JP*, aged 60, is the independent non-executive director and a member of the audit committee of the Company. Mr. Lee joined the Company in June 2007. He received a bachelor's degree in Laws and the Postgraduate Certificate in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. Lee is a non-executive director of Playmates Holdings Limited and Safety Godown Company Limited, both of which are listed on the Stock Exchange. Mr. Lee is a member of chairmen pool of Listing Review Committee of the Stock Exchange since 5 July 2019. He is also a member of HKSAR InnoHK Steering Committee, the chairman of the Appeal Tribunal Panel (Buildings) (Section 45 of the Buildings Ordinance, Chapter 123 of the Laws of Hong Kong), a convenor cum member of Financial Reporting Review Panel of The Financial Reporting Council, a member of Campaign Committee of The Community Chest of Hong Kong and the co-chairman of The Community Chest Corporate Challenge Half Marathon. He was the chairman of the Listing Committee of the Stock Exchange from May 2012 to July 2015 after serving as a deputy chairman and a member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003, respectively. Mr. Lee resigned as a non-executive director of four companies listed on the Stock Exchange, namely Planetree International Development Limited (formerly known as Yugang International Limited), Hopewell Holdings Limited (which has been withdrawn from listing in May 2019), Termbray Industries International (Holdings) Limited and CSPC Pharmaceutical Group Limited respectively with effect from 30 April 2019, 3 May 2019,13 September 2019 and 1 January 2021. He also resigned as an independent non-executive director of two companies listed on the Stock Exchange, namely China Pacific Insurance (Group) Co., Ltd and Esprit Holdings Limited respectively with effect from 12 May 2020 and 1 January 2021.

TAM Chun Fai, aged 58, is the independent non-executive director, the chairman of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of the Company. Mr. Tam joined the Company in June 2007. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and Chartered Financial Analyst. Mr. Tam has almost 36 years of experience in auditing, corporate advisory services and financial management, as well as compliance work. He is an executive director, the chief financial officer and the company secretary of Beijing Enterprises Holdings Limited and is an independent non-executive director of Hi Sun Technology (China) Limited, both of which are listed on the Main Board of the Stock Exchange.

LI Binhai, aged 71, is the independent non-executive director, a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. He was the former chairman of Poly Real Estate Group Co., Ltd. ("Poly Real Estate", together with its subsidiaries, the "Poly Real Estate Group"), a company listed on the Shanghai Stock Exchange and retired on 31 May 2010 after 20 years at the helm of Poly Real Estate. Before his retirement, he held various positions within the Poly Real Estate Group, including the general manager of Guangzhou Poly Real Estate Development Corporation, a director and the deputy general manager of Poly Southern Group Co., Ltd. and chief economist of China Poly Group Corporation.

Senior Management

LI Ning, aged 56, is the general manager of product research and development of the Group. Mr. Li joined the Group in November 2010 and is mainly responsible for the development and design of products of the Group. Mr. Li is a grade-one national registered architect and senior architecture design engineer. Mr. Li graduated from Murdoch University with a master's degree in business administration. Mr. Li has over 31 years of experience in designing large-scaled integrated architecture and operational management.

CHEN Guangchuan, aged 52, is the vice president of the Group. Mr. Chen graduated from Guangzhou Open University, majoring in business administration. Mr. Chen joined the Group in October 2009 and was the general manager of its Hainan's real estate sector. He is now mainly responsible for the management of land reserves in China as well as financing management of the Group. Before joining the Group, Mr. Chen was a general manager of a real estate company.

JIN Yanlong, aged 41, is the general manager of the Group's Northern China District. Mr. Jin obtained a bachelor's degree in electrical engineering and automation from Nanjing Tech University. Mr. Jin joined the Group in June 2008 and was the engineering manager, the deputy general manager of its Hangzhou's real estate sector and the general manager of its Suzhou's real estate sector. Currently, Mr. Jin is mainly responsible for the overall management and operation of Northern China District of the Group.

HUANG Yanping, aged 46, is the vice president of the finance and treasury department of the Group. Ms. Huang graduated from the University of Maryland in the US with a master's degree in business administration. Ms. Huang joined the Group in September 2008 and was the director of finance and treasury and the general manager of finance and treasury of the Group. Currently, Ms. Huang is responsible for the management of finance and treasury of the Group. She has 24 years of extensive experience in financial management.

LUO Qing, aged 56, is the general manager of construction sector of the Group. Mr. Luo graduated from South China University of Technology, majoring in construction engineering. Mr. Luo joined the Group in August 2001 and was the general manager of its Chengdu's real estate sector, the general manager of its Beijing's real estate sector and the general manager of its Wuhan's real estate sector. Before joining the Group, Mr. Luo worked in a sound first-tier main construction contractor in Guangzhou. He has 36 years of extensive experience in the management of construction work.

YAO Zhimin, aged 59, vice president of the finance and treasury department of the Group. Mr. Yao graduated from the Shenzhen University with a bachelor's degree in finance. Mr. Yao joined the Group in March 2018 as a vice president of the finance and treasury department, and is responsible for the management of treasury activities. Prior to joining the Group, Mr. Yao has worked as a president and general manager at the Guangzhou Xiajiu Lu sub-branch, Guangzhou Dezhengzhong Lu sub-branch, settlement and electronic banking department of Guangzhou branch, Guangzhou Baiyun Lu sub-branch of the Industrial and Commercial Bank of China. Mr. Yao has 31 years of experience in the management of treasury activities.

Corporate Governance Code

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

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

The Group strives to attain and maintain effective corporate governance practices and procedures. Throughout the year, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the code provisions (the "Code Provisions") set out in the Corporate Governance Report (the "Corporate Governance Code"), save and except for code provisions A.1.7. Code provision A.1.7 stipulates that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

During the year, the Board approved the continuing connected transactions in relation to the leasing of certain properties to Guangzhou Kai Chuang Business Investments Company Limited* (廣州凱創商務投資有限公司) ("Guangzhou Kai Chuang") and its wholly-owned subsidiaries (the "Transactions I"), by way of passing written resolutions. As Mr. KONG Jiantao is the executive director and controlling shareholder of the Company, and also a director and the ultimate beneficial owner of Guangzhou Kai Chuang, therefore, Mr.KONG Jiantao is regarded as having material interests in the Transactions I.

During the year, the Board approved the continuing connected transactions in relation to enter into a series of framework agreements with KWG Living (the "Transactions II"), by way of passing written resolutions, the details of which were set out in the announcement of the Company dated 5 November 2020. As Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the executive directors and controlling shareholders of the Company, and also the controlling shareholders of KWG Living, therefore, Mr.KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are regarded as having material interests in the Transactions II.

The Transactions I and the Transactions II should be dealt with by physical board meetings, but the Board considered that the adoption of written resolutions would facilitate the effectiveness of decision-making and implementation, except that, Mr. KONG Jiantao has abstained from voting for the relevant resolutions of the Transactions I, and Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan have abstained from voting for the relevant resolutions of the Transactions II. The Directors (including the independent non-executive Directors) are of the view that the Transactions I and the Transactions II are on normal commercial terms or better, and the relevant terms of the agreements for the Transactions I and the Transactions II (including the relevant annual caps) are fair and reasonable, and are in the interests of the Company and the shareholders as a whole. The Board shall nevertheless review its board meeting arrangement from time to time to ensure the appropriate action is being taken to comply with the requirements under the Code Provision.

Board of Directors

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

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

Board composition

During the year ended 31 December 2020 and up to the date of this report, the Board has seven Directors, including four executive Directors, Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), Mr. KONG Jiannan and Mr. CAI Fengjia and three independent non-executive Directors, LEE Ka Sze, Carmelo *JP*, Mr. TAM Chun Fai and Mr. LI Binhai. Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are brothers. Save as disclosed above, there is no financial, business, family or other material/relevant relationship among members of the Board.

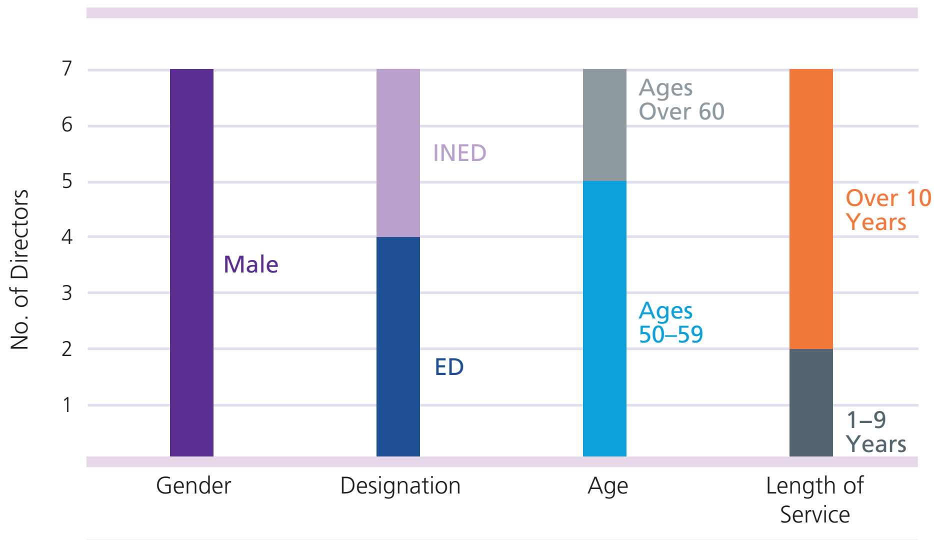
The biographical details of the Directors, including relationships among members of the Board, are set out on pages 38 to 39 of this report. The latest list of Directors setting out their roles and responsibilities is available for inspection at the websites of the Company and the Stock Exchange.

Board Diversity

The Board has adopted a board diversity policy (the "Diversity Policy") which sets out the approach by the Company to achieve diversity on the Board. Under the Diversity Policy, the Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage and supporting its sustainable development. In determining an optimum composition of the Board, the Company will consider all aspects of diversity and will also take into account factors based on its own business model and specific needs from time to time. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, skills and industry experience and expertise, cultural and educational background, and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The current composition and structure of the Board are established with reference to the Diversity Policy, reflecting diverse mix of educational background, professional knowledge, industry experience and length of service, which are also in line with the Group's demand for all-round sustainable development. The diversity mix of the Board as at the date of this report is summarised in the following charts:

Diversity Mix



Remarks:
INED - independent non-executive Directors
ED - executive Directors

Chairman and Chief Executive Officer

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

The Chairman is mainly responsible for providing leadership to the Board and ensuring that the Board functions effectively; providing all Directors with that information which is adequate, complete and reliable in a timely manner, formulating good corporate governance practice and process and making sure to adopt proper measures to maintain effective contact with the Shareholders. The Chief Executive Officer is mainly responsible for the daily operations and the overall management of the Group, execution of business policies and objectives as formulated and adopted by the Board and reported to the Board for the overall operation of the Group.

Independent Non-executive Directors

The Company currently has three independent non-executive Directors ("INEDs"), representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules, therefore the Company considered all the INEDs to be independent.

During the year, the INEDs contributed to the Company on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance of Board and Board committees meetings, and proposed their independent opinions on several matters in relation to strategy, policy, the Company's performance and risk monitoring.

LEE Ka Sze, Carmelo *JP* and Mr. TAM Chun Fai have served as independent non-executive Director of the Company for over 9 years. Despite their long term of service, however, the Board is of the view that their individual independence should not be determined solely by the length of service. LEE Ka Sze, Carmelo *JP* and Mr. TAM Chun Fai made positive contributions to the Company by proposing independent, constructive and well-founded opinions over their term of office, and their succession in service as directors will bring about certain stability to the Board. In addition, it will also be of great benefit to the Board to maintain its members who have rendered long term service to the Company and are familiar with the Group's business and its market situation. The Board will also consider that they can still continue to demonstrate a high degree of independent judgment after taking into consideration of the factors that may affect their independence pursuant to Rule 3.13 of the Listing Rules, hence, both of them are considered to be independent.

Appointments and re-election of Directors

Each Director has entered into a service contract or a letter of appointment with the Company for a term of three years, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Articles of Association (the "Articles of Association"). Mr. KONG Jianmin, Mr. CAI Fengjia and LEE Ka Sze, Carmelo *JP* will retire by rotation at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election, in accordance with the article 87 of the Articles of Association.

Directors' insurance

The Company has purchased suitable and adequate insurance coverage for all Directors against their litigation liabilities arising from legal actions due to the performance of corporate activities. The Company reviews the insurance purchased annually to ensure the provision of reasonable and sufficient protection.

Operation of the Board

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

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

During the year, the Chairman held one meeting with independent non-executive Directors without the presence of other Directors.

Attendances of the Directors at the board meetings and the annual general meeting in 2020 are set out as follows:

Directors	**Board Meetings Attended/ Eligible to attend**	**Attendance at 2020 annual general meeting**
Executive Directors		
KONG Jianmin *(Chairman)*	4/4	√
KONG Jiantao *(Chief Executive Officer)*	4/4	✗
KONG Jiannan	4/4	✗
CAI Fengjia	4/4	√
Independent Non-executive Directors		
LEE Ka Sze, Carmelo *JP*	4/4	✗
TAM Chun Fai	4/4	✗
LI Binhai	3/4	√

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

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

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2020.

Training and support for Directors

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

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

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

During the year, the Directors have participated in adequate continuous professional development through their attendance of seminars, taking training courses and online learning resources. According to the information provided to the Company by the Directors, they attended the following trainings as of 31 December 2020:

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

Annual Remuneration Payable to the Members of Senior Management

The annual remuneration of the members of the senior management by band for the year ended 31 December 2020 is as follows:

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

Board Committees

The Board has established four board committees, namely Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee. Each of the Board committees has its respective written terms of reference approved by the Board, which cover its duties, authority and functions. Such terms of reference comply with the requirements of the Listing Rules and have taken into account the specific business needs of the Company. The Board committees have sufficient resources to perform their duties, report to the Board on the results of their meetings, raise key issues and findings, and provide recommendations to assist the Board in decision-making.

Audit Committee

The Audit Committee was established in 2007. The terms of reference of the Audit Committee was determined and updated in accordance with the Corporate Governance Code, which was amended from time to time. As at the date of this report, the Audit Committee comprises three members who are independent non-executive Directors, namely Mr. TAM Chun Fai (chairman), LEE Ka Sze, Carmelo *JP*, and Mr. LI Binhai.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditors, review financial statements and express material advice in respect of financial reporting matters, as well as review the financial control, internal control, risk management systems and corporate governance of the Company. The terms of reference of the Audit Committee are available for inspection at the websites of the Company and the Stock Exchange respectively.

Two Audit Committee meetings were held during the year. The work of the Audit Committee is summarized as follows:

- reviewed the interim and annual results of the Group, and recommended the Board to adopt such results;
- met with the auditors to discuss the accounting and audit issues of the Group, and reviewed their findings, recommendations and representations;
- reviewed the Group's financial control, internal control and risk management systems;
- reviewed the independence of the external auditor, recommended the appointment of external auditor and its terms of appointment;
- reviewed the corporate governance of the Company;
- reviewed the connected transactions and continuing connected transactions during the year.

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

Attendance of the members at the Audit Committee meetings for the year ended 31 December 2020 is set out as follows:

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

Remuneration Committee

The Remuneration Committee was established in 2007. The terms of reference of the Remuneration Committee was determined and updated in accordance with the Corporate Governance Code, which was amended from time to time. As at the date of this report, the Remuneration Committee comprises an executive Director, namely Mr. KONG Jianmin, and two independent non-executive Directors, namely Mr. TAM Chun Fai (chairman) and Mr. LI Binhai.

The primary duties of the Remuneration Committee are to formulate and make recommendations on remuneration policy and remuneration package of the Directors and members of senior management to the Board. The terms of reference of the Remuneration Committee are available for inspection at the websites of the Company and the Stock Exchange respectively.

One Remuneration Committee meeting was held during the year. The work of the Remuneration Committee is summarized below:

– reviewed the remuneration policies and structure;

– reviewed the packages of the Directors and senior management;

– reviewed the grant of awarded shares to eligible participants under the share award scheme and recommended to the Board for approval.

Attendance of the members at the Remuneration Committee meeting for the year ended 31 December 2020 is set out as follows:

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

Nomination Committee

The Nomination Committee was established in 2007. The terms of reference of the Nomination Committee was determined and updated in accordance with the Corporate Governance Code, which was amended from time to time. As at the date of this report, the Nomination Committee comprises an executive Director, namely Mr. KONG Jianmin (chairman), and two independent non-executive Directors, namely Mr. TAM Chun Fai and. Mr. LI Binhai.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations to the Board regarding the selection of director candidates. The terms of reference of the Nomination Committee are available for inspection at the websites of the Company and the Stock Exchange respectively.

One Nomination Committee meeting was held during the year. The work of the Nomination Committee is summarized as follows:

– reviewed the structure, size and composition (including skills, expertise and experience) of the Board;

– evaluated the independence of INEDs, considered the retirement and re-election of the Directors and reviewed whether the time and attention made to the Company’s affairs is sufficient by each Director.

The Nomination Committee has set the measurable objectives including but not limited to gender, age, cultural and educational background, length of service and professional experience for the implementation of board diversity of the Company. Details are set out in the paragraphs under "Board Composition" and "Board Diversity" in this report. The Nomination Committee reviews the Diversity Policy to ensure its continued effectiveness from time to time. It is of the view that the Board comprises seven Directors who are drawn from a diverse background and professional experience, thereby ensuring critical review and control of the management process. The balanced composition of the Board brings effective performance by providing sound judgment on strategic issues and effective oversight of and guidance to management. The biographical details of the Directors set out in pages 38 to 39 of this report demonstrate a diversity of skills, expertise, experience and qualifications.

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

Attendance of members at the Nomination Committee meeting for the year ended 31 December 2020 is set out as follows:

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

Nomination Policy

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

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

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

Executive Committee

The Executive Committee was established in 2019 and performs its duty in accordance with the terms of reference which were amended from time to time. As at the date of this report, the Executive Committee comprises executive Directors, namely Mr. KONG Jianmin (chairman), Mr. KONG Jiantao, Mr. KONG Jiannan and Mr. CAI Fengjia. The Board has delegated to the Executive Committee with authority and responsibility for handling the management functions and day-to-day operations of the Company, while reserving certain key matters such as the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee monitors the execution of the Company's business plans and the operations of business units of the Company and convenes meeting regularly as and when necessary.

Audit and Accountability

Financial reporting

The Directors acknowledged their responsibility for preparing the financial statements of the Group for the year ended 31 December 2020, and confirmed that the financial statements contained herein gave a true and fair view of the results and state of affairs of the Group during the year. The Directors consider that the financial statements have been prepared on the going concern basis in conformity with the applicable statutory requirements and accounting standards.

External Auditors

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

For the year ended 31 December 2020, the external auditor's remuneration in respect of audit services provided to the Group amounted to approximately RMB5,400,000 and fees for non-audit services amounted to an aggregate amount of approximately RMB6,262,000, being the service charge for the review of financial information. Non-audit services mainly consisted of advisory, review and other reporting services.

Risk Management and Internal Control

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

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

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

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

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

The Board conducted a review and assessment of the effectiveness of the Group's risk management and internal control system as to financial, operational and compliance control and risk management for the year ended 31 December 2020. The assessment was discussed among the management of the Group, its external auditor and the Group's risk management centre and reviewed by the Audit Committee. The Board believes that the existing risk management and internal control system is adequate and effective.

Key Risks and Uncertainties

The following lists out the key risks and uncertainties facing the Group. As it is not exhaustive in listing out all factors, there may be other risks and uncertainties which are unknown or currently not but may become material in future, save as those disclosed below. In addition, investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company.

- Unfavourable changes in requirements of policies, laws and regulatory regulated by the government;
- Adverse changes in macroeconomic environment due to the uncertainties associated with the US-China trade war and global financial conditions;
- Threats to public health and disruptions in operations due to outbreak of coronavirus pandemic or potential pandemic diseases;
- Talent shortages, the needs of recruiting and training competent staffs are strong;
- Ability to generate liquidity internally and obtain external financing;
- Exposure of customers' credit risks, the Group's liquidity position may be adversely affected if the customers fail to make payment on time or in full;
- The market competition faced by the Group will be more intense due to adverse effects of several factors, such as the increase of new competitors and land cost, property cooling measures;
- Business partnership risk due to limited controls in minority interest investment.

Policy on Inside Information

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

Company Secretary

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters.

Mr. CHAN Kin Wai is the Company Secretary and he has confirmed that he has taken no less than 15 hours of relevant professional training during the year.

Shareholder Relations

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

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

In addition to the chairman of the Board, the chairman and/or the members of the Board committees, the auditor of the Company, the Hong Kong legal advisor of the Company, (depending on the situation) join the meetings and answer any queries that Shareholders may have.

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

Shareholders' Rights

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

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

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

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

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

Procedures for putting forward proposals at general meeting

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

Investor Relations

Communication with Shareholders

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

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

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

Constitutional documents

During the year, no changes have been made to the memorandum and articles of association of the Company which is available to Shareholders for inspection on the websites of the Company and the Stock Exchange.

Dividend Policy

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

Preface

As a property developer that attaches great importance to sustainable development, the Group is always committed to undertaking its due social responsibilities while developing at an accelerated pace, and do our best in contributing to the environment and society, so as to achieve the Group's long-term objective of developing with the society.

The Group has all along been holding on our core philosophy of "build home with heart, create future with aspiration" by adopting effective and specific sustainable development policies in various departments, so as to incorporate our core philosophy into property development, investment business, commercial activities and develop a business model benefiting the social development.

The Group recognizes that embracing sustainable development is the only way for the long-term success of an enterprise. The Group not only instills the correct sustainable development sense in its employees, but also actively promotes the concept of green living among customers, and offers comfortable green architectures featuring low energy consumption and the adoption of renewable energy. In addition to striving to improve the quality of people's life, we also facilitate social transformation to create a better living environment for the next generation.

The Group is hereby pleased to publish the 2020 Environmental, Social and Governance Report, which discloses the Group's policies in details and their performance in the environmental, social and governance aspects.

About this report

This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "Guide") as set out in HKEx Appendix 27. To provide the performance of the Group in the environmental, social and governance ("ESG") aspects in a transparent and open manner. This report encompasses Chinese and English version, responding to the concerns and expectations of our stakeholders on the sustainable development of the Group. Hence it is printed on environmentally friendly paper and have been included in the annual report of the Company and uploaded onto the website of the Stock Exchange and the Company (www.kwggroupholdings.com). You are welcome to browse through the Group's ESG report of the current year and prior years through the websites.

The reporting scope of this report mainly covers property development, property investment, hotel operation and property management businesses operated by the Group from 1 January 2020 to 31 December 2020, which is in line with the financial year of the Group. The key performance indicators in environmental aspect are disclosed in this report covering the selected core operations, including the headquarters of International Finance Place in Guangzhou, the Hong Kong headquarters of International Commerce Centre in Hong Kong, The Mulian Urban Resort Hotels Huadu, W Hotel in Guangzhou, The Summit in Guangzhou, Oriental Bund in Foshan, Guangzhou, International Metropolis Plaza in Shanghai, the Cosmos in Chongqing, Chengdu Cosmos, Fragrant Season in Nanning, Chengdu Yoonshang, Top of World in Nanning, Beijing M • Cube and Uptown Riverside, six of which are newly added projects as compared to the previous year. The Group will continue enhance the transparency of ESG information disclosure.

This report is prepared based on the reporting principles recommended in the Guide. It summarizes the Group's ESG performance based on "materiality", "quantitative", "balance" and "consistency".

Reporting principle	The Group's response
Materiality	After collecting and analyzing the opinions of our internal and external stakeholders, the Group evaluates the materiality of each issue to the Group and our stakeholders, and formulates a materiality matrix to determine the key points of disclosure in this report, which are used as reference for our sustainable development objectives.
Quantitativeness	The information disclosed in this report comes from the Group's public available documents, public available data and statistics. The Board is responsible for the authenticity, accuracy and completeness of the content of this report. The report should disclose key performance indicators in a measurable manner. The standards, methods, and conversion factors used in the emissions and energy consumption disclosed in this report are compiled in accordance with the Guide.
Balance	Apart from disclosing the Group's sustainability performance, this report also explains the challenges encountered by the Group in sustainable development, and avoid selecting, omitting or presenting formats that may inappropriately influence the decision or judgment made by readers reading this report.
Consistency	The information collection and report format in this report is consistent with the last year that to ensure the comparability of the information and with explanations for any changes made.

The Group attaches great importance to the communication with all stakeholders. If you have any suggestions or inquiries about the content of this report or the Group's sustainable development policies, please contact the Investor Relations Department through the following methods:

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Sustainable development governance

2020 was undoubtedly a challenging year in the global economic market. Confronting with the challenges of the macroeconomic situation and the outbreak of the Covid-19, all walks of life around the world have inevitably been significantly affected. Nevertheless, thanks to various departments in sticking to their posts and, as always, assume responsibilities in the property business, commercial business and sustainable development, could the Group able to continue to advance further.

The Board is responsible for developing the Group's business policies and strategies, reviewing and monitoring internal operation and management, risk management systems, etc. Taking into account of the environmental and social considerations to make decisions, and performed regular supervision on environmental, social and governance matters. The Group has always regarded customers as one of our most important stakeholders. We adhere to our core philosophy of "build home with heart, create future with aspiration" to provide customers with high-quality projects and services, so that they can enjoy an innovative and comfortable lifestyle. In 2020, the beginning of our third twelve-year period, we strove to make progress in development, proactively advanced in the direction of innovation and technology, and continued to make long-term arrangements in industry penetration and evolution of business model. As a city operator, the Group fully understands the importance of environment, society and governance. We always keep in mind corporate social responsibility and are committed to promoting the development of environment, society and governance. In the future, the Group will put more emphasis on the concept of low-carbon and green, minimize the environmental impact of the project development cycle, and make joint efforts to cope with global warming.

In October this year, the Group has successfully spun off part of the businesses and officially listed on the Main Board of the Hong Kong Stock Exchange. The Group (excluding its joint ventures and associates) will continue to maintain a robust business relationship with KWG Living Group. With the brand vision of "creating new service value", KWG Living offers integrated property management services for residential and commercial properties, including pre-sale management services, property management services, community value-added services and commercial operation services.

In response to our future business development and in order to formulate more appropriate ESG-related policies and strategies, the Group analyzes the materiality of various issues through independent third-party consultants for materiality assessment, and reviews the implementation progress at board meetings and annual ESG reports to ensure the ESG risk management and internal control are appropriate and effective.

We wish to express our heartfelt thanks for your strong support and trust in the past 25 years' history of the Group. We will definitely go beyond our expectations in the future and build a better future city for the society with our concepts of better quality, green and harmonious living.

Hence, the Group includes sustainable development strategy in various scope of work. The Group attaches great importance to the communication with various stakeholders and fully understand the views, concerns and advices of each stakeholder through different channels. We collect and organize the opinions of all parties in a timely manner, and take countermeasures to meet the reasonable expectations and demands of stakeholders with aims to grow together.

Stakeholder	Concerned issue	Communication channel and response
Employees	• employees' rights and benefits • occupational health and safety • career development and promotion path	• providing safe and healthy workplace • trainings and workshops on safety knowledge • encouraging employees to participate in internal and external trainings • offering clear promotion ladder and necessary criteria
Customers and property owners	• product quality and services • service experience	• customers' satisfaction survey • online service • offering professional after-sales services • customer activities
Suppliers	• fair and competitive tender process • corporate image and reputation • complying with and performing contract	• conducting evaluation and investigation, regular work meetings • conducting technology and quality assessment to tenders • setting up engagement criteria and practices • plants inspection
Shareholders and investors	• return and growth • profitability • disclosure on information of the Company	• general meetings • periodic reports and announcements of the Company • investor relations activities
Government authorities	• compliance with laws and regulations • paying tax in accordance with the law • supporting economic development	• setting up policies for green office, construction and architecture • executing and complying with national policies • responding to government's policy to facilitate urban development
Community	• public welfare • environmental protection • social people's livelihood	• actively participating in community projects and construction • forming volunteer groups • media communication
Media	• observing commercial ethics • transparency on operation	• regular disclosures of information • maintaining close relationship

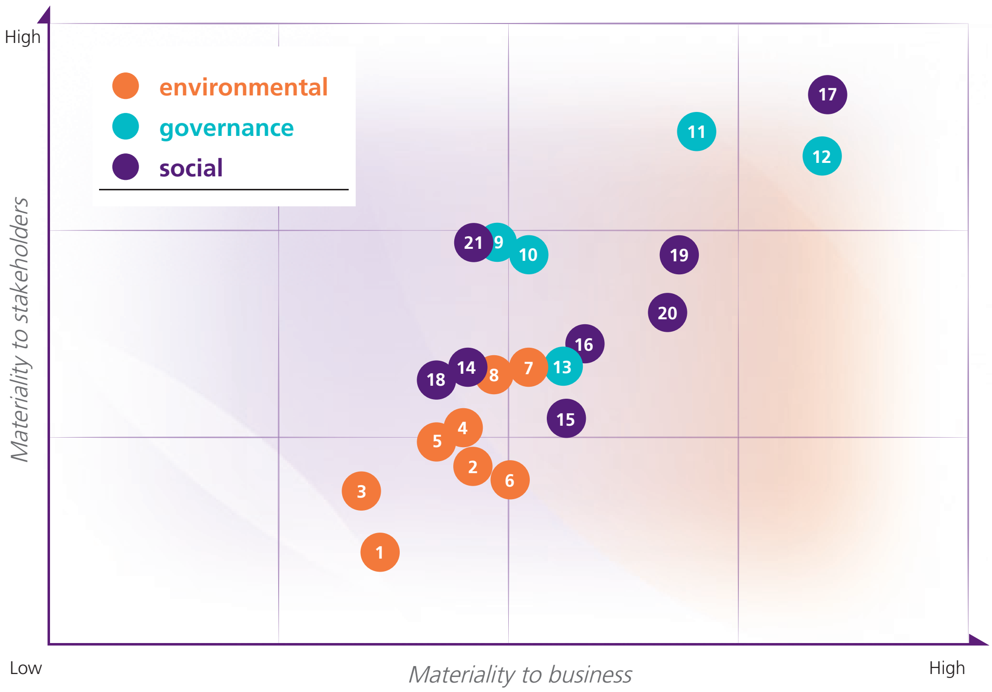
Materiality assessment

According to the Guide and in order to determine the key points of disclosure in this report, the Group conducted a materiality assessment to weigh the materiality of each issue to the Group. The Group first identified the issues at the ESG aspects from operating activities and business features. The issues are set out as follows:

ESG Aspects	Issues Concerned
Aspect A1: Emissions	1. Air pollutant emissions 2. Greenhouse gas emissions 3. Waste management
Aspect A2: Use of Resources	4. Energy consumption 5. Resources consumption 6. Use of production materials
Aspect A3: The Environment and Natural Resources	7. Environmental and natural resources-related risks
Aspect A4: Climate Change	8. Climate risk management
Aspect B1: Employment	9. Equal opportunity 10. Employee welfare
Aspect B2: Health and Safety	11. Occupational health and safety
Aspect B3: Development and Training	12. Employee development and training
Aspect B4: Labour Standards	13. Preventing child and forced labour
Aspect B5: Supply Chain Management	14. Supplier solicitation process 15. Supplier evaluation process
Aspect B6: Product Responsibility	16. Customer privacy security 17. Product quality 18. Intellectual property right 19. Complaint management
Aspect B7: Anti-corruption	20. Anti-corruption
Aspect B8: Community Investment	21. Community participation

Thereafter, the Group management will engage in communication with various stakeholders in the course of the operation to conduct external evaluation, and then discuss each issue internally and give scores according to the degree of relevance and materiality of the issues. Based on the results of internal and external analysis, the Group derives the following matrix of materiality based the materiality of the issues by the two indicators of "materiality to stakeholders" and "materiality to business":

ESG Issues Materiality Matrix



- 1 Air pollutant emissions
- 2 Greenhouse gas emissions
- 3 Waste management
- 4 Energy consumption
- 5 Resources consumption
- 6 Use of production materials
- 7 Environmental and natural resources-related risks
- 8 Climate risk management
- 9 Equal opportunity
- 10 Employee welfare
- 11 Occupational health and safety
- 12 Employee development and training
- 13 Preventing child and forced labour
- 14 Supplier solicitation process
- 15 Supplier evaluation process
- 16 Customer privacy security
- 17 Product quality
- 18 Intellectual property right
- 19 Complaint management
- 20 Anti-corruption
- 21 Community participation

Since the Group is principally engaged in property development, property investment and hotel operation, the quality of projects and services have significant weigh in the business, so material issues are concentrated in product quality, occupational health and safety, employee development and training and complaints management. The Group will take into consideration of the materiality matrix in making policy decisions, and allocate resources according to the materiality of each issues to better improve the long-term development strategy of the Group.

1. Environmental governance and related policies

The property industry is one of the industries with the largest carbon emissions in the world. The Group understands and agrees that to meet the challenges of sustainable development and climate change, every enterprise shall assume the responsibility in implementing the sustainable development policies and management. The Group includes ESG-related sustainability concepts in the design, planning, construction and operation process, and actively identifies environmental issues and social development demand in the process, strengthens the communication and cooperation with various stakeholders and devotes its efforts to develop a sustainable future community.

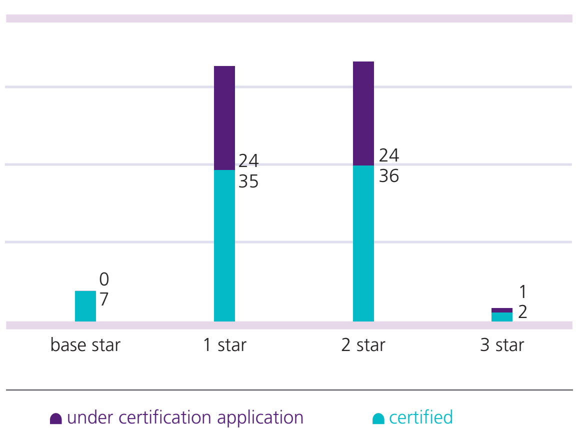
1.1 Green building certification

Sustainability and climate change received keen attention and have been being in a heated discussion around the world. The Group also recognizes the importance of sustainability and climate change and has adopted different policies all the time to respond to these issues. In addition to improving project quality, the Group also incorporates green elements, bringing a more sustainable lifestyle for customers and continue to build a home with heart.

When developing new projects, the Group incorporates and implements the concept of green building in the design and construction process, and actively seeks for China's green building certification. The Group embeds green and low-carbon concepts into the construction, planning, design, supply chain, construction and management of the project, so as to practice low-carbon production and operation in each process, create healthy project products that can be symbiotic with nature.

In accordance with the National Guidelines for Design of 1- and 2-Star Green Building, the Implementation Rules for the Green Building Evaluation Marks (Revision for Trial) and other standards, the Group developed quality green constructions. Currently, as the Group put great efforts to promote low-carbon green buildings, a total of 80 projects have obtained green building certification and 49 projects are under process of certification.

Statistics of the Group's Certified Green Buildings



1.2 Green office

Apart from project development and operation, the Group also paid attention to the use of resources and carbon emissions in our own offices, and formulated a series of office management systems and required compliance by employees of the Group in order to create a green and harmonious office. The Group attempts to incorporate the concepts of environmental protection into daily office life to enable employees to clearly understand and agree with the concept of green and low-carbon, and help employees to apply this concept on business operation or project development. The followings are some of the green office policies and measures implemented by the Group:

Environmental policies	Environmental measures
Reduce electricity consumption	• For offices with air-conditioning, the temperature of the air conditioners should not be lower than 26°C in summer and should not be higher than 18°C in winter • Must confirm that the lighting in the respective office area after work is switched off, only switch on emergency and lighting for monitoring, and set up a regular office inspection system • LED light is used in facade lighting of buildings instead of traditional high pressure floodlight • LED light is used in basement parking lot, and minimum lighting is turned on according to parking volume • Switch off the power of computer equipment and drinking machine after work • Only a few lifts will keep in normal operation after 7 p.m. on weekdays and after 1 p.m. on Saturdays, and only one will keep in operation after 8 p.m. every day
Reduce water usage	• Put up labels for water conservation near the sink in the pantry to remind employees to reduce water use • Examine water valves, water taps and flush toilets on a regular basis to get rid of water dripping and water leakage • Install water-saving appliances such as sensor faucets
Reduce paper usage	• Encourage employees to make duplex copies and printing is automatically set to duplex mode • Implement paperless office and encourage documents to be signed online • Promote paperless meetings by transforming paper agenda to online agenda
Waste treatment	• Provide food waste bins, recyclable trash bins, non-recyclable trash bins and hazardous trash bins • Provide professional treatment of electronic waste • Hire a professional cleaning company to sort out and recycle garbage in accordance with government requirements
Reduce carbon emissions	• Use first-grade oil fume purification equipment, in which it is maintained by professional maintenance personnel every quarter. After purification, the oil fume is discharged to the public oil fume pipeline, and then discharged into the air after reaching the emission standard • Use online conference to substitute some of the business trips so as to reduce greenhouse gas emissions caused by travel

Smart office

The Group is constantly pursuing better, keeping abreast of the times with new technologies and new thinking, and using innovative methods to make business processes more efficient. In the real estate business, the Group actively integrates multiple business formats through the SAP system, leverages the advantages of the intelligent management system to closely integrate capital management and business, and implements the Group's approval process, business specifications, budget, and accounting rules throughout the business process. prevent and control operational risks. The SAP system is a sustainable system. All the data and parameters it collects serve as a reference and predictive function for future industry trends. The Group can adjust future business plans and sustainable development strategies to achieve new risk management level.

Moreover, in the commercial sector, the Group has started using the "CoKWG" platform, which is a post-servicing system composed of four major systems: property management, customer service, membership management, and the KWG Cloud Platform allows customers and employees to enjoy services such as business operations, property and asset services through a simple and easy-to-use platform. The Group understands that technology is a major trend in the future and can also add value to the Group's business and improve efficiency. Therefore, it has always been committed to integrating technology into the office and providing customers with better quality products and services.

1.3 Green Living

The Group actively leverages its scale of operations and customer network to promote green lifestyles and actively promote related concepts through various community activities, collaborations, and technology applications. In addition, the Group will continue to implement the concept of sustainable operation and management, consider introducing intelligent and information tools to strengthen the control of energy consumption data of buildings and facilities, improve resources efficiency, and create a low-carbon and green life and business environment.

Through the community design concept of the project, the Group has set up the facilities required by customers as far as possible within walking distance, such as schools, supermarkets, and recreational facilities, so that customers can more easily practice low-carbon life. In some projects, the Group even provides shuttle buses for customers to travel to and from the main places. The Group hopes to give customers different transportation options to reduce the use of private cars, and encourage everyone to take public transportation without affecting the efficiency of transportation, thereby reducing the gas emissions produced from greenhouse. In addition, project managers will visit households as scheduled, send the relevant knowledge of energy conservation and emission reduction to the hands of each household owner, carry out energy conservation knowledge popularization initiatives, and understand the importance of energy conservation more deeply. Different projects will hold energy-saving related activities from time to time, such as fun games, public welfare movies, parent-child activities, etc., so that men, women and children can join the ranks of energy conservation and environmental protection, and cultivate children's awareness of green environmental protection when they are young.

Property Operation

The Group is always adhering sustainable concept for its property operation by formulating difference corporate policies in various scope, such as, for the control of indoor temperature, the Group has a set of stringent standards to provide customers with the most comfortable experience. Under normal circumstances, the temperature control of the Group project will depend on the indoor temperature conditions and changes, and the chilled water outflow temperature will be appropriately adjusted to formulate a reasonable energy-saving operation strategy, in a bid to reducing energy consumption of equipment operation. During the transition season, the restaurants in the Group's project will intermittently turn on the air-conditioning host to adjust the temperature during the dining period, ensuring that the restaurant has a comfortable indoor temperature while reducing the execution time of the air-conditioning host. Moreover, the Group will also regularly carry out air conditioning water treatment and maintenance work, strictly control the water quality indicators of the water system, avoid stains affecting the effect of cold and heat exchange, strengthen the maintenance and management of equipment terminal, and replace cooling tower filler, air conditioning terminal equipment filter screen, and refrigeration host heat exchanger and conduct cleaning and maintenance thereon on time to improve energy efficiency and reduce energy consumption.

Although the Group understands that resources consumption cannot be avoided, however, if energy efficiency can be improved, it is believed that unnecessary waste can be reduced. Therefore, the Group has always put great efforts to conserve resources. In terms of electricity consumption, the responsible department will automatically turn on and turn off the equipment in accordance with the use schedule of the facility or equipment to reduce unnecessary power consumption. The lighting of all underground parking lots of the Group has fully installed LED lights. In the design of the four-story parking lot, the lighting and air supply equipment will be turned on normally on the B2 and B3 floors during the daily operation of the building, while for B4 and B5 floors, which are less frequently used, the minimum lighting will be turned on during non-busy hours, and additional lighting will be added during peak hours. After the daily business of the building is over, the minimum lighting will be retained by zone.

Meanwhile, the Group also keeps a good and close communication with property management companies to ensure that the management system and guidance of property management companies is consistent with sustainable direction of the Group, with aiming to providing the whole property owners and customers with fist-class property management services.

Gas emission and waste management

The Group strictly conducts treatment of the waste generated by the project, so as to minimise its impact on the environment, live in harmony with nature, and practice green life.

All restaurants in the Group's project use natural gas (12T) appliances and ensure that related emissions comply with national mandatory standards. In terms of wastewater treatment, the wastewater produced by the catering industry merchants under the projects must be treated by the merchant's grease trap and then discharged to the project's integrated grease pool. The wastewater from the master grease trap will undergo a three-stage separation of grease. The filtered oil residue will be discharged to the municipal pipeline after the treatment process. The Group has hired a professional cleaning company to clean and maintain the master grease trap every two months, and can increase the number of cleaning frequency based on actual conditions.

In terms of sewage, the sewage on the ground floor of the project will be directly discharged to the municipal pipeline through the installed sewage pipeline. For the sewage on underground floor, it will be discharged to the municipal pipeline through a special lifting device. The sewage discharge of all projects of the Group are all approved upon environmental protection review by domestic urban government, using municipal pipelines to concentrate treatment on the sewage treatment plant. In addition, the Group will directly discharge the collected rainwater into the municipal rainwater pipe network through pipelines, and will not leak any sewage. The rainwater collected by some of the Group's projects will be used for irrigation, cleaning and other purposes.

For household waste, the Group has a recycling programme, and a professional outsourcing company is responsible for recycling, sorting, and transportation. The Group puts up posters in each building and hangs relevant slogans at the entrance of the community and the main roads of the park to promote recycling and green life, and create an environmentally-friendly atmosphere in the community. It also has different types of recycling bins, such as old clothes, waste papers, metal, plastic, etc. More waste now comes from express courier packaging, instant food packaging and food waste. The Group has already reduced the amount of wastes by promoting the recycling of the express packaging wastes and their reuses. In term of fast food packaging, the Group has made relevant publicities and encouraged tenants and residents to choose non-disposable tableware so that waste generation started to decrease from its source while food waste was treated by the professional outsourcing company.

Looking forward

The Group will implement more energy conservation and emission reduction measures in the future, including:

– When equipment life cycle expires, high-energy-consuming equipment will be replaced through technological replacement, including central air-conditioning main station, water pump, indoor lighting, BA local control, improvement and replacement of indoor curtains to increase shading coefficient, etc.

– In the future, it is planned to replace the energy-saving lamps in the corridors of public areas with LED lamps, which will reduce the annual power consumption of the corridors in the public areas from 56,000 KWH to 24,000 KWH. For the office equipped with air-conditioning, air-conditioning energy consumption should be controlled and air-conditioning temperature should not be lower than 26℃ in Summer, and not higher than 18℃ in Winter to save electricity. For office area, the corridor lighting should be turned off when people left, and only emergency and monitoring lighting should be turned on. The Company actively promotes the good habit of turning off the lights, cutting off water dispenser, and turning off the power of computers when close the office of the working day.

1.4 Green Construction

In all the projects of the Group, we always adhere to the concept of precision-quality construction and home-building with heart during the construction process, not only do we stringently control the construction process, but also check the quality of the project at the final stage. It is in strict compliance with the "Construction Law of the People's Republic of China", the "Regulation on the Administration of Construction Project Environmental Protection", the "Environmental Protection Law of the People's Republic of China" and other laws and regulations to ensure the quality and safety of construction works. It is also committed to reducing the negative impact on the environment and the ecosystem during construction work by employing advanced equipment, technology and environmentally-friendly construction materials in accordance with the management standards for construction sites formulated by the Group.

Before the construction, the Group will conduct surveys on the construction site and its surrounding areas, and conduct inspections and assessments for the environmental impact, pre-construction preparations, soil conditions, underground waterways, etc., to avoid affecting the surrounding residents, ecology and environment, and to ensure that the project can be constructed at geologically stable area to avoid the crisis of building collapse.

The Group has established construction procedures and standards in all aspects for the construction team to comply with, and each project will also be monitored by responsible employees.

Construction environment monitoring

The Group has formulated construction rules for dust and noise, and is equipped with sensor equipment to monitor possible environmental pollution during the construction process, so as to ensure timely response measures can be adopted to reduce the impact on the surrounding residents and the community. The Group has made careful consideration in terms of materials selection, construction process and mitigation equipment. Pre-fabricated concrete will be used in the construction site to reduce the mixing action on site and significantly reduces dust generation. In addition, dust suppression devices such as sprinklers and fog guns are in place and measures like soil covering and solidification are adopted to reduce dust pollution. The vehicles responsible for transportation must be washed when entering and leaving the construction site, and the slag earth vehicles must be transported in a closed manner, so that they will not cause significant environmental impact during the transportation process.

In terms of noise, the Group is in strict compliance with the "Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution", with rigid control over working hours at the construction sites and the use of low-noise equipment. Ambient noise in the construction sites conforms to the requirements of the "National Standards for Noise Control "GB 3096–2008.

Water Resources Management

All of the Group's projects use municipal pipelines to obtain water, and water source is sanitary and reliable and does not have any problem. In addition, in accordance with the"Water Pollution Prevention and Control Law of the People's Republic of China", the Group has actively adopted various measures to prevent and control water pollution caused during construction, including construction personnel will directly discharge part of the construction site wastewater for secondary use, and set up two wastewater pipelines of domestic sewage and industrial sewage. Industrial wastewater is discharged into the sewage treatment plant for further treatment, and domestic sewage is discharged to the municipal sewage pipe network to maintain water ecological resources.

Wastes

The Group is committed to reducing waste generated during project development and construction. The measures taken and the results achieved are as follows:

(1) *Formulate material supply plan*

In the early stage of the project, types and amount of materials required during construction is considered and procurement is carried out in accordance with the plan to avoid wastage resulted from excessive procurement and unreasonable usage. During the procurement process, materials applied in all projects must meet the national environmental standards such as the "Code for Indoor Environmental Pollution Control of Civil Construction Engineering (GB 50325)", and the limit of hazardous substances in indoor decoration and decoration materials is absolutely in line with the "Limit of hazardous substances in indoor decoration and decoration materials (GBl8580~l8588)" and the "Limits of Radionuclides in Building Materials (GB 6566)", and its impact on indoor air quality also meets the requirements of the "Indoor Air Quality Standards (GB/T 18883)". The Group strictly prohibits the use of construction materials and products that banned by the government or specifies to be eliminated and use certified green construction materials as much as possible.

In accordance with Article 4.2.1 of the "Specification for Design of Concrete Structures" GB50010–2010, the Group's concrete structures are all made of grade III steel, namely HRB400 steel bars, and no hot-rolled ribbed steel bars below 400MPa are used. The application of high-strength steel bars can achieve the effect of saving materials and energy. In addition, the full use of pre-fabricated concrete, pre-produced laminated panels and pre-fabricated full concrete exterior walls can not only reduce noise and dust pollution at construction sites, but also save resources and reduce material loss.

(2) *Promote new construction technology:*

Led by Building Information Modeling (BIM), the Group comprehensively use fabricated technology, aluminum mold technology, full-temperature concrete exterior walls, grout dry construction, thin plastering, and fabricated interiors in construction and interspersed construction technology, etc. In addition, concealed transportation and pre-installation of construction materials are arranged to avoid construction refuse generated due to the destruction and damage that occurred during the transportation, storage and installation. The precision of installation and construction has also been heightened through regular staff training to avoid garbage produced from demolition and revamping. In the future, the Group will invest more resources to strengthen the organization and management of building construction, efforts have been made to constantly improve management standards enhance the environmental awareness of construction workers as well as reduce waste of construction materials and avoid production of massive refuse from rework due to poor construction quality.

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

Type of waste	Waste treatment method
Slag earth	• Reused for road construction, pile foundation filling, ground foundation
Rejected wood	• Wood without obvious damage is directly reused for reconstruction • Severely damaged wooden components are sold as raw materials for wood recycled panels or paper making
Rejected steel, rejected reinforcing bar and other rejected metal materials	• Direct reuse or processing
Rejected construction concrete and masonry	• Produce concrete and mortar of corresponding strength level or prepare building materials such as blocks, wallboards, floor tiles, etc. • Bone made from waste masonry is added with curing materials, and then used for highway pavement base layer
Waste water	• Implement rain and sewage diversion to ensure that sewage is discharged to municipal sewage pipes and rainwater is discharged into municipal rainwater pipes • Sewage is discharged after concentrated sedimentation and harmlessness

1.5 Response to Climate Change

The Group is aware that climate changes may pose certain risks for the Group's business, therefore, we actively pays close attention to the information related to climate change and the impacts it brought in recent years. According to the Task Force on Climate-related Financial Disclosures (「TCFD」) of Financial Stability Board ("FSB"), the risks on climate change can be classified into entity risk and transition risk. Through exploring into the risks and opportunities that are likely to be brought by climate change, the management of the Group has developed high-efficient policies and strategies to cope with climate changes so as to reduce the impacts on the Group's business and create a forward-looking operation model.

The TCFD pointed out that the entity risks refer to the impacts or loss on the Company's substantial assets, which can be further sub-divided into acute and chronic risks, while transition risks refer to risks related to the transition to a low-carbon economy. The Company may experience regulatory risks, litigation risks, technical risks, reputation risks, and market fluctuations affected by climate change during the process. After consideration over the climate change, the Group shall firstly take responsive actions in the following important aspects:

Business operation

The management of the Group shall identify and evaluate the risks and opportunities on various businesses and projects resulting from climate change at regular meetings. The Group aims not only to control the entity risks and transition risks which may be resulted from climate change, but also better seize the relevant opportunity and timely recalibrate the management strategies related to climate change in a bid to rapidly response to changes in market and environment by the Group.

Supply-chain Management

Under climate change, the frequency of extreme weather events is increasing. Extreme weather incidents may cause supply chain interruption or logistics and transportation problems, leading to insufficient supply of materials, and project completion may be delayed. Therefore, the Group attaches great importance to the risks in supply chains resulting from climate change. First of all, the Group reviews the production material procurement practices and incorporates the element of climate change into it and proactively considers low-carbon and environmentally-friendly materials or include the distance between suppliers and project locations as one of the considerations.

Construction and Design

Throughout the process of project from design to the completion of construction, every link is very likely to be subject to the impact of climate change, the Group will continuously pay attention to the risks faced by various links and actively take corresponding measures. Firstly, in the processes of design and construction of the project, the Group have established relevant environmental policies to manage the stability of supply chains and employee safety, so as to improve energy efficiency. Meanwhile, the Group understands the importance of the risk management of climate change in property management subsequent to the delivery of project clients, therefore, the Group incorporates the concept of green building into the project at early design stage.

During the design of Shenzhen Zhenlin Tianhui, space is reserved for natural ventilation, and measures such as permeable paving, grass greening, and roof greening were adopted to enable the project to have a sound building physical thermal environment, thereby reducing the heat island effect. According to simulation calculations, the average heat island intensity of the community is 1.47˚C, less than 1.5˚C, which meets the requirements of the outdoor thermal environment as prescribed under the"Green Building Evaluation Standards".

In the relevant guidance on construction, the responsible engineering project department has already formulated appropriate measures to cater for various extreme weather conditions, and during the entire construction process, it monitored the weather forecasts closely to gather timely information about rain, flood, geological disasters, drought, high temperature, etc. Early warnings will be received and issued in time to allow proper deployment and precautions to be done in advance.

For construction in cold weather, policies in relation to safe construction and production in winter as promulgated by the construction department and local government of the corresponding project are implemented consistently to prevent the occurrence of material safety incidents. Flexible arrangements are made for different work types in accordance with climate change. For instance, outdoor work will be suspended in case of strong wind, heavy rain and snow until accumulated water and snow in construction sites are cleared up and effective anti-freezing and anti-skid measures are taken before normal construction is resumed.

As for disasters such as floods and landslides that may be caused by extreme weather incidents, the Group has formulated technical measures for safety construction during flood seasons and high-temperature environments to step up defence against accidents in construction sites. At the same time, the engineering project department pays special attention to scaffolds, deep foundation pits, high side slopes, construction enclosures and pile-up of materials outside construction site to prevent the occurrence of geological disasters such as landslide due to construction work.

1.6 Green Construction

As mentioned at the beginning of this report, the Group has inserted the concept of sustainable development to every aspect of its business, from project site selection, property design, project construction to property management. We actively respond to the government's call for green building development and continue to promote green building design.

Showcase green developments : Residential project

Ningbo • Cloud Mansion (Green Construction Two-Star Standards)

The Cloud Mansion project in Ningbo has full living and commercial facilities, rich educational resources, and the nearest medical facilities are within 3 kilometers in distance. At the same time, it also has abundant ecological facilities. It takes 10–15 minutes to drive to Ningbo's urban green lungs – Yinzhou Wetland Park, the largest city central wetland park in the province.

Smart Community – The project integrates 5 major multi-functional smart health standard systems, including cloud smart management, multi-functional healthy landscapes, super-humanized home furnishings, all-round community services, and full-system of precision quality, using "functionalism" as the core development concept, emphasizing practicality in using the functions to create a convenient and innovative community.

- Cloud Smart Management: Face recognition, automatic licence plate recognition system, high-definition network monitoring system, and electronic patrol system are used in the security management system.

- Multi-functional healthy landscapes: The community has set up a parent-child amusement park zone, neighborhood gathering zone, sports fitness zone and ecosystem zone. It also equips with indoor and outdoor communication devices and customers can communicate online without going downstairs to welcome guests and also can allow guests to enter the community, which can improve convenience while ensuring security.

- Super-humanized home furnishings: Each unit is equipped with a smart door lock and a scene panel, which can be unlocked by fingerprints, passwords, snap cards, or even mobile phone unlocking. The panel can set light-control mode and smart automatic curtains with one button. The kitchen is equipped with a gas alarm system and a one-button power-off system to provide better protection for life safety, while the bathroom takes into account local weather conditions of project location, and is pre-installed with a warm air heating device with three functions, namely gathering ventilation, lighting and warm air to make daily life hassle free.

- All-round community services: The concept of Internet+ is introduced into community life, and a one-stop living support is created wholeheartedly. For online shopping, a smart express delivery collection system is set up. You can receive your parcel with a code sent by the courier, thus effectively avoid the trouble of not being able to receive the express parcel in time when you are at work or not at home.

- Full-system of precision quality: The quality of the house is guaranteed from four stages, namely house selection, construction, delivery, and occupancy. Before the unit is accepted, it must pass 19 major items and more than 100 implementation standards, 4 third-party inspections, and 62 indicators that affect customer living experience. At the same time, the project also sets up a material display area and construction method display area to enable customers to see our four major quality controls in building precision quality of the entire system.

Outdoor Environment

- According to landscape and environmental needs, native tree species that are suitable for local climate and soil condition are professionally selected and adopt a compound planting method that combines trees, shrubs, and ground cover to protect local ecology and achieve the harmony between mankind and nature through plant plantation. The green coverage rate of this project reaches 22.5%.

Construction Design

- The project adopts a sponge city design with both flood control and ecological and environmental protection functions. By setting up rainwater recycling and recycling systems, the urban internal water circulation and flood control capabilities are improved, rain gardens and recessed green spaces are rationally arranged, pavements are laid with permeable materials, and rainwater collection pools are set up therewith and so on.

Suzhou • Swan Harbor Park (Green Construction Two-Star Standards)

The Swan Harbor Park project gains a foothold in the core district of Suzhou's CBD and is located at the dual-axis intersection. It enjoys the most scarcely residential land with three-dimensional transportation such as rail transit, elevated train and expressway running through and it takes 15 minutes to reach the ancient city. What is more is the greenery belt covering 2 million square meters and thus capturing the blessed natural ecological resources. Therefore, the project takes the green ecological advantages and the Suzhou Jiangnan Water Village as the source of its concept, adopts a modern style but focusing on the harmonious relationship between mankind, nature and architecture to creates a new era of urban life scenes in Suzhou Water Village. The southern side of the project is directly connected to the Swan Harbor of Taihu Lake, leverage the natural riverside landscape view as the connecting belt to create a scenic mansion. The green area coverage of this project reaches 38.0%.

Construction Design

- The floor area ratio of the bedroom and the living room is not less than one-fifth, and the interior wall and the inner surface of the window or the inner wall around the window adopt light-coloured finishings to ensure the natural lighting effect of the interior
- The external shading design adopts flat shading and metal louver shading
- The division of this project is clear to reduce the mutual influence of different functional spaces

Use of Resources

- The lighting system adopts energy-saving control measures such as zoning, timing and induction, etc.
- The lighting power density values in all zones are not higher than the target value specified in the current national standard "Architectural Lighting Design Standard" GB 50034
- Reasonably select elevators and escalators, and adopt energy-saving control measures such as elevator group control and automatic escalator start and stop device
- Develop water resources utilization plans, especially selecting valves and equipment with good airtight performance, and using pipes and fittings with good corrosion resistance and durability
- Install a graded metering water meter according to the requirements of water balance test, in the design stage, the water meter setting meets the partition and classification setting, and the water supply pressure at the water point is not more than 0.20MPa
- Set up water metering devices according to the purpose of use, and measure and count water consumption
- Set up a rainwater collection system, and use non-traditional water sources for green irrigation, road sprinkling, garage flushing, etc.
- Set up a solar thermal system, with the number of users not less than 20% of the total number of users

1.7 Environmental Performance

Types of emissions	2020[1][3]	2019[2]
	Emissions during the reporting period (kg)	
Sulphur oxides	2,041,479[4]	26,537
Nitrogen oxides	410,338,499[4]	5,333,918
Particulate matter	147	39
Scope	**Carbon dioxide equivalent emissions during the reporting period (kg)**	
(I) Direct greenhouse gas ("GHG") Emissions and reduction	205,872	1,910,212
(II) Energy Indirect GHG Emissions	17,494,892	16,623,902
(III) Other Indirect GHG Emissions	725,199	435,752
GHG emissions in total	18,425,963[7]	18,969,866
Intensity of GHG (carbon dioxide equivalent (kg)/ employee)	2,296[5]	1,695
Types of waste	**Volume during the reporting period**	
Hazardous waste	1.3	1.3
Hazardous waste (tonne/employee)	0.0002	0.0001[6]
Non-hazardous waste	358.2	485.2
Non-hazardous waste (tonne/employee)	0.04	0.05
Use of energy	**Energy consumption during the reporting period (KWh in'000s)**	
Petrol	982	1,445
Diesel	261	211
Electricity	32,595	28,977
Towngas	35,192	30,231
Energy consumption in total	69,030	60,864
Intensity of energy consumption (KWh in'000s/ employee)	8.6[5]	5.4
Use of resources	**Energy consumption during the reporting period (KWh in'000s)**	
Water consumption in total (cubic metre)	649,548	544,487
Intensity of water consumption (cubic metre/ employee)	80.9[5]	48.7
Total packaging material used (in tonne)	0.47	0.23
Intensity of packaging material used (tonne/ employee)	0.00006	0.00002

Notes:

(1) The scope of data on the key environmental performance indicators in 2020 covers the headquarters of International Finance Place in Guangzhou, the Hong Kong headquarters of International Commerce Centre in Hong Kong, The Mulian Urban Resort Hotels Huadu, W Hotel in Guangzhou, The Summit in Guangzhou, Oriental Bund in Foshan, Guangzhou, International Metropolis Plaza in Shanghai, the Cosmos in Chongqing, Chengdu Cosmos, Fragrant Season in Nanning, Chengdu Yoonshang, Top of World in Nanning, Beijing M • Cube and Uptown Riverside.

(2) The scope of data on the key environmental performance indicators in 2019 covers the headquarters of International Finance Place in Guangzhou, the Hong Kong headquarters of International Commerce Centre in Hong Kong, The Mulian Urban Resort Hotels Huadu, W Hotel in Guangzhou, Oriental Bund in Foshan, Guangzhou, International Metropolis Plaza in Shanghai and the Cosmos in Chongqing.

(3) During the year, the Group applied "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs (Revision)" issued by the Stock Exchange in March 2020. The conversion method and factors are primarily derived from Appendix 2: Reporting Guidance on Environmental KPIs (Revision).

(4) Nitrogen oxide and sulphur oxide emissions are mainly generated from the emissions of vehicle owned by the Group and the gas used in project canteens of the Group. In the future, the Group will formulate more and clearer policies to achieve stringent control over these two aspects.

(5) There were significant changes in the number of employees of the Group due to business changes during the year. Please refer to Section 2.3. Data on Employees of the Group below for details.

(6) The intensity of hazardous waste in 2019 was revised to 0.0001 tonne/employee.

(7) The Group formulated effective policies on the control of greenhouse gas emissions during the year. Although the scope of disclosure has been expanded, the increase of total greenhouse gas emissions was insignificant and the emissions in Scope 1 have even decreased, which was mainly due to the Group's stringent requirements on fuel combustion of all mobile sources (such as vehicles and boats), and significant increase in green areas in projects, as well as increase in the number of trees planted to reduce greenhouse gas.

2. Care for Our Employees and Interests of Employment

The Group has all along been considering our employees as the Group's most valuable assets and we are convinced that only high calibre talents of the Company can maintain good competitiveness and promote sustainable development. We strictly abides by the laws and regulations such as "Labour Law of the People's Republic of China" and "Labour Contract Law of the People's Republic of China" for our recruitment practices and management. The Group formulated staff handbook about employee recruitment (employment and induction management, labour contract management), remuneration package, performance appraisals and other requirements available to employees any time for information purpose, in a bid to strive to create a fair and energetic working environment for employees.

The Group understands and respects different cultures. We adhere to the principle of equal employment so that employees can enjoy fair and reasonable employment and competitive opportunities. When arranging jobs and job position change, the Group provides equal opportunity to all employees regardless of gender, age, ethnicity, nationality, native place, race, religion, political affiliation, sexual orientation, marital status and other aspects of diversity and treat different backgrounds or identities differently. The Group conducts performance appraisals with employees every year. During the process, based on employees' work performance and work performance indicators in the past year, they have more in-depth and detailed discussions with employees. The Group is also glad to receive employees' opinions and feedback to be used for improving future business and staff policies and directions. After the performance appraisal, the Group will nominate suitable employees for promotion and salary increase with the principle of equality and anti-discrimination, regardless of their age, nationality, race, gender, marital status, disability, or religious beliefs. As long as the employees have the corresponding job ability, they will get the corresponding treatment.

The Group will regularly review our salary and welfare policies and systems in accordance with market and economic changes, so as to provide competitive salary levels in the industry, attract external talents and provide internal employees with fair, reasonable and highly motivating benefits. In addition to the basic five insurances and one housing fund, paid annual leave and other benefits, we also provide employees with commercial add-on insurance, annual physical examination, working meal subsidies, transportation subsidies, telephone subsidies, holiday subsidies and other subsidies to enhance employees' sense of belongings.

In terms of employee recruitment, we strictly abide by the "Provisions on Prohibition of Child Labour" and standards which are also clearly set out in internal staff handbook. All new employees are required to fill in the "Job Application Form" and submit true and legal academic qualifications, certificates and other identification documents related to the employment position for inspection upon induction and orientation. When conducting recruitment screening, the Company will also collect and verify the employee's identity card and residential registration information. If an employee fails to produce or submit in time the aforesaid documents, resulting in the Group's inability to go through the employment procedures, the Group has the right to postpone or terminate the employment. In addition, any misrepresentation of personal particulars, use of false identification document or use of identification document belonging to another person shall be deemed as fraud and the employment of the offender shall be forthwith terminated, regardless of the length of his/her service with the Company and all special conditions. At the same time, the Company reserves all rights in relation to economic and legal liabilities, depending on the consequences and loss resulting from such fraud. The Group has not identified any non-compliance in relation to child labour and forced labour so far.

2.1 Development and Training

The Group always pays attention to the cultivation and development of talents in the process of promoting the development of the enterprise. We firmly believe in the talent training concept of organic development, with culture running through it, creating an open and fair talent development system for high-potential talents, and establishing "fine training" and "application-centric" internal development platform. The Group's Human Resources Department has successively launched the KWG New Emerging Force Programme (合新力計劃), KWG Motive Programme (合動力計劃), and KWG Tripod Programme (合鼎計劃), the three major talent development brands. While creating a working environment where hard work and challenges coexist, it also provides employees with training and learning opportunities throughout their career development to help them activate the "organic combat power" of the KWG people.

At present, the three major talent development brands have achieved prominent performance. Taking the KWG New Emerging Force Management Training Program as an example, six training mechanisms have been established, attracting graduates of master and doctoral degree from major domestic and foreign universities with dreams and fighting spirit to join KWG. Among the newly promoted KWG New Emerging Force management trainees in 2020, the proportion of graduates from prestigious schools has reached 74%, and the proportion of graduates holding master and doctoral degree has reached 86%. The overall retention rate and promotion rate of management trainee have exceeded 80% and various indicators leading the industry.

The Group always regards talents as one of the most valuable assets of the Group, attaches great importance to the cultivation of human resources and the overall development of employees, and has always been thinking about how to create a better and broader growth space for talents. In the future, the Group will regard the growth of talents as the core driving force of enterprise development, continue to take culture as the core, lead the innovation of talent mechanism and the construction of talent system, and create the most competitive and developmental career platform for employees, so that employees can grow with us together.

During the reporting year, we implemented a series of trainings to enhance employees' knowledge and skills related to job responsibilities and internal culture. The following lists three types of employees for targeted training, namely new recruits, frontline employees and back-end employees.

New Recruits

Every new recruit must undergo pre-employment induction orientation, which includes teaching new employees the knowledge and skills necessary to complete their work to ensure that they can quickly integrate into the Company and improve work efficiency. At the same time, the Company will also explain the corporate culture, job responsibilities, management system, administrative personnel, labour discipline and other topics to employees in details to establish employees' sense of belongings to the Company.

Frontline Employees

The Group will provide them with special training on professional skills, including customer service procedures, standard operating procedures, computer system operations, safety operations, emergency handling and other topics. Through training, front-line staff can respond to various customers and emergencies more efficiently, and calmly face all difficulties in work. Through the computer system operation and safe operation training organized by the Company, not only can employees become more familiar with a variety of newly developed computer software, and use electronic tools to communicate with colleagues more proficiently, but also improve the Company's overall operating efficiency and performance.

Back-end Employees

We provide various professional skills training, including rules and procedures of the Company, national laws and regulations, business etiquette, administrative management, marketing operation management and other topics. Since the professionalism of back-end staff is an indispensable part of the Group's operations, through training, back-end staff can become more familiar with the laws and regulations within their business and responsibilities, avoid accidentally breaking any laws and regulations, and maintain the business etiquette and the image of the Company in communicating with stakeholders.

In addition to the training of knowledge and skills of job responsibilities, the Company will also provide specific development training for employees based on their own expertise and abilities, so that they have a broader development space. These include:

Type of training	Purpose of training
Special promotion training for the Company's development reserve echelon	Cultivate the Company's development reserve echelon including corporate culture, career development, leadership and other abilities. Strengthen their self-awareness and build a high-performance team
Integrity construction training	Establish a clean atmosphere in the Company and standardize the code of conduct for employees. Make truth-seeking and pragmatism become the norm for employees' actions
Risk management and control training	Enhance the risk warning and management awareness of the Company's management, and teach them to prepare for the foreseeable risks

2.2 Occupational Health and Safety

The Company attaches great importance to the occupational safety and health of employees. We strictly abide by the "Safety Production Law of the People's Republic of China" and "Work Injury Insurance Regulations" and other laws and regulations related to labour safety and health. Adhering to the safety management policy of safety first, we have formulated a number of safety management systems, such as the "Quality and Safety Management Measures", to ensure that employees implement safety production rules and operating procedures, and to ensure employee occupational safety, such as the correct wearing and use of labour protection equipment. If an emergency situation directly endangers personal safety is found, employees have the right to stop working or evacuate the workplace after taking possible emergency measures. The number of fatalities due to work in the past three years is 0, and the number of working days lost due to work-related injuries this year is 608 days.

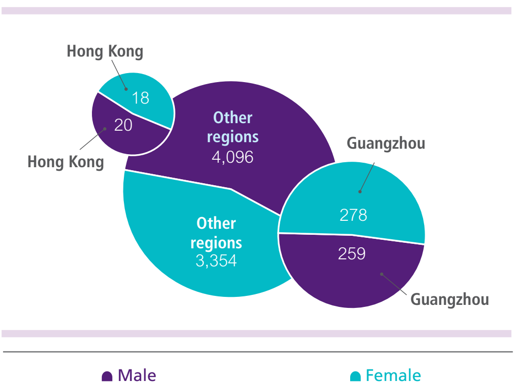
In each project of the Group, employees are responsible for safe and civilized management to effectively monitor and manage construction safety. Responsible employees will identify occupational safety and health risks in the workplace and strive to provide a zero-hazard working environment. For projects with higher risks, the project department needs to supervise the construction unit to prepare relevant safety management plans. After internal audits, the construction site must implement the content of the plans, in addition, regular project inspection tour will be carried out. The inspection contents include: safety protection, safety use of electricity, mechanical equipment, on-site fire protection, material stacking, etc. In addition, the Group has established safety production goals and review regularly. The Company has also established a series of occupational health and safety measures to protect the health rights of employees. The detailed measures are as follows:

Type of occupational safety measures	Descriptions	Purpose
Medical treatment	Conduct first-aid knowledge promotion and training	Let employees master the safety production knowledge required for work, improve safety production skills, and enhance accident prevention and emergency response capabilities
Insurance	Apply for social insurance for employees in accordance with local government regulations, maintain additional commercial insurance, and assist in work-related injury verification and claims declaration	Protect employees' rights and interests at work and prepare for all emergencies
Employee health	Provide free medical examinations for employees	Ensure the health of employees, provide them with an objective description of their physical condition and tips on hidden health hazards

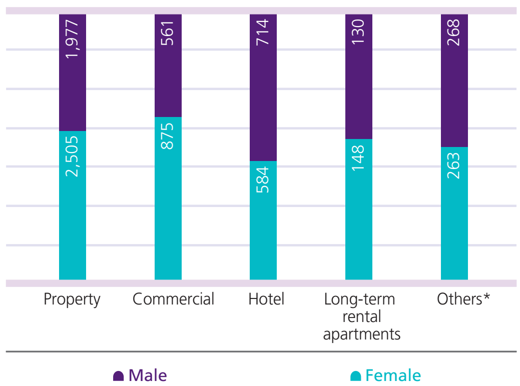
2.3. Information on the Group's employees

There had been significant change in the employees' information in the previous year due to the official listing on the Main Board of Hong Kong Stock Exchange upon the successful spin-off of partial business of the Group during the year.

Number of male and female employees of the Group by region

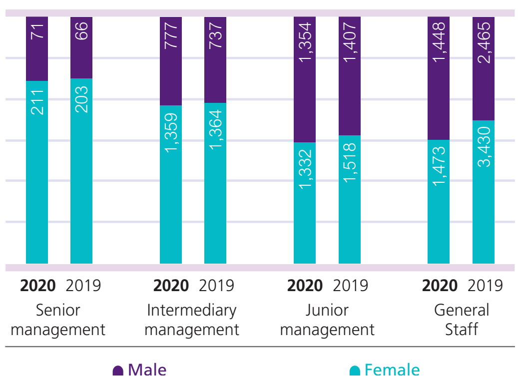


Number of male and female employees of the Group by sectors

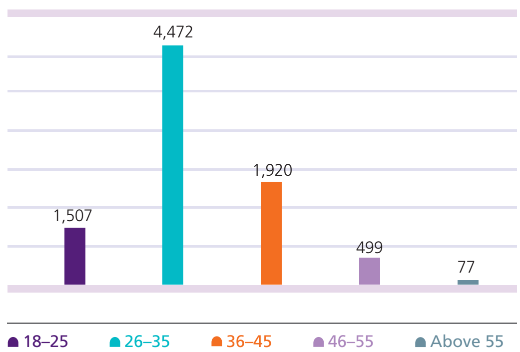


* Other sectors include Real Estate Construction, City Renovation, Health and Education

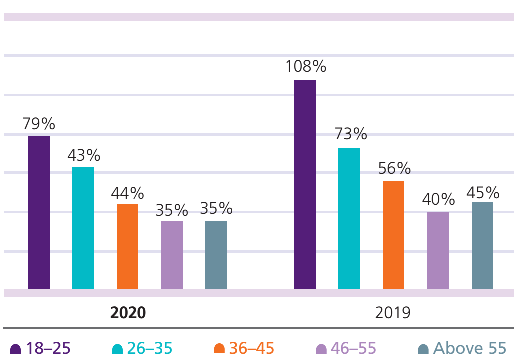
Number of male and female employees of the Group by employment type



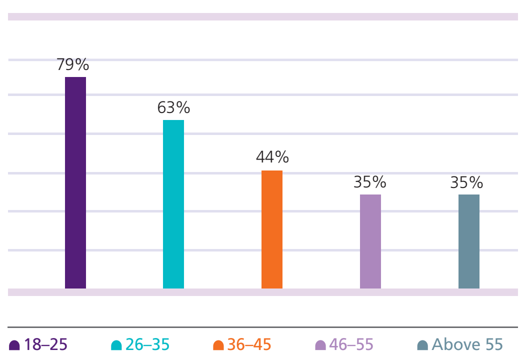
Number of employees of the Group by age group



Employees turnover rates by age group



Employees turnover rates by age group



The Group's employee turnover rates in 2020 for male and female were 62% and 54% respectively. Analysed by region, the employee turnover rates in the Guangzhou Headquarters and the Hong Kong Office were 16% and 21% respectively.

	Rank	Average training hours for male staff (hours)	Percentage of male staff receiving training	Average training hours for female staff (hours)	Percentage of female staff receiving training
Average training hours and percentage of staff receiving training	General staff	6	52%	7	47%
	Junior management	16	62%	12	66%
	Intermediary management	21	71%	16	69%
	Senior management	36	78%	41	63%

3. Business Operation of the Group

3.1 Supply-chain Management

Ensuring high-quality materials from suppliers is a prerequisite for us to provide quality services and products. The Group, as always, has placed great emphasis on the cooperation with and management of suppliers. The Group selects its suppliers by way of tender in accordance with the "Bidding Law of the People's Republic of China". The Group strictly implements our clear prescriptions under the "Material Company Supplier Management System". Only suppliers who meet our stringent standards can have the opportunity to participate in the bidding. While engaging new suppliers, the Group is obliged to inspect their relevant qualification and certificates, corporate profile, industry rankings, financial strength, business risk, qualification certificate inspect, business performance, relevant information for sustainable development, management of wastes, procurement of raw materials, etc. shall also be taken into consideration.

After passing the preliminary assessment when a supplier shortlisted for inspection, the Group will focus on its compliance inspection, such as reviewing its safety production licence, pollution discharge permit, employee social security payment, etc., and for supplier who is subject to administrative penalties by environmental protection departments, we will inspect the rectification results of the problems to ensure that the problems have been resolved. At the same time, site visits will be conducted to evaluate its production scale, product quality and actual management standard. During the supplier's supplying process, we will conduct irregular inspections to review the compliance of the materials supplied during the production process, such as the production operating environment, quality control process, labour protection of workers, and waste discharge and so on and issue specific reports to urge suppliers to rectify related issues, so as to ensure that suppliers can supply qualified products stably. After several rounds of goods delivery evaluations, suppliers with good performance will be invited to join the Group's suppliers list. The Group will also regularly monitor the suppliers in the main database and conduct an overall evaluation of the suppliers who supply goods in November each year, specifically in quality, delivery time and service. Suppliers whose evaluation results are excellent or qualified will subject to contract renewal, while those with unqualified be evaluation results will be suspended, and the suspension period will not be less than two years. The cooperative supplier whose evaluation result is listed as "prohibited" will be blacklisted, and other circumstances of including in the blacklist and never be considered are as follows:

1) In the process of bidding or contract performance, there are violations of regulations or laws such as collusion, fraud, bribery, etc.;

2) Serious non-cooperation in major links such as marketing display, delivery process, property rights handling, etc., causing relatively bigger losses or adverse effects to the Group; and

3) Suppliers that have been notified by the government or industry organizations or exposed by the media due to quality issues.

The Group attaches great importance to the impact of supply chain products on the environment, and also has mandatory requirements for supplier compliance, such as cooperating merchants need to possess pollution discharge permits and safety production permits. In addition to some mandatory requirements, we also encourage suppliers to apply for certifications such as ISO 9001, ISO 14001, ISO 45001, etc., and suppliers will identify and control risks in accordance with their system management requirements to minimize the impact of production on the environment. When issuing bids or signing procurement contracts with suppliers, the Group will clearly specify the environmental protection indicators (including mandatory national standards, industry standards, and local regulations) that products are required to meet, such as formaldehyde emissions, radionuclide limits, etc. The materials used indoors will also further specify the standards that the raw materials must meet in order to prompt suppliers to use more environmentally friendly materials to produce products.

Depending on the situation, the Group will conduct unscheduled flight inspections every year to evaluate its system operation performance. The inspection items cover production and operation environment, labour protection, maintenance and operation of environmental protection equipment, pollution discharge permits, waste disposal, etc. Any of the above will affect the opportunities for cooperation with the Group. For example, when materials arrive on site every year and when conducting supplier factory inspection, the supplier's products and raw materials are taken and sent to a third-party inspection agency recognized by the government for testing so as to ensure the environmental protection indicators of its products or raw materials meet the contractual agreement.

The Group will comprehensively consider the transportation distance of suppliers and their service capacity coverage to divide the supplier provision regions. The number of suppliers in each region is as follows:

Region of suppliers	Quantity
Guangzhou	397
Beijing	125
Shanghai	51
Jiangsu	29
Zhejiang	29
Fujian	17
Sichuan	14
Chongqing	13
Anhui	12
Shandong	12
Liaoning	12
Tianjin	8
Jilin	5
Hebei	5
Henan	5
Hubei	5
Hunan	5
Jiangxi	4
Shanxi	3
Xinjiang	2
Yunnan	1
Hainan	1
Guizhou	1

3.2 Anti-corruption

The Group believes that the professional ethics of management, employees and partners is an important foundation of the Company's sustainable governance system. Therefore, The Group eliminates dishonest acts such as bribery, corruption and extortion and strictly abides by Chapter 201 of Hong Kong Laws "Preventing Bribery Regulations" and the Anti-Corruption Law of the People's Republic of China. In order to establish a decent atmosphere of integrity and anti-corruption in the Company, the Group has established the "Supervision and Management System", "Punishment Implementation Rules", "Inspection Work Implementation Rules", "Case Management Implementation Rules", Integrity Cooperation Agreement, Integrity Responsibility Letter and so on for all employees of the Group to understand the Group's stance against dishonest acts such as bribery, corruption and extortion and the related penalties. In addition, the Group has also established the "Regulations on the Management of Conflict of Interests for Employees" and the "Administrative Measures for the Registration and Delivery of Gifts and Cash Gifts", which specifically remind employees of the areas that should pay attention to when there is a conflict of interests or when receiving gifts or cash gifts and the specific resolution practices. For example, there is also a section on anti-corruption in the internal staff handbook, for instance, Chapter 5 clearly stipulates the ethical and professional conduct that the employees should have and Chapter 5 of the "Regulations on the Management of Conflict of Interests of Employees" sets out the criminal responsibility that should be borne for corruption.

A Speak Up Policy

Any employee can also anonymously report suspected corruption to his superiors by way of telephone, email-box, KWG Inspection WeChat official account, official website integrity report, or mail. If anyone is found to be involved in corruption or any violation of regulations, the Group will immediately set up a special investigation after receiving the report, and conduct internal processing in accordance with the system after verification. During the year, the Group has discovered a corruption lawsuit and has handed over the case to the judicial authorities in a timely manner, which did not cause any significant impact on the Group.

Training on Integrity

In this reporting year, in addition to complying with the laws and regulations, the Group also implemented a series of anti-corruption measures to eliminate the idea of corruptible behaviour, including distributing integrity posters, appointing 11 integrity ambassadors, joining the anti-fraud alliance and the Sunshine Integrity Alliance, and establishing a WeChat public account of "KWG Supervision" and "Monitoring Column" and "Audit Inspector" columns have been added to the Company's intranet to publish tweets about integrity and anti-corruption, report fraud cases, and anti-corruption related systems. The Group also actively joins forces with other peers to organize peer exchanges, and establish the Greater Bay Area Enterprise Supervision Alliance and the East China Regional Supervisory Peer Exchange Meeting. We believe that such joint behaviours will create a cleaner business environment.

Regardless of job position level, business sector, department and division, all employees of the Group shall undergo training on integrity held by the Group. This year, the training on integrity has been organized on 49 occasions with participants from sectors such as real estate, light-asset, promoting staff, group senior management and marketing staffs and the number of attendance reached 2,300. The themes and content of the training have been explained in different scopes pinpointing dishonest behaviours, hoping to instil the concept of honesty and pragmatism deeply into all levels of the Group.

3.3 Product Liability

Quality Control

In order to ensure the engineering quality of the Group's projects, the Group formulated the "Construction Quality Supervision Report Contents" in accordance with the "Construction Quality Management Regulations" issued by State Council, which regulates the engineering quality supervision system, project management, internal control procedures, project planning, quality management requirements for construction, supervision, acceptance, warranty, etc. During the construction process, the Group will regularly call and hold meetings with supervisors, material suppliers, etc., to understand the latest project progress, quality and safety and other important issues, so as to facilitate follow-up and supervision. The responsible department of the Group will also regularly make an inspection tour to the project site so as to inspect the quality and safety risks of the project on site.

When the property is delivered, the Group will first conduct internal quality verification process, and then check the quality of the property project on site again together with the owner. The Group will prepare the "Completion Acceptance Recording Form", "Commercial Housing Manual", "Commercial Housing Quality Assurance" and "House Handover Form" to be checked and accepted by the customer. The Group adopts a one-family-one-dossier system, so that each owner's house undergoes three rounds of simulated acceptance before delivery. At the same time, we have four major quality controls and five 100% assurance to ensure precision quality, which are:

- 100% actual measurement – to ensure that all parts of each house can be inspected in place, and problems can be solved in time;
- 100% floor slab caisson water storage test – we carry out water spray inspection on each slab, and conduct a 24-hour water storage test on each occasion to prevent water leakage and water seepage problems;
- 100% water spray test on external windows – after the installation of the external windows is completed, perform a water spray test on each external window, check the surroundings of the external windows to ensure that leakage is eliminated, and record the files;
- 100% elimination of major problems and systemic problems; and
- 100% household acceptance.

In addition, the Group has a comprehensive maintenance management system during the warranty period, and strives to standardize the repair processing process of customers, so as to improve the efficiency and quality of warranty. The warranty period of the project is from the completion date stipulated in the "Construction Management Contract" to the time limit stipulated in the "Construction Law" or contractually agreed, or from the date of delivery agreed in the "Commercial Housing Sales Contract" to the expiration date of the guarantee period for the quality of different parts of the house stipulated in the "Commercial Housing Quality Guarantee". The Group will undertake the quality assurance responsibility thereon.

When customers make complaints about project quality or services, we will pay attention and handle them solemnly. The Group has a complete customer complaint management process in place, which clearly explains the responsibility planning and handling methods of various relevant departments, including customer relationship management department, legal department, and brand department. The repair or complaint content are entered into the system, and then send the repair content to the city warranty office and city customer service department by post. After the repair is completed, a random inspection of the satisfaction of each household will be conducted. In addition, the customer relationship management department will hold regular maintenance meetings every half a month, regularly sort out the cases of maintenance upgrades and complaints, check the system maintenance data of the city company for statistical analysis, and urge the city real estate company to conduct random inspections of vacant properties and inspection tour of yet-to-deliver properties. The Group will hold a maintenance review appraisal meeting every six months. Each department must delegate representatives to attend to follow up and analyze the maintenance data, organize case reviews, review customer satisfaction and customer complaint management procedures to improve better services and products and thus enhancing corporate image.

Customer Service

The Group understands the importance of customers, so we often want to better understand customers' opinions and communicate with them in the business process to meet their needs, We manage all stages, including pre-design, marketing, simulation acceptance and pre-delivery management, house entry and after moving-in, so we often hold online and offline activities to communicate with customers. The Group has created five membership levels starting with the "Jade", one of the Buddhist treasures, with tourmaline at the top, followed by "agate", "amber", "topaz" and "white jade". Members can gain growth value through consumption under the Group, and can also enjoy free benefits, consumption discounts, cash packages, birthday privileges and points privileges by their rankings.

The data stored in communication or membership system will be properly handled by the Group. The personal data and privacy of customers are protected by the "General Principles of the Civil Law of the People's Republic of China" and other laws and regulations that protect the right to use and privacy of personal data. In accordance with the internal "Basic Requirements for the Confidential Management of Documents and Dossiers", the Group will provide comprehensive privacy protection by putting the customers' interests first to ensure that all owner information is managed uniformly by each project service centre and available for inspection by relevant information management personnel only. Without prior consent, no customer information may be disclosed to third parties. The Group also regularly provides employees with confidentiality education and training to improve confidentiality awareness and corresponding measures under the prevalence of modern technology.

While conduct marketing on projects, the Group will ensure sales and advertising information are in compliance with the relevant laws and regulations, including the "Advertising Law of the People's Republic of China". In the course of internal training, the Group often reminds frontline employees of the regulations on responsible marketing, and also sets clear guidelines for reception procedures and sales vocabulary to ensure that the marketing content is credible and authentic. In addition, the Group also attaches great importance to the protection of intellectual property rights. During the course of business, including project development, material procurement, technology quotation, project marketing, whenever external resources technology, software, text, portrait and other intellectual property rights are used, the procedures of inspection, inquiry and purchase must be carried out in accordance with the intellectual property management system. In addition, the Group's design department has gathered talents from various sectors. The Group's architectural and product designs are all original designs, in which many advanced designs both domestically and abroad are used. We will make good use of intellectual property rights to protect the Company's intangible assets and regularly monitor whether there are similar designs on the market.

During the year, there were no illegal incidents that had a significant impact on the Group regarding the health and safety, advertising, labelling and privacy issues related to the Group's products and services.

4. COVID-19 Pandemic Topics

The COVID-19 pandemic continues to exert impact on economies and life across the world and especially it led to a standstill in production and sales activities, which posed a tough challenge to the property enterprises. However, the Group responded quickly and established a special working group. The emergency plan has been prepared before the Chinese New year in 2020, the anti-epidemic guidelines have been issued, and future work plans and arrangements have been specified. We leverage our ESG capabilities and layout to make timely resources allocation and adjustment strategies to minimize the impact of the epidemic on the Group. At the same time, we also pay close attention to the development of the pandemic and do our best to provide assistance to the society.

Develop online marketing method

Under the epidemic situation, marketing and house inspections activities were restricted, but the Group treated it as a good opportunity, actively seeking changes, and immediately integrating the actual situation. In February, the Group proactively sought for reform and launched an online sales platform namely "KWG Cloud for Home Purchase". The platform enables customers to purchase and learn about the updates of all properties without having to travel. Meanwhile, using Internet big data technology, "KWG Cloud for Home Purchase" allows customers to learn online about the latest developments, information, apartment types, and values of more than 150 projects in nearly 40 cities across the country. There are also real estate consultants providing online consultation and solving problems, and customers can easily realize the process of viewing, selecting a house. Not only can "KWG Cloud for Home Purchase" achieves house buying based on intelligent methods, it can also open a new era of house inspections. Customers can visit houses for sales anytime and anywhere 24 hours a day, enabling the Group to differentiate itself from the market.

In line with the 25th anniversary of our establishment, the Group's marketing team launched the "KWG Tribute to China, Join hands in the journey while keeping watch for each other – 25th Anniversary Property Sales (合禮中國，守望同行 – 25週年合禮好房季)". It aims to address the purchasing needs of home buyers amidst the current obstacles posed by the pandemic through an innovative and convenient online marketing model. Accordingly, the contracted sales of the Group increased steadily.

Donating medical supplies in short supply, and help fighting the COVID-19 pandemic

Fighting the pandemic is obligatory. The COVID-19 has spread in many places nationwide. After learning about the shortage of first-line medical protective materials in January, the Group actively and flexibly mobilized resources from all parties and raised 400,000 pieces of N95 protective masks, 50,000 pairs of protective gloves, and medical disinfectant and so on.

After learning about the seriousness of the epidemic and the hardships of front-line staff, the Group set up a RMB10 million "Working Together" anti-epidemic fund to support front-line epidemic prevention work through funds and materials. At the same time, our fund management personnel will continue to pay attention to the epidemic progress, timely join forces with official charities organizations and non-profit organizations to conduct domestic special donation activities, and provide solutions and help for problems in the later stages of the epidemic.

Taking initiative to reduce rent, taking the courage to undertake, and joining hands with merchants to overcome current difficulties

As always, KWG Pacific Group adheres to the business philosophy of working together with merchants to share joy and sorrow. During the period from January to February, the Group offered of a 50% rent reduction to branded merchants who settled in KWG "U Fun" and "M • Cube" Shopping Centers to reduce the adverse impact of the epidemic on the business operations of merchants. The Group strengthened the awareness of epidemic prevention in all projects, contacted owners and merchants through the official WeChat public account, owner WeChat group, community notification bulletin board, united district office epidemic prevention department, etc. At the same time, we also prepared sufficient epidemic prevention materials, such as masks and temperature survey instruments, disinfectants, protective clothings, etc. for project staff or customers in need to use. In addition, the project has set up special disinfection staff to perform regular disinfection and make records every day.

"KWG Tribute to China – Guarding Orange Roses" public welfare action program: paying tribute to city guardian heroes

We all depend on a group of medical staff in orange clothes who penetrated into the messiest and dirtiest urban corners to sterilize viruses and build a line of defence for people in preventing and controlling the epidemic. Only then can the urban hygiene and cleanliness be safeguarded. Therefore, in order to earnestly pay attention to the genuine first-line anti-epidemic groups and express our sincere gratitude, each homeownership fund of the "KWG Tribute to China-Join hands in the journey while keeping watch for each other" (合禮中國 • 守望同行) will be used to sponsor two special anti-epidemic insurances and donated approximately 10,000 insurance policies to the frontline sanitation fighters in Wuhan to protect the safety and health of front-line anti-epidemic personnel;

Awarding the 2020 Outstanding Contribution Enterprise in Anti-epidemic and Annual Public Welfare Project Award at the 10th China Charity Festival

Since its establishment in 2011, the China Charity Festival has been held for ten consecutive times. Its aim is to promote the modern charity spirit, construe complete and correct charity concepts, and guide a healthy charity culture. It is one of the most influential annual events in China's charity sector. The Group, with its active dedication to charity and public welfare, and practical implementation of social responsibilities, was honoured the "2020 Outstanding Contribution Enterprise to Anti-epidemic and 2020 Public Welfare Project" award in this year's China Charity Festival.

5. Charity and Community Involvement

The Group has not forgotten the support of the society and the general public for the Group while its business is developing steadily. In order to actively fulfill corporate responsibilities and contribute to the society, the Group is committed to dedicating itself into the public welfare sector, supporting the development of charities with practical actions and actively participating in community affairs. In 2020, a series of charitable activities were extensively penetrated into Beijing, Liuzhou, Nanning, Hangzhou, Huizhou, Yunfu and other regions. KWG Group will continue to fulfill its corporate citizenship responsibilities in the future and earnestly contribute to the society through public welfare undertakings. We use art as a medium to connect to communities, communicate with people of different ages, backgrounds, and cultures, and create a better life and future together wholeheartedly.

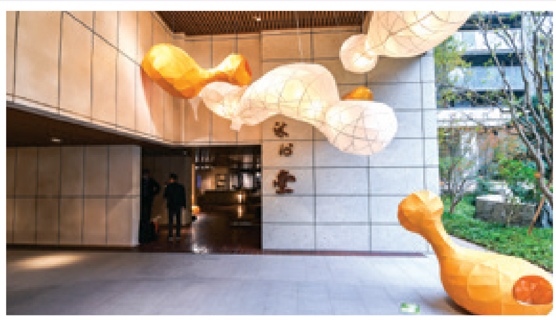
KWG Group "Art" series of activities

The Group integrates the brand concepts and culture into art, and then promote art, and enable the public to appreciate and be exposed to art. Each year we hold four series of major "Art" activities, namely, KWG Art Artist, KWG Art Award, KWG Art Gallery, and KWG Art Festival. Through various art activities, not only can KWG Group provide resources for children and nourish them to become young artists, but also create an art sentiment for all art lovers, and provide a platform for talent showcase, exchange and learning.

Kicking off the Group's 25th Anniversary Art Exhibition in Guangzhou: Revitalizing the city with "Art"

On the occasion of our 25th anniversary, the Group held an art exhibition in Tianlin Mansion – Zhenlin, Guangzhou – "From Garden To Soil". Zhang Xiaochuan, a renowned Chinese artist and Toshiaki Masano, a Japanese Master of Landscape, interact through a linkage crossing regions and cultures, and presented a lively artistic feast in the winterly Guangzhou. With love and respect for every inch of land, the Group has maximized the value of every piece of land to continuously create space with vitality. Behind this is our in-depth exploration of the organic integration of man and space, then with man, and with nature. This is the Group's original aspiration of "Art".

The exhibition is a city gift of the 25th anniversary of KWG Group's "Call from art with mutual appreciation" (「藝述召喚雙向對望」). We invited over hundreds of guests from the curatorial, art and literary, industry and media sectors to participate and witness the celebration, and brought a dialogue in exploring the vitality of urban civilization and art. This art exhibition about people and nature is presented in the bustling city centre with a serene creation that spans across time and space, surrounding the design concept of "Wind blows flowers and spreads fragrance" (「風從花裡過來香」). Master Masano incorporated the natural elements and spirit of meditation in the courtyard to create a quiet meditation garden richly filled with spiritual experience, awakened people's closeness to nature, and sowed artistic seeds with infinite vitality in the relatively disturbed city centre.



The Group's "Draw a Rainbow" charitable event: building a bridge of love between urban and rural with "Rainbow Pocket"

The Group has always concerned about the current situation of children's extracurricular reading and art education in remote rural areas. Back to the early 2013, the Group initiated the establishment of a brand public welfare project, "KWG Art Museum", and built 20 art libraries in remote rural areas in Hainan, Guangdong, Sichuan, Guizhou and other provinces and donated tens of thousands of books, and brought the colourful visual art world to rural schools across the country, opened a window of inspiration for rural children to explore the world of art, while creating a pleasant and interesting reading space. The Group officially launched the 2020 charitable painting activity of "KWG Art Museum – Draw a Rainbow" this year. KWG Art Museum has been moved virtually for the first time, making art works and books no longer far away. The Group donated 1,000 rainbow pockets to the Maitian Education Foundation. These pockets will be transformed into artistic creative bags in the hands of children in rural areas, opening a window of free creativity for them allowing them to create freely.

Related Laws and Regulations

ESG subject area	Related laws and regulations which the Group has been in compliance with in 2020
The environment	The Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Regulations on the Administration of Construction Project Environmental Protection, the National Hazardous Waste Inventory, the Law on the Management of the Environmental Inspection of Completed Construction Projects, the Water Pollution Control Ordinance of Hong Kong, the Waste Disposal Ordinance of Hong Kong, the Environmental Protection Regulations of Guangdong Province, the Regulation on the Prevention and Control of Environmental Pollution by Solid Waste of Guangdong Province, the Law on Prevention and Control of Environmental Noise, the Regulations on Energy Efficiency for Civil Buildings, the Regulations on the Safety Management of Hazardous Chemicals etc.
Employment	The Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Disabled Persons, the Social Insurance Law of the People's Republic of China, the Employment Ordinance, the Employees' Compensation Ordinance, the Provisions on Minimum Wages, the Employment Ordinance of Hong Kong, the Employees' Compensation Ordinance of Hong Kong, the Disability Discrimination Ordinance, etc.
Health and safety	The Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, the Production Safety Law of the People's Republic of China, the Fire Control Law of the People's Republic of China, the Emergency Response Law of the People's Republic of China, the Regulation on Work-Related Injury Insurances of the People's Republic of China, the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents, the Provisions on the Supervision and Administration of Occupational Health at Work Sites, the Categories and Catalogue of Occupational Diseases, etc.
Product liability	The Product Quality Law of the People's Republic of China, the Construction Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Trademark Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Urban Real Estate Administration Law of the People's Republic of China, the Regulation on the Administration of Development and Operation of Urban Real Estate, the Regulation on the Quality Management of Construction Projects, the Regulation on Realty Management, etc.
Anti-corruption	The Anti-Money Laundering Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Bidding Law of the People's Republic of China, the Regulation on the Implementation of the Bidding Law of the People's Republic of China, the Provisions on Engineering Projects Which Must Be Subject to Bidding, etc.

Report Index

Subject area	Content	Page number/ remarks
A1 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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	1. Environmental governance and related policies
A1.1	The types of emissions and respective emissions data (kg)	1.7 Environmental Performance
A1.2	Greenhouse gas emissions in total (kg CO_2e) and intensity (kg CO_2e per employee)	1.7 Environmental Performance
A1.3	Total hazardous waste produced (tonne)	1.7 Environmental Performance
	Intensity of hazardous waste (tonne per employee)	1.7 Environmental Performance
A1.4	Total non-hazardous waste produced (tonne)	1.7 Environmental Performance
	Intensity of non-hazardous waste (tonne per employee)	1.7 Environmental Performance
A1.5	Description of measures to mitigate emissions and results achieved	1. Environmental governance and related policies
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	1. Environmental governance and related policies
A2 General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	1. Environmental governance and related policies
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s)	1.7 Environmental Performance
	Direct energy consumption	1.7 Environmental Performance
	Indirect energy consumption	1.7 Environmental Performance
	Intensity of energy consumption (kWh in '000s per employee)	1.7 Environmental Performance

Subject area	Content	Page number/ remarks
A2.2	Total water consumption (cubic metre)	1.7 Environmental Performance
	Intensity of water consumption (cubic metre per employee)	1.7 Environmental Performance
A2.3	Description of energy use efficiency initiatives and results achieved	1. Environmental governance and related policies
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	1. Environmental governance and related policies
A2.5	Total packaging material used for finished products (tonne)	1.7 Environmental Performance
A3 General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	1. Environmental governance and related policies
A3.1	Description of the significant impact of activities on the environment and natural resources and the actions taken to manage them	1. Environmental governance and related policies
A4 General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	1.5 Response to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	1.5 Response to Climate Change
B1 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	2. Care for Our Employees and Interests of Employment
B1.1	Total workforce	2.3. Information on Group employees
	Total workforce by gender, employment type, age group and geographical region	2.3. Information on Group employees

Subject area	Content	Page number/ remarks
B1.2	Employee turnover rate	2.3. Information on Group employees
	Employee turnover rate by gender, age group and geographical region	2.3. Information on Group employees
B2 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	2.2 Occupational Health and Safety
B2.1	Number and rate of work-related fatalities in the past three years	2.2 Occupational Health and Safety
B2.2	Lost days due to work injury	2.2 Occupational Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	2.2 Occupational Health and Safety
B3 General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	2.1 Development and Training
B3.1	The percentage of employees trained	2.1 Development and Training
	The percentage of employees trained by gender and employee category	2.1 Development and Training
B3.2	The average training hours completed per employee	2.1 Development and Training
	The average training hours completed per employee by gender and employee category	2.1 Development and Training
B4 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 preventing child and forced labour	2. Care for Our Employees and Interests of Employment
B4.1	Description of measures to review employment practices to avoid child and forced labour	2. Care for Our Employees and Interests of Employment

Subject area	Content	Page number/ remarks
B4.2	Description of steps taken to eliminate such practices when discovered	2. Care for Our Employees and Interests of Employment
B5 General disclosure	Policies on managing environmental and social risks of the supply chain	3.1 Supply-chain Management
B5.1	Number of suppliers by geographical region	3.1 Supply-chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	3.1 Supply-chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	3.1 Supply-chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	3.1 Supply-chain Management
B6 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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	3.3 Product Liability
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	3.3 Product Liability
B6.2	Number of products and service related complaints received and how they are dealt with	3.3 Product Liability
B6.3	Description of practices relating to observing and protecting intellectual property rights	3.3 Product Liability
B6.4	Description of quality assurance process and recall procedures	3.3 Product Liability
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	3.3 Product Liability

Subject area	Content	Page number/ remarks
B7 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 bribery, extortion, fraud and money laundering	3.2 Anti-corruption
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	3.2 Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	3.2 Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff	3.2 Anti-corruption
B8 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	4. COVID-19 Pandemic Topics 5. Charity and Community Involvement
B8.1	Focus areas of contribution	4. COVID-19 Pandemic Topics
B8.2	Resources used in focus areas	5. Charity and Community Involvement

The Board are pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2020.

Principal Activities

The principle activities of the Group are property development, commercial operation and hotel operation, the details of principal activities of its principal subsidiaries are set out in note 1 to the financial statements. Except the spin-off of KWG Living, there were no significant changes in the nature of the Group's principal activities during the year.

Business Review

According to the requirements under Schedule 5 to the Hong Kong Companies Ordinance, a fair review of the business of the Group, a discussion and analysis of the Group's performance during the year including analysis using financial key performance indicators, particulars of important events affecting the Group that have occurred since the end of the financial year, description of the principal risks and uncertainties facing the Group, and a discussion on the Group's environmental policies and performance and the Group's compliance with relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders are provided throughout this report, particularly in the sections headed "Financial Highlights", "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this report. These discussions form part of this Directors' Report.

Results and Dividends

The Group's results for the year ended 31 December 2020 are set out in the Consolidated Statement of Profit or Loss on page 124.

The Board resolved to recommend the payment of a final dividend of RMB53 cents per share (2019: RMB42 cents per share) for the year ended 31 December 2020. Including the interim dividend of RMB40 cents per share (2019: RMB32 cents per share) paid, the total dividend for the year amounts to RMB93 cents per share (2019: RMB74 cents per share). The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2021 AGM"), will be payable on or around Friday, 6 August 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 18 June 2021.

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

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

A circular containing details of the scrip dividend arrangement together with the relevant form of election will be published on the Company's website and the HKEXnews website and despatched to the Shareholders on or before Monday, 28 June 2021.

Five Year Financial Summary

A financial summary of the Group for the last five financial years is set out on page 248 of this report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements of this report.

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

Details of investment properties of the Group during the year are set out in note 15 to the financial statements; and details of the properties under development of the Group and completed properties held for sale by the Group during the year are set out in notes 20 and 21 respectively. Further details of the Group's major investment properties are set out on page 247 of this report.

Shares in issue

The details of the shares issued by the Company during the year are set out in note 31 to the financial statement.

Debentures Issued

During the year, the Company issued the following senior notes that are listed on the Stock Exchange for the purpose of general working capital needs of the Group:

(1) On 13 January 2020, the Company issued the 7.40% senior notes with an aggregate principal amount of US$300,000,000 due 2027 with net proceeds (excluding interest payable) of approximately US$298,147,000.

(2) On 10 August 2020, the Company issued the 5.95% senior notes with an aggregate principal amount of US$200,000,000 due 2025 with net proceeds (excluding interest payable) of approximately US$197,974,000.

(3) On 13 November 2020, the Company issued the 6.30% senior notes with an aggregate principal amount of US$400,000,000 due 2026 with net proceeds (excluding interest payable) of approximately US$399,854,000.

Further details are set out in note 28 to the financial statements.

Pre-emptive Rights

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

Purchase, Sale or Redemption of Listed Securities

During the year, the Company bought back a total of 174,000 ordinary shares of the Company on the Stock Exchange at a paid aggregate consideration of HK$1,738,380 (before expenses). All such bought back shares were not yet cancelled as at the date of this report.

Details of the shares bought back during the year are as follows:

Date	Number of shares bought back	Price paid per share		Aggregate consideration (before expenses)
		Highest (HK$)	Lowest (HK$)	(HK$)
29 October 2020	174,000 shares	10.0000	9.9838	1,738,380

The above share buy-backs would enhance the earnings per share of the Company and thus benefit the Shareholders as whole. As at 31 December 2020, the total issued shares of the Company were 3,180,505,853.

Save as disclosed above, during the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 46 and 33 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

Total distributable reserves of the Company as at 31 December 2020, calculated in accordance with article 146 of the Articles of Association, amounted to approximately RMB2,899,209,000.

Charitable Donations

The charitable donations made by the Group during the year amounted to approximately RMB21,456,000.

Major Customers and Contractors

For the year ended 31 December 2020, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year.

In the year under review, purchases from the Group's largest contractors and five largest contractors accounted for approximately 5.4% and 19.4% respectively, of the total purchases for the year.

Bank borrowings

The details of bank borrowings of the Group as of 31 December 2020 are set out in note 28 to the financial statements of this report.

Directors

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

Executive Directors
KONG Jianmin *(Chairman)*
KONG Jiantao *(Chief Executive Officer)*
KONG Jiannan
CAI Fengjia

Independent Non-executive Directors
LEE Ka Sze, Carmelo *JP*
TAM Chun Fai
LI Binhai

Biographical details of the Directors are set out on pages 38 and 39 of this report.

Pursuant to the article 87 of the Articles of Association, Mr. KONG Jianmin, Mr. CAI Fengjia and LEE Ka Sze, Carmelo *JP* will retire from office by rotation and being eligible, offer themselves for re-election at the 2021 AGM.

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

Directors' Service Contracts

The executive Directors and independent non-executive Directors have entered into service contracts and letters of appointment with the Company for a term of three years respectively.

Apart from the above, no Director proposed for re-election at the 2021 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Remuneration

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

Directors' Interests in a Competing Business

During the year and up to the date of this report, none of the Directors or any of their respective associates have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Director's Interests in Transactions, Arrangements and Contract

Save as disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" on page 110 to page 114 of this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, or its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Arrangement to Acquire Shares or Debentures

Mr. CAI Fengjia, executive Director, was awarded shares of the Company pursuant to the share award scheme of the Company (the "Share Award Scheme"). Details are set out in the section headed "Share Award Scheme" on page 108 to page 109 of this report.

Save for the above, at no time during the year or at the end of 2020 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

Equity-linked Agreements

Other than the share option scheme of the Company (the "Share Option Scheme") set out on page 105 to page 108 of this report, no equity-linked agreements were entered into by the Company during the year or existed at the end of the year.

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

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

	Number of Shares held					
Name of Director	Personal Interests (held as beneficial owner)	Family Interests (interests of spouse or child under 18)	Corporate Interests (interests of controlled corporation)	Other Interests	Total	Approximate% of the issued share capital[1]
KONG Jianmin	–	–	1,594,749,652[3]	399,053,500[2][3]	1,993,803,152	62.69%
KONG Jiantao	–	–	256,804,687[4]	1,443,385,000[2][4]	1,700,189,687	53.46%
KONG Jiannan	–	–	144,338,500[5]	1,553,761,500[2][5]	1,698,100,000	53.39%
CAI Fengjia	148,732[6]	112,000[7]	–	280,500[8]	541,232	0.02%
LEE Ka Sze, Carmelo *JP*	30,000	–	–	–	30,000	0.00%
TAM Chun Fai	30,000	–	–	–	30,000	0.00%

Notes:

(1) The approximate percentages were calculated based on 3,180,505,853 ordinary shares in issue as at 31 December 2020.

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

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

(3) Mr. KONG Jianmin is deemed to be interested in a total of 1,993,803,152 shares of the Company including (i) 1,299,046,500 shares held by Plus Earn which is wholly-owned by Mr. KONG Jianmin; (ii) 295,703,152 shares held by Hero Fine Group Limited ("Hero Fine") which is wholly-owned by Mr. KONG Jianmin; and (iii) 254,715,000 shares held by Right Rich and 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement.

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

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

(6) As at 31 December 2020, a total of 231,000 awarded shares granted to Mr. CAI Fengjia by the Company were vested, of which 82,268 awarded shares were sold by the trustee for the purpose of covering the PRC withholding tax, pursuant to the Share Award Scheme. Further details of awarded shares are set out in the section headed "Share Award Scheme" in this report.

(7) These shares were held by Mr. CAI Fengjia's spouse.

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

(ii) Interests in debentures of the Company

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

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

(iii) Long positions in securities of associated corporations

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

Save as disclosed above, as at 31 December 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 December 2020, to the knowledge of the Directors, the following entities (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares and underlying shares of the Company:

Name	Capacity	Number of shares held	Approximate Percentage of the issued share capital(1)
Plus Earn(2)	Beneficial owner	1,299,046,500	40.84%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	399,053,500	12.55%
Hero Fine(3)	Beneficial owner	295,703,152	9.30%
Right Rich(4)	Beneficial owner	254,715,000	8.01%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	1,443,385,000	45.38%
Peace Kind(5)	Beneficial owner	144,338,500	4.54%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	1,553,761,500	48.85%

Notes:

(1) The approximate percentages were calculated based on 3,180,505,853 ordinary shares in issue as at 31 December 2020.

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

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

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

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

Save as disclosed above, as at 31 December 2020, no other person (other than the Directors and chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

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

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

1. Purpose

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

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

2. Participants of the Share Option Scheme

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

An "Eligible Participant" means:

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

(ii) any Directors (including non-executive Directors and independent non-executive Directors) or any directors of the subsidiaries of the Company; and

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

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

The maximum number of shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 315,515,505 shares, being 10% of the total number of issued shares as at the date of the adoption of the Share Option Scheme, and 9.9% as at the date of this report.

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

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

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

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

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

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

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

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

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

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

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

8. *Basis of determining the exercise price*

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

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

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

(iii) the nominal value of a share.

9. *Remaining life of the Share Option Scheme*

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

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

As at 31 December 2020, details of the options under the Share Option Scheme are as follows:

			Number of share options						
Grantees	Date of grant	Exercise period	As at 1 January 2020	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2020	Exercise price per share (HK$)	Closing price per share immediately before the date of grant (HK$)
Employees[2]	13.02.2018	[1]	1,494,000	–	(392,000)	(153,500)	948,500	11.12	10.70
		Total	1,494,000	–	(392,000)	(153,500)	948,500		

Notes:

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

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

Valuation of Share Options

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

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

For the year ended 31 December 2020, the Group has recognised approximately RMB338,000 (2019: approximately RMB1,008,000) in share-based payment expenses in the statement of profit or loss.

Further details of the Share Option Scheme are set out in note 32 of this report.

Share Award Scheme

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

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

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

Since the Adoption Date and up to 31 December 2020, a total of 8,583,000 awarded shares had been awarded under the Share Award Scheme. The vesting of the awarded shares is subject to the conditions as set out in the Share Award Scheme and the fulfillment of such conditions as specified by the Board.

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

Awardees	Date of grant	Vesting date	Number of awarded shares: As at 1 January 2020	Awarded during the year	Vested during the year	Lapsed during the year	As at 31 December 2020
CAI Fengjia (Executive Director)	19.01.2018	(1)	185,000	–	(92,500)(4)	–	92,500
	08.04.2019	(2)	138,000	–	(46,000)(4)	–	92,000
	14.04.2020	(3)	–	96,000	–	–	96,000
Directors of certain subsidiaries of the Company	19.01.2018	(1)	1,160,000	–	(580,000)(5)	(41,500)	538,500
	08.04.2019	(2)	636,000	–	(212,000)(5)	–	424,000
	14.04.2020	(3)	–	415,500	–	–	415,500
Other Selected Participant	19.01.2018	(1)	199,000	–	(99,500)	–	99,500
	08.04.2019	(2)	148,500	–	(49,500)	–	99,000
	14.04.2020	(3)	–	78,000	–	–	78,000
Other independent Selected Participants	19.01.2018 & 18.10.2018	(1)	1,037,000	–	(518,500)(5)	(41,500)	477,000
	08.04.2019	(2)	1,068,000	–	(335,500)(5)	(102,500)	630,000
	14.04.2020	(3)	–	1,348,500	–	–	1,348,500
Total			4,571,500	1,938,000	(1,933,500)	(185,500)	4,390,500

Notes:

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

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

(3) The awarded shares granted on 14 April 2020 shall be vested in three tranches with the vesting date on 14 April of each year from 2021 to 2023, or an earlier date as approved by the Board, pursuant to the Scheme Rules.

(4) A total of 138,500 awarded shares granted to Mr. CAI Fengjia by the Company and vested during the year, of which 26,567 awarded shares and 22,811 awarded shares were sold by the trustee at an average price of HK$10.9498 and HK$11.5993 respectively, for the purpose of covering PRC withholding tax pursuant to the Scheme Rules.

(5) A total of 1,646,000 awarded shares granted to directors of its certain subsidiaries and other independent selected Participants by the Company and vested during the year, of which 224,301 awarded shares and 159,689 awarded shares were sold by the trustee at an average price of HK$10.9498 and HK$11.5993 respectively, for the purpose of covering PRC withholding tax pursuant to the Scheme Rules.

Further details of the Share Award Scheme are set out in note 32 of this report.

Connected Transactions and Continuing Connected Transactions

During the year, the Group conducted the following transactions:

Connected Transaction

Issue of new shares to connected persons

On 14 April 2020, the Board resolved that 589,500 awarded shares granted to certain Directors and directors of certain subsidiaries of the Company (the "Connected Grantees") under the Share Award Scheme shall be satisfied by allotment and issue of new shares of the Company at par to the trustee of the Share Award Scheme pursuant to a specific mandate, which was approved by independent shareholders at the annual general meeting of the Company held on 5 June 2020.

As the Connected Grantees were connected persons of the Company and the allotment and issue of the awarded shares to the Connected Grantees under the Share Award Scheme constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. The details of which were set out in the announcement of the Company dated 14 April 2020 and the circular of the Company dated 7 May 2020.

Transfer of shares to a connected person

On 24 June 2020, the Board resolved to transfer its entire shares of Happy Harmony International Limited, which in turn held one KWG Living share to a connect person of the Company with the consideration of US$6,075,000. As the person was a Director in the past 12 months and thus the share transfer constitutes a connected transaction of the Company. The details of which were set out in the announcement of the Company dated 24 June 2020.

Continuing connected transactions

lease of properties

On 30 November 2018 and on 6 December 2018, the Group entered into certain property lease and management agreements (the "Property Lease and Management Agreements I and Property Lease and Management Agreements II") with Guangzhou Kai Chuang and its certain wholly owned subsidiaries (the "Lessees"), pursuant to which the Group agreed to lease several commercial properties located at Guangzhou, Shanghai, Shenzhen and Chengdu to the Lessees for the purpose of providing its co-working spaces and serviced offices business (the "Relevant Business") with a lease term of not exceeding 3 years. The aggregate rental and management fee agreed by the Company and the Lessees was approximately RMB2,400,000 per month. The details of which were set out in the announcement of the Company dated 6 December 2018.

On 1 July 2019, the Group entered into certain property lease and management agreements (the "Property Lease and Management Agreements III") with the Lessees, pursuant to which the Group agreed to lease several commercial properties located at Guangzhou and Xi'an to the Lessees for operating its Relevant Business with a lease term of not exceeding 3 years. The aggregate rental and management fee agreed by the Company and the Lessees was approximately RMB540,000 per month. The details of which were set out in the announcement of the Company dated 2 July 2019.

On 14 February 2020, 26 February 2020 and 27 March 2020, the Group entered into certain property lease and management agreements (the "Property Lease and Management Agreements IV and Property Lease and Management Agreements V") with the Lessees, pursuant to which the Group agreed to (i) renew the lease term of ICP Property under Property Lease and Management Agreements II which was expired on 15 January 2020; and (ii) lease IMP Property to the Lessees for operating its Relevant Business with each of the lease term not exceeding 3 years. The aggregate rental and management fee agreed by the Group and the Lessees was approximately RMB536,000 per month. The details of which were set out in the announcement of the Company dated 27 March 2020.

On 31 December 2020, the Group renewed the agreements for the expired lease term of certain properties under Property Lease and Management Agreements I and Property Lease and Management Agreements II (the "2020 Property Lease Agreements I and 2020 Property Lease Agreements II") with the Lessees, pursuant to which the Group agreed to renew the lease term of relevant properties with the Lessees, with each of the lease term not exceeding 3 years. The aggregate rental agreed by the Group and the Lessees was approximately RMB1,253,300 per month. The details of which were set out in the announcement of the Company dated 31 December 2020.

Mr. KONG Jiantao, the executive director and controlling shareholder of the Company, is the ultimate beneficial owner of the Lessees, and therefore the Lessees are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the abovementioned agreements constitute continuing connected transactions of the Company. In accordance with rule 14A.83 of the Listing Rules, as the abovementioned agreements were entered into by the Group and the Lessees, therefore, these transactions should be aggregated for calculation purposes. The revised annual caps for each of the years ending 2020, 2021, 2022 and 2023 are set out below respectively:

	For the year ended 31 December 2020 (RMB)	**For the year ended 31 December 2021** (RMB)	**For the year ended 31 December 2022** (RMB)	**For the year ended 31 December 2023** (RMB)
Annual Caps	37,005,000	27,951,600	23,907,600	16,072,600

Framework Agreements

1. *The Property Lease Framework Agreement*
   On 14 October 2020, the Company entered into the property lease framework agreement with KWG Living, pursuant to which the Group leased the relevant properties (as office and staff quarters) and car parking lots to KWG Living and its subsidiaries ("KWG Living Group"), with the effective date commencing on 30 October 2020 (being the listing date of KWG Living) to 31 December 2022. The annual caps for each of the years ending 2020, 2021 and 2022 are set out below respectively:

	For the year ended 31 December 2020 (RMB)	**For the year ended 31 December 2021** (RMB)	**For the year ended 31 December 2022** (RMB)
Annual Caps	18,100,000	21,400,000	25,300,000

2. *The Residential Property Management Services Framework Agreement*

On 14 October 2020, the Company entered into the residential property management services framework agreement with KWG Living, pursuant to which KWG Living shall provide residential property management services to the Group, including but not limited to residential pre-sale management services and residential property management services, with the effective date commencing on 30 October 2020 to 31 December 2022. The annual caps for each of the years ending 2020, 2021 and 2022 are set out below respectively:

	For the year ended 31 December 2020 (RMB)	**For the year ended 31 December 2021** (RMB)	**For the year ended 31 December 2022** (RMB)
Annual Caps	207,700,000	259,500,000	324,500,000

3. *The Property Agency Services Framework Agreement*

On 14 October 2020, the Company entered into the property agency services framework agreement with KWG Living, pursuant to which KWG Living shall provide property agency services to the Group for properties developed by the Group with the effective date commencing on 30 October 2020 to 31 December 2022. The annual caps for each of the years ending 2020, 2021 and 2022 are set out below respectively:

	For the year ended 31 December 2020 (RMB)	**For the year ended 31 December 2021** (RMB)	**For the year ended 31 December 2022** (RMB)
Annual Caps	180,100,000	284,400,000	375,100,000

4. *The Commercial Property Management Services Framework Agreement*

On 14 October 2020, the Company entered into the commercial property management services framework agreement with KWG Living, pursuant to which KWG Living shall provide commercial property management services to the Group, including but not limited to commercial pre-sale management services and commercial property management services with the effective date commencing on 30 October 2020 to 31 December 2022. The annual caps for each of the years ending 2020, 2021 and 2022 are set out below respectively:

	For the year ended 31 December 2020 (RMB)	**For the year ended 31 December 2021** (RMB)	**For the year ended 31 December 2022** (RMB)
Annual Caps	119,700,000	148,800,000	176,600,000

5. *The Commercial Operational and Value-added Services Framework Agreement*

On 14 October 2020, the Company entered into the commercial operational and value-added services framework agreement with KWG Living, pursuant to which KWG Living shall provide commercial operational service and value-added service with the effective date commencing on 30 October 2020 to 31 December 2022. The annual caps for each of the years ending 2020, 2021 and 2022 are set out below:

	For the year ended 31 December 2020 (RMB)	**For the year ended 31 December 2021** (RMB)	**For the year ended 31 December 2022** (RMB)
Annual Caps	103,100,000	150,800,000	172,900,000

As Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan, being the Directors, are the controlling shareholders of KWG Living, and therefore KWG Living is their associate. Accordingly, the transactions contemplated under the abovementioned framework agreements constitute continuing connected transactions of the Company. The details of which were set out in the announcement of the Company dated 5 November 2020.

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

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

(b) on normal commercial terms or better; and

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

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

- have not been approved by the Board;
- for transactions involving the provision of goods or services by the Group were not in accordance with the pricing policies of the Group in all material aspects;
- were not entered into in accordance with the relevant agreements governing such transactions in all material aspects; and
- have exceeded the annual cap as set by the Company for the year ended 31 December 2020.

Related party transactions

The Group conducted several related party transactions during the year (see note 41 to the financial statements of this report). Save as the connected transactions and continuing connected transactions disclosed above, other transactions are not deemed as connected transaction or continuing connected transactions under the Chapter 14A of the Listing Rules or being exempted from the requirements of notification, announcement and shareholders' approval in accordance with the Listing Rules.

Management Contracts

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

Permitted Indemnity Provision

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

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the year and up to the date of this report.

Independent Auditor

The financial statements for the year were audited by Ernst & Young, who will retire at the forthcoming annual general meeting. The Company will propose a resolution at the forthcoming annual general meeting to re-appoint Ernst & Young as the Company's auditors for the coming year.

There has been no change in the auditors of the Company during the past three years.

It is the auditors' responsibility to form an independent opinion, based on their audit, on these financial statements and to report their opinion solely to the Company and for no other purpose. They do not assume responsibility towards or accept legal liability to any other person for the contents of the Independent Auditor's Report. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 117 to 123.

Loan Facilities with Covenants Relating to Specific Performance of the Controlling Shareholder

(1) Facility Agreement dated 27 January 2017

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

Pursuant to the terms of the Facility Agreement I, the Company has undertaken to procure that Mr. KONG Jianmin, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the Facility Agreement I. Further details of the transaction are disclosed in the announcement of the Company dated 27 January 2017. All outstanding principal under Facility Agreement I has been fully repaid in January 2021.

(2) Facility Agreement dated 5 June 2018

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

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

(3) Facility Agreement dated 23 December 2020

On 23 December 2020, the Company, as the borrower, and certain of the subsidiaries of the Company, as the original guarantors, entered into a facility agreement (the "Facility Agreement III") with, among others, The Bank of East Asia, Limited, China CITIC Bank International Limited, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Nanyang Commercial Bank (China), Limited Guangzhou Branch and Standard Chartered Bank (Hong Kong) Limited as the original lenders (the "Original Lenders"), The Bank of East Asia, Limited, China CITIC Bank International Limited, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Nanyang Commercial Bank (China), Limited Guangzhou Branch and Standard Chartered Bank (Hong Kong) Limited as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited, as the agent, in relation to the granting of transferrable HKD and USD dual currency term loan facility (with a greenshoe option) of up to US$400 million to the Company for a term of 48 months commencing from the date of the Facility Agreement III.

Pursuant to the terms of the Facility Agreement III, the Company has undertaken to procure that Mr. KONG Jianmin, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the Facility Agreement III. Further details of the transaction are disclosed in the announcement of the Company dated 24 December 2020.

As of the date of this report, except the above (1), the circumstances giving rise to the relevant disclosure obligations under Rules 13.18 of the Listing Rules continued to exist.

ON BEHALF OF THE BOARD

KONG Jianmin
Chairman

Hong Kong
25 March 2021

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

Opinion

We have audited the consolidated financial statements of KWG Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 246, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

EY 安永

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Revaluation of investment properties	
Investment properties of the Group are stated at fair value at the end of each reporting period, and comprise completed investment properties, investment properties under construction and right-of-use assets. Changes in fair values of investment properties are recorded in profit or loss for the year in which they arise. As at 31 December 2020, the carrying amount of investment properties of the Group was approximately RMB29,320,849,000. The Group's investment properties are revalued individually at the end of each reporting period by independent professional valuers. The revaluation involves significant estimations and assumptions, including market rent and capitalisation rates, and the fair values of the investment properties are sensitive to these management's estimates and assumptions. Relevant disclosures are included in notes 2.4, 3 and 15 to the consolidated financial statements.	The audit procedures we performed on the revaluation of investment properties included, among others, the following: • we obtained an understanding of the work of the independent professional valuers engaged by the Company, and considered the objectivity, independence and expertise of the valuers; • we involved our valuation specialists to evaluate the valuation techniques used and tested the underlying key estimations and assumptions for selected samples through enquiry with management and by reference to the historical information and open market information; and • we assessed the adequacy of the disclosures in relation to the revaluation of investment properties, including the fair value hierarchy and the valuation techniques used and the key inputs to the valuation of investment properties.

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

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from the sale of properties over time	
Revenue from the sale 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 the performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2020, revenue of the Group from the sale of properties was approximately RMB28,486,724,000, out of which approximately RMB2,806,281,000 was recognised over time. For the revenue from the sale of properties recognised over time, the Group considers whether it has the enforceable right to payment, which depends on the terms of the sales contracts and the interpretation of the applicable laws governing the sales contracts. Significant judgements were involved in determining whether the Group has the right to payment for the performance completed to date or not. In addition, the Group recognises revenue from the sale of properties by measuring the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs. Significant judgements and estimations are required in determining the accuracy of the estimated total costs and the contract costs incurred up to the end of the reporting period and the progress towards complete satisfaction of the performance obligation at the reporting date.	We performed the following audit procedures, among others, on the recognition of revenue from the sale of properties over time: • we reviewed, on a sampling basis, the key terms of the sales contracts to assess the Group's rights to payment; • we checked, on a sampling basis, the revenue from the sale of properties recognised over time during the year to the supporting documents including sales contracts and proceeds received; • we evaluated management's basis for cost allocation by checking to the underlying contracts and saleable floor areas; • we checked the estimated total contract costs by comparing the estimated total contract costs to the budget approved by management;

EY 安永

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

Key audit matters *(continued)*

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

Other information included in the Annual Report

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

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

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

EY 安永

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

EY 安永

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**29,742,063**	23,941,953
Cost of sales		**(20,383,239)**	(16,496,001)
Gross profit		**9,358,824**	7,445,952
Other income and gains, net	5	**1,628,096**	2,853,736
Selling and marketing expenses		**(1,222,410)**	(1,006,430)
Administrative expenses		**(1,560,784)**	(1,550,993)
Other operating expenses, net		**(2,981)**	(4,456)
Fair value gains on investment properties, net	15	**415,157**	3,716,461
Finance costs	7	**(1,034,243)**	(1,530,985)
Share of profits and losses of:			
Associates		**354,669**	511,767
Joint ventures		**2,126,580**	2,933,397
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**10,062,908**	13,368,449
Income tax expenses	10	**(3,397,779)**	(3,497,352)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**6,665,129**	9,871,097
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	11	**236,180**	184,987
Profit for the year		**6,901,309**	10,056,084
Attributable to:			
Owners of the Company		**6,676,592**	9,805,813
Non-controlling interests		**224,717**	250,271
		6,901,309	10,056,084
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic			
– For profit for the year		**RMB210 cents**	RMB309 cents
– For profit from continuing operations		**RMB203 cents**	RMB303 cents
Diluted			
– For profit for the year		**RMB210 cents**	RMB309 cents
– For profit from continuing operations		**RMB203 cents**	RMB303 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000 (Restated)
PROFIT FOR THE YEAR	**6,901,309**	10,056,084
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**1,329,793**	(373,071)
Share of exchange differences on translation of joint ventures	**579,194**	(72,871)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**1,908,987**	(445,942)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**728,917**	(182,383)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**728,917**	(182,383)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**2,637,904**	(628,325)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**9,539,213**	9,427,759
Attributable to:		
Owners of the Company	**9,314,496**	9,177,488
Non-controlling interests	**224,717**	250,271
	9,539,213	9,427,759

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**7,780,054**	6,411,151
Investment properties	15	**29,320,849**	27,263,329
Land use rights	16	**2,651,855**	1,152,384
Interests in associates	18	**5,338,823**	4,670,441
Interests in joint ventures	19	**46,872,043**	42,996,460
Deferred tax assets	29	**2,432,853**	1,872,238
Other non-current assets		**-**	211,928
Total non-current assets		**94,396,477**	84,577,931
CURRENT ASSETS			
Properties under development	20	**65,613,320**	51,760,690
Completed properties held for sale	21	**15,000,367**	10,928,887
Trade receivables	22	**1,914,579**	2,166,759
Prepayments, other receivables and other assets	23	**9,814,732**	7,401,565
Due from a joint venture	19	**30,004**	30,062
Tax recoverables	24(a)	**848,419**	722,780
Restricted cash	25	**3,944,716**	5,356,141
Cash and cash equivalents	25	**40,635,765**	51,377,864
Total current assets		**137,801,902**	129,744,748
CURRENT LIABILITIES			
Trade and bills payables	26	**13,165,515**	9,072,301
Lease liabilities	17	**209,341**	230,445
Other payables and accruals	27	**31,746,296**	27,627,042
Due to joint ventures	19	**35,207,964**	37,742,306
Due to associates	18	**3,244,654**	1,345,495
Interest-bearing bank and other borrowings	28	**25,255,339**	23,728,043
Tax payables	24(b)	**12,284,787**	9,926,137
Total current liabilities		**121,113,896**	109,671,769
NET CURRENT ASSETS		**16,688,006**	20,072,979
TOTAL ASSETS LESS CURRENT LIABILITIES		**111,084,483**	104,650,910
NON-CURRENT LIABILITIES			
Lease liabilities	17	**1,567,291**	1,895,326
Interest-bearing bank and other borrowings	28	**52,605,276**	61,849,507
Deferred tax liabilities	29	**2,993,183**	2,661,444
Deferred revenue	30	**2,042**	2,042
Total non-current liabilities		**57,167,792**	66,408,319
NET ASSETS		**53,916,691**	38,242,591

	Note	**2020 RMB'000**	2019 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**304,474**	304,148
Treasury shares	31	**(1,723)**	(176)
Reserves		**43,232,126**	35,490,786
		43,534,877	35,794,758
Non-controlling interests		**10,381,814**	2,447,833
TOTAL EQUITY		**53,916,691**	38,242,591

KONG Jianmin
Director

KONG Jiantao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

		Attributable to owners of the Company											
	Notes	Issued capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	Asset revaluation reserve# RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019		303,909	(125)	3,653,876	1,597,904	(1,524,775)	28,776	29,175	(57,546)	24,786,247	28,817,441	2,993,445	31,810,886
Profit for the year		–	–	–	–	–	–	–	–	9,805,813	9,805,813	250,271	10,056,084
Other comprehensive loss for the year:													
Exchange differences on translation into presentation currency		–	–	–	–	(555,454)	–	–	–	–	(555,454)	–	(555,454)
Share of exchange differences on translation of joint ventures		–	–	–	–	(72,871)	–	–	–	–	(72,871)	–	(72,871)
Total comprehensive income for the year		–	–	–	–	(628,325)	–	–	–	9,805,813	9,177,488	250,271	9,427,759
Share-based compensation expenses		–	–	–	–	–	21,234	–	–	–	21,234	–	21,234
Contribution from the non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	76,000	76,000
Acquisition of a subsidiary	35	–	–	–	–	–	–	–	–	–	–	4,195	4,195
Shares issued as scrip dividend during the year	31	63	–	5,263	–	–	–	–	–	–	5,326	–	5,326
Issue of treasury shares	31	176	(176)	–	–	–	–	–	–	–	–	–	–
Vested awarded shares transferred to employees	31	–	125	15,310	–	–	(15,435)	–	–	–	–	–	–
Transfer to reserves	33	–	–	–	388,329	–	–	–	–	(388,329)	–	–	–
Final 2018 dividend declared	31	–	–	(983,962)	–	–	–	–	–	–	(983,962)	–	(983,962)
Interim 2019 dividend	31	–	–	(1,020,309)	–	–	–	–	–	–	(1,020,309)	–	(1,020,309)
Derecognition of subsidiaries	36	–	–	–	–	–	–	–	–	–	–	(1,175,330)	(1,175,330)
Net gains on property revaluation		–	–	–	–	–	–	63,403	–	–	63,403	–	63,403
Acquisition of non-controlling interests		–	–	–	–	–	–	–	45,136	–	45,136	(278,402)	(233,266)
Changes in equity interests in subsidiaries without change of control		–	–	–	–	–	–	–	(330,999)	–	(330,999)	577,654	246,655
At 31 December 2019		304,148	(176)	1,670,178	1,986,233	(2,153,100)	34,575	92,578	(343,409)	34,203,731	35,794,758	2,447,833	38,242,591

	Notes	Attributable to owners of the Company										Non-controlling interests RMB'000	Total equity RMB'000
		Issued capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	Asset revaluation reserve# RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000		
At 1 January 2020		304,148	(176)	1,670,178	1,986,233	(2,153,100)	34,575	92,578	(343,409)	34,203,731	35,794,758	2,447,833	38,242,591
Profit for the year		-	-	-	-	-	-	-	-	6,676,592	6,676,592	224,717	6,901,309
Other comprehensive income for the year:													
Exchange differences on translation into presentation currency		-	-	-	-	2,058,710	-	-	-	-	2,058,710	-	2,058,710
Share of exchange differences on translation of joint ventures		-	-	-	-	579,194	-	-	-	-	579,194	-	579,194
Total comprehensive income for the year		-	-	-	-	2,637,904	-	-	-	6,676,592	9,314,496	224,717	9,539,213
Share options exercised	31	35	-	4,724	-	-	(807)	-	-	-	3,952	-	3,952
Share-based compensation expenses		-	-	-	-	-	19,487	-	-	-	19,487	-	19,487
Contribution from the non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	3,096,329	3,096,329
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	1,200,244	1,200,244
Issue of treasury shares	31	207	(207)	-	-	-	-	-	-	-	-	-	-
Vested awarded shares transferred to employees	31	-	174	19,251	-	-	(19,425)	-	-	-	-	-	-
Transfer to reserves	33	-	-	-	815,593	-	-	-	-	(815,593)	-	-	-
Shares issued as scrip dividend during the year	31	84	-	11,817	-	-	-	-	-	-	11,901	-	11,901
Final 2019 dividend declared	31	-	-	(1,334,360)	-	-	-	-	-	-	(1,334,360)	-	(1,334,360)
Interim 2020 dividend	31	-	-	(371,610)	-	-	-	-	-	(899,610)	(1,271,220)	-	(1,271,220)
Acquisition of non-controlling interests		-	-	-	-	-	-	-	(14,392)	-	(14,392)	(43,716)	(58,108)
Changes in equity interests in subsidiaries without change of control		-	-	-	-	-	-	-	1,386,795	-	1,386,795	3,672,017	5,058,812
Distribution in specie	11	-	-	-	-	-	-	-	-	(375,026)	(375,026)	(14,050)	(389,076)
Share repurchase	31	-	(1,514)	-	-	-	-	-	-	-	(1,514)	-	(1,514)
Dividend declared to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(201,560)	(201,560)
At 31 December 2020		304,474	(1,723)	-*	2,801,826*	484,804*	33,830*	92,578*	1,028,994*	38,790,094*	43,534,877	10,381,814	53,916,691

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

* These reserve accounts comprise the consolidated reserves of approximately RMB43,232,126,000 (2019: approximately RMB35,490,786,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**10,062,908**	13,368,449
From a discontinued operation	11	**327,547**	250,604
Adjustments for:			
Finance costs		**1,034,495**	1,531,336
Foreign exchange losses/(gains)		**311,642**	(96,405)
Share of profits and losses of associates		**(356,175)**	(513,706)
Share of profits and losses of joint ventures		**(2,126,580)**	(2,933,397)
Interest income		**(712,399)**	(949,330)
Share-based compensation expenses		**19,487**	21,234
Loss on disposal of items of property, plant and equipment		**16,667**	314
Depreciation		**280,681**	252,059
Amortisation of land use rights	6	**11,197**	11,038
Fair value gains on investment properties, net	15	**(415,157)**	(3,716,461)
Gains on derecognition of subsidiaries		**(454,765)**	(691,361)
Gain on acquisition of a joint venture		**-**	(129,350)
Gain on disposal of a joint venture		**-**	(134,095)
Gains on acquisition of subsidiaries		**(326,054)**	(791,218)
		7,673,494	5,479,711
Increase in properties under development		**(19,488,730)**	(28,669,391)
Decrease in completed properties held for sale		**15,964,309**	15,142,940
Increase in trade receivables		**(4,757)**	(1,195,530)
Decrease in prepayments, other receivables and other assets		**16,328,216**	4,830,168
Decrease in an amount due from a joint venture		**58**	7
Decrease/(increase) in restricted cash		**1,410,782**	(1,256,812)
Increase in trade and bills payables		**136,489**	3,248,855
(Decrease)/increase in other payables and accruals		**(19,991,040)**	5,797,926
Cash generated from operations		**2,028,821**	3,377,874
Interest received		**712,399**	835,236
Corporate income tax paid		**(953,116)**	(427,781)
Land appreciation tax paid		**(657,304)**	(743,729)
Net cash flows from operating activities		**1,130,800**	3,041,600

	Notes	2020 RMB'000	2019 RMB'000
Net cash flows from operating activities		**1,130,800**	3,041,600
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,179,557)**	(780,809)
Purchases of items of land use rights		**(888,653)**	–
Purchases of items of investment properties		**(1,307,918)**	(1,818,657)
Acquisitions of subsidiaries		**1,157,752**	81,443
Investments in joint ventures		**(222,500)**	(1,009,058)
Acquisitions of joint ventures		**–**	(1,970,065)
Investments in associates		**(1,134,900)**	(781,280)
Derecognition of subsidiaries		**(45,934)**	(1,180,585)
Disposals of joint ventures		**333,884**	598,485
Proceeds from disposal of items of property, plant and equipment		**1,737**	11,018
Repayments from associates		**2,177,569**	849,858
Advance to joint ventures		**(3,924,425)**	(6,494,211)
Dividend received from joint ventures		**1,288,166**	893,351
Net cash flows used in investing activities		**(3,744,779)**	(11,600,510)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes		**6,131,828**	10,152,399
Proceeds from sale of domestic corporate bonds		**4,476,990**	3,670,000
Acquisitions of non-controlling interests		**(58,108)**	(43,171)
Changes in equity interests in subsidiaries without change of control		**5,058,812**	246,655
Domestic corporate bonds repurchased		**(1,745,179)**	(5,537,000)
Senior notes repurchased		**(160,514)**	–
Shares repurchased	31	**(1,514)**	–
New bank loans		**17,742,525**	22,076,517
Repayment of senior notes		**(3,617,285)**	(4,067,039)
Repayment of domestic corporate bonds		**(3,630,000)**	–
Redemption of domestic corporate bonds		**(3,670,000)**	(530,000)
Repayment of bank loans		**(21,596,140)**	(10,620,168)
Repayment of lease liabilities		**(265,061)**	(118,490)
Contribution from the non-controlling shareholders of subsidiaries		**2,373,635**	76,000
Dividend paid		**(2,538,768)**	(1,767,425)
Interest paid		**(5,652,984)**	(6,251,802)
Share options exercised		**3,952**	–
Net cash distributed in respect of distribution in specie	11	**(661,036)**	–
Net cash flows (used in)/from financing activities		**(7,808,847)**	7,286,476
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,422,826)**	(1,272,434)
Cash and cash equivalents at beginning of year		**51,377,864**	52,577,643
Effect of foreign exchange rate changes, net		**(319,273)**	72,655
CASH AND CASH EQUIVALENTS AT END OF YEAR		**40,635,765**	51,377,864
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**21,359,698**	24,047,048
Non-pledged time deposits with original maturity of less than three months when acquired	25	**19,276,067**	27,330,816
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	25	**40,635,765**	51,377,864

1. Corporate and Group Information

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

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

- Property development
- Property investment
- Hotel operation

The discontinued operation of the Group was involved in the provision of property management services through KWG Living Group Holdings Limited ("KWG Living"), which was spun off by the Group for separate listing on the Main Board of the Stock Exchange of Hong Kong Limited on 30 October 2020.

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Happy Clear Consultants Limited	British Virgin Islands/ Hong Kong	US$1,000	100	–	Investment holding
Reach Luck Consultants Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Boom Faith International Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Rising Wave Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Good Excel Enterprises Limited	British Virgin Islands/ Hong Kong	US$100	–	100	Investment holding
Prime Way Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Hugeluck Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Guangzhou Hejing Holdings Limited ("Guangzhou Hejing")*#	PRC/Mainland China	RMB2,000,000,000	–	100	Property development
Guangzhou Hejing Meifu Real Estate Development Limited#	PRC/Mainland China	US$12,930,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Hejing Yingfu Real Estate Development Limited#	PRC/Mainland China	RMB35,000,000	–	100	Property development
Guangzhou Xinhengchang Enterprise Development Limited^#	PRC/Mainland China	RMB1,616,327,000	–	100	Property investment
Guangzhou Zhongtianying Real Estate Development Limited^#	PRC/Mainland China	US$404,082,000	–	100	Property development
Guangzhou Tianjian Real Estate Development Limited ("Guangzhou Tianjian")^#	PRC/Mainland China	RMB3,300,000,000	–	100	Property development
Guangzhou Junzhao Property Operation Limited^#	PRC/Mainland China	RMB279,592,000	–	100	Property investment
Chengdu Zhongtianying Real Estate Development Limited#	PRC/Mainland China	RMB550,000,000	–	100	Property development
Guangzhou Liangyu Investment Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development
Hainan New World Real Estate Property (HK) Limited^#	PRC/Mainland China	HK$1,575,510,000	–	100	Property development
Suzhou Hejing Real Estate Development Limited#	PRC/Mainland China	RMB1,290,000,000	–	100	Property development
Guangzhou Conghua Hejing Real Estate Development Limited^#	PRC/Mainland China	US$202,041,000	–	100	Property development
Beijing Hejing Real Estate Development Limited#	PRC/Mainland China	RMB70,000,000	–	100	Property development
Chengdu Zhaojing Real Estate Development Limited^#	PRC/Mainland China	HK$1,565,306,000	–	100	Property development
Kunshan Baicheng Real Estate Development Limited^#	PRC/Mainland China	US$61,020,000	–	100	Property development
Guangzhou Hejing Chuangzhan Hotel Limited#	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Guangzhou Wanhui Real Estate Development Limited#	PRC/Mainland China	RMB330,000,000	–	100	Property development
Guangzhou Lihe Property Development Limited#	PRC/Mainland China	RMB640,000,000	–	100	Property development
Chengdu Kaiyu Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hainan Hejing Real Estate Development Limited#	PRC/Mainland China	RMB300,000,000	–	100	Property development
Shanghai Hejing Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Deyu Real Estate Development Limited ("Shanghai Deyu")#	PRC/Mainland China	RMB196,080,000	–	51	Property development
Shanghai Jinyi Property Limited#	PRC/Mainland China	RMB30,000,000	–	51	Property development
Shanghai Hongyu Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Beijing Hong'en Real Estate Development Limited Liability Company#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Shanghai Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB196,080,000	–	51	Property development
Guangzhou Chuangjing Real Estate Development Limited*#	PRC/Mainland China	US$41,500,000	–	100	Property development
Suzhou Junjing Real Estate Development Limited#	PRC/Mainland China	RMB185,000,000	–	100	Property development
Shanghai Langhe Real Estate Development Limited^#	PRC/Mainland China	RMB1,739,220,000	–	51	Property development
Shanghai Jingdong Real Estate Development Limited#	PRC/Mainland China	RMB1,350,000,000	–	75.5	Property development
Guangzhou Hejing Fengjingyuan Hotel Limited#	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Guangzhou Hejing Lingfengyuan Hotel Management Limited#	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Suzhou Shengjing Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	80	Property development
Suzhou Kaiwei Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Guangzhou Weiyu Real Estate Development Limited#	PRC/Mainland China	RMB60,000,000	–	100	Property development
Suzhou Kaifu Real Estate Development Limited#	PRC/Mainland China	RMB170,000,000	–	100	Property development
Guangzhou Hongda Property Limited#	PRC/Mainland China	RMB1,300,000,000	–	100	Property development
Beijing Fuyu Real Estate Development Limited#	PRC/Mainland China	RMB20,000,000	–	100	Property development
Hangzhou Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	51	Property development
Beijing Hongtai Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Hengcheng Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hangzhou Hejing Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	51	Property development
Hangzhou Hongjun Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	100	Property development
Sichuan Longyuan Property Limited#	PRC/Mainland China	RMB325,016,300	–	55	Property development
Hangzhou Tianjing Real Estate Development Limited#	PRC/Mainland China	RMB240,000,000	–	100	Property development
Suzhou Yujing Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hefei Rongze Real Estate Development Limited#	PRC/Mainland China	RMB450,000,000	–	80	Property development
Linhai Jinxuan Real Estate Development Limited#	PRC/Mainland China	RMB850,000,000	–	100	Property development
Suzhou Kaijun Real Estate Development Limited#	PRC/Mainland China	RMB430,000,000	–	100	Property development
Hubei Jinkaida Property Limited#	PRC/Mainland China	RMB50,000,000	–	60	Property development
Suzhou Dongshanshu Real Estate Development Limited^#	PRC/Mainland China	US$24,490,000	–	100	Property development
Taicang Hongtao Real Estate Development Limited#	PRC/Mainland China	RMB750,000,000	–	66.7	Property development
Guangxi Kairui Property Limited#	PRC/Mainland China	RMB350,000,000	–	100	Property development
Hangzhou Hongsheng Real Estate Development Limited#	PRC/Mainland China	RMB950,000,000	–	100	Property development
Jiangmen Zhan'gao Property Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Hangzhou Jinxuan Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	60	Property development
Qidong Tianhui Real Estate Development Limited#	PRC/Mainland China	RMB500,000,000	–	70	Property development
Longmen Dongjun Huafu Education Industry Development Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development
Meishan Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB380,000,000	–	100	Property development
Guangzhou Yufa Plastic Limited#	PRC/Mainland China	RMB5,000,000	–	65	Property development

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Linhai Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Jiangmen Tianjing Property Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Jiashan Xujing Property Development Limited#	PRC/Mainland China	RMB10,000,000	–	100	Property development
Suzhou Kaiyu Real Estate Development Limited#	PRC/Mainland China	RMB400,000,000	–	100	Property development
Beijing Yujing Real Estate Development Limited#	PRC/Mainland China	RMB10,000,000	–	51	Property development
Guangzhou Hongtao Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Guangzhou Xiangjing Property Development Limited#	PRC/Mainland China	RMB60,000,000	–	60	Property development
Hangzhou Hongli Real Estate Development Limited#	PRC/Mainland China	RMB300,000,000	–	100	Property development
Linhai Hejing Real Estate Development Limited#	PRC/Mainland China	RMB273,600,000	–	100	Property development
Tianjin Guangying Real Estate Development Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development
Wuzhou Qidi Hongxing Hejing Investment Limited#	PRC/Mainland China	RMB10,000,000	–	75	Property development
Xian Junjing Property Development Limited#	PRC/Mainland China	RMB20,000,000	–	100	Property development
Beijing Yijing Real Estate Development Limited#	PRC/Mainland China	RMB10,000,000	–	100	Property development
Guangzhou Guanda Property Development Limited#	PRC/Mainland China	RMB74,990,000	–	60	Property development
Guangzhou Zhangao Property Development Limited#	PRC/Mainland China	RMB700,000,000	–	70	Property development
Huanan Yigu Technological Development (Guangzhou) Limited#	PRC/Mainland China	RMB200,000,000	–	80	Property development
Shanghai Yaojing Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	90	Property development
Guangxi Hejing Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Guangxi Hejing Hengfu Investment Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Guangxi Hejing Shengyu Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Hefei Hongtao Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Hangzhou Huixuan Limited#	PRC/Mainland China	RMB100,000,000	–	76.74	Property development
Suzhou Zhuoyu Real Estate Development Limited#	PRC/Mainland China	RMB795,000,000	–	51	Property development
Guangzhou Zhuoyu Property Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development

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

^ These entities are registered as Chinese-foreign joint ventures under PRC law.

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

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

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

The Group has changed its accounting policy of the classification of the interest paid in the consolidated statement of cash flows from operating activities to financing activities during the current year (the "Policy Change") so as to provide reliable and more relevant information of cash flows generated from financial liabilities. In the opinion of the directors of the Company, it is more appropriate to reflect all cash flows of the Group's borrowings as financing activities in the consolidated statement of cash flows and the Policy Change can result in a consistent presentation which is beneficial to users of the financial statements to understand all the related cash flows of the same financial liabilities and provides more comparable information with industry peers.

Set out below are the amounts by which each financial statement line item was affected for the years ended 31 December 2020 and 2019 as a result of the Policy Change:

	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest paid	**5,652,984**	6,251,802
Increase in cash flows related to operating activities	**5,652,984**	6,251,802
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(5,652,984)**	(6,251,802)
Decrease in cash flows related to financing activities	**(5,652,984)**	(6,251,802)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**-**	–

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

The adoption of the Policy Change has had no impact on the consolidated statements of profit or loss, comprehensive income, financial position and changes in equity.

2.3 Issued but not yet Effective HKFRSs

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Interests in joint operations

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

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

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

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

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill *(continued)*

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

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

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

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

Fair value measurement

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement *(continued)*

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

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

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

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

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

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

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

Investment properties

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Intangible assets (other than goodwill)

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

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

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

(b) Lease liabilities

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Leases *(continued)*

Group as a lessor

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

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

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

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

Properties under development

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

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

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

Completed properties held for sale

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

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

Financial assets at fair value through profit or loss

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

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

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

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

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

Government grants

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of properties

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

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

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

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

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

(b) Operation of hotels

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

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

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

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

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

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value was determined by an external valuer using the binomial model (the "Model"), further details of which are given in note 32 to the financial statements.

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 12 to the financial statements.

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

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies

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

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

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

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Revenue from contracts with customers

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

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

Judgements *(continued)*

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

Properties under development, completed properties held for sale, property, plant and equipment and land use rights are transferred to investment properties when there is a change in use with sufficient evidence. The Group determines whether a change in use has occurred based on assessment of all relevant facts and circumstances, which include but are not limited to: (a) a business plan that reflects the future rental income generated by the property; (b) the resources to hold and manage an investment property; (c) legal permissibility for the change in use; and (d) the commencement of development if the property requires further development for the change in use. Any excess of fair value over the original carrying amount of such properties at the date of transfer was recognised immediately in the consolidated statement of profit or loss or the consolidated statement of financial position. During the year ended 31 December 2020, properties under development and completed properties held for sale with total carrying amounts approximately RMB315,717,000 (2019: approximately RMB2,096,993,000) and approximately RMB313,191,000 (2019: approximately RMB516,282,000), respectively, were transferred to investment properties due to a change in use, giving rise to a net fair value gain of approximately RMB49,283,000 (2019: approximately RMB1,378,007,000) and approximately RMB138,186,000 (2019: approximately RMB284,991,000), respectively, in the consolidated statement of profit or loss. During the year ended 31 December 2020, no property, plant and equipment and land use rights were transferred to investment properties due to a change in use. During the year ended 31 December 2019, property, plant and equipment and land use rights with total carrying amounts approximately RMB131,806,000 and approximately RMB10,848,000, respectively, were transferred to investment properties due to a change in use, giving rise to a net fair value gain of approximately RMB78,112,000 and approximately RMB6,426,000, respectively, in the consolidated statement of financial position.

Deferred taxation on investment properties

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

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

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

Estimation uncertainty

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

Revenue recognition

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

Revaluation of investment properties

Investment properties including completed investment properties, investment properties under construction and right-of-use assets are revalued at the end of each reporting period based on the market value provided by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information about market rent and capitalisation rates is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used. The carrying amount of the Group's investment properties at 31 December 2020 was approximately RMB29,320,849,000 (31 December 2019: approximately RMB27,263,329,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

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

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is determined by the Group with reference to the prevailing market conditions and prices existing at the end of each reporting period. As at 31 December 2020, the carrying amounts of properties under development and completed properties held for sale were approximately RMB65,613,320,000 (2019: approximately RMB51,760,690,000) and approximately RMB15,000,367,000 (2019: approximately RMB10,928,887,000), respectively.

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

Estimation uncertainty *(continued)*

CIT

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

Provision for ECLs on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the financial statements.

PRC LAT

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was approximately RMB593,126,000 (2019: approximately RMB361,932,000). The amount of unrecognised tax losses at 31 December 2020 was approximately RMB1,115,700,000 (31 December 2019: approximately RMB1,144,911,000). Further details are contained in note 29 to the financial statements.

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

Estimation uncertainty *(continued)*

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

4. Operating Segment Information

For management purposes, the Group is organised into three reportable operating segments as follows:

(a) Property development: Sale of properties

(b) Property investment: Leasing of properties

(c) Hotel operation: Operation of hotels

Upon the spin-off of KWG Living on 30 October 2020, which was previously the reportable segment of property management, the Group has the remaining three reportable segments of property development, property investment and hotel operation.

The property development projects undertaken by the Group during the year were mainly located in Mainland China and Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverables, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

Other than the segment information disclosed above, the directors considered that other segment information is not reportable segment information used by the chief operating decision makers of the Group.

The Group's revenue from external customers is derived solely from its operations in Mainland China. As the Group's major operations and customers are located in Mainland China, no further geographical information is provided.

During 2020 and 2019, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. Operating Segment Information *(continued)*

Year ended 31 December 2020

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers and revenue from continuing operations	28,486,724	801,073	454,266	29,742,063
Segment results	9,799,253	1,011,601	88,011	10,898,865
Reconciliation:				
Interest income and unallocated income				1,628,096
Unallocated expenses				(1,429,810)
Finance costs				(1,034,243)
Profit before tax				10,062,908
Income tax expenses				(3,397,779)
Profit for the year from continuing operations				6,665,129
Assets and liabilities:				
Segment assets	137,693,897	29,439,790	9,578,657	176,712,344
Reconciliation:				
Corporate and other unallocated assets				55,486,035
Total assets				232,198,379
Segment liabilities	132,995,633	68,844	41,440	133,105,917
Reconciliation:				
Corporate and other unallocated liabilities				45,175,771
Total liabilities				178,281,688
Other segment information:				
Depreciation and amortisation	95,558	33,876	156,909	286,343
Fair value gains on investment properties, net	–	415,157	–	415,157
Share of profits and losses of:				
Associates	354,669	–	–	354,669
Joint ventures	2,126,580	–	–	2,126,580
Interests in associates	5,338,823	–	–	5,338,823
Interests in joint ventures	46,872,043	–	–	46,872,043

4. Operating Segment Information *(continued)*

Year ended 31 December 2019 (Restated)

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers and revenue from continuing operations	22,761,946	626,909	553,098	23,941,953
Segment results	9,189,911	4,174,760	188,160	13,552,831
Reconciliation:				
Interest income and unallocated income				2,853,736
Unallocated expenses				(1,507,133)
Finance costs				(1,530,985)
Profit before tax				13,368,449
Income tax expenses				(3,497,352)
Profit for the year from continuing operations				9,871,097
Assets and liabilities:				
Segment assets	114,809,168	27,377,879	6,755,802	148,942,849
Reconciliation:				
Corporate and other unallocated assets				64,918,042
Assets related to a discontinued operation				461,788
Total assets				214,322,679
Segment liabilities	127,475,598	57,318	20,021	127,552,937
Reconciliation:				
Corporate and other unallocated liabilities				48,520,552
Liabilities related to a discontinued operation				6,599
Total liabilities				176,080,088
Other segment information:				
Depreciation and amortisation	91,491	13,922	149,145	254,558
Fair value gains on investment properties, net	–	3,716,461	–	3,716,461
Share of profits and losses of:				
Associates	511,767	–	–	511,767
Joint ventures	2,933,397	–	–	2,933,397
Interests in associates	4,670,441	–	–	4,670,441
Interests in joint ventures	42,996,460	–	–	42,996,460

5. Revenue, Other Income and Gains, Net

An analysis of revenue, other income and gains, net is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Revenue:		
Revenue from contracts with customers		
Sale of properties	**28,486,724**	22,761,946
Hotel operation income	**454,266**	553,098
Revenue from other sources		
Gross rental income	**801,073**	626,909
	29,742,063	23,941,953
Other income and gains, net:		
Interest income	**711,830**	947,920
Management fee income	**420,140**	366,105
Others	**496,126**	1,539,711
	1,628,096	2,853,736

5. Revenue, Other Income and Gains, Net *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

	Property development RMB'000	Hotel operation RMB'000	Total continuing operations RMB'000
Type of revenue recognition:			
Sale of properties	**28,486,724**	**–**	**28,486,724**
Provision of services	**–**	**454,266**	**454,266**
Total revenue from contracts with customers	**28,486,724**	**454,266**	**28,940,990**
Timing of revenue recognition:			
Recognised at a point in time	**25,680,443**	**–**	**25,680,443**
Recognised over time	**2,806,281**	**454,266**	**3,260,547**
Total revenue from contracts with customers	**28,486,724**	**454,266**	**28,940,990**

For the year ended 31 December 2019 (Restated)

	Property development RMB'000	Hotel operation RMB'000	Total continuing operations RMB'000
Type of revenue recognition:			
Sale of properties	22,761,946	–	22,761,946
Provision of services	–	553,098	553,098
Total revenue from contracts with customers	22,761,946	553,098	23,315,044
Timing of revenue recognition:			
Recognised at a point in time	19,517,733	–	19,517,733
Recognised over time	3,244,213	553,098	3,797,311
Total revenue from contracts with customers	22,761,946	553,098	23,315,044

5. Revenue, Other Income and Gains, Net *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**13,537,720**	7,576,826

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and payment in advance is normally required; or over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Hotel operation services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of hotel operation services and customer acceptance.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 31 December 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**10,621,376**	16,613,703
More than one year	**8,068,666**	3,762,822
	18,690,042	20,376,525

The amounts of transaction prices allocated to the remaining performance obligations expected to be recognised in more than one year relate to sale of properties, of which the performance obligations are to be satisfied within 18 months. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. Profit Before Tax

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Cost of properties sold		**19,940,512**	16,101,134
Impairment of completed properties held for sale included in cost of sales		**100,000**	–
Less: Government grant released*	27(a)	**(45)**	(261)
		20,040,467	16,100,873
Cost of services provided		**342,772**	395,128
Depreciation		**275,146**	243,520
Amortisation of land use rights	16	**63,966**	34,018
Less: Amount capitalised in assets under construction		**(52,769)**	(22,980)
		11,197	11,038
Lease payments not included in the measurement of lease liabilities	17	**5,048**	8,271
Auditor's remuneration		**5,400**	5,150
Employee benefit expenses** (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**1,255,626**	1,056,551
Share-based compensation expenses		**18,317**	18,858
Pension scheme contributions (defined benefit plans)		**21,763**	102,254
		1,295,706	1,177,663
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development		**(477,275)**	(492,318)
		818,431	685,345
Foreign exchange differences, net^		**311,642**	(96,405)
Loss on disposal of items of property, plant and equipment***		**16,557**	314
Direct operating expenses (including repairs and maintenance arising on rent-earning investment properties)		**49,588**	43,765

* There are no unfulfilled conditions or contingencies relating to this government grant.

** Employee benefit expenses are included in "Selling and marketing expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

*** The item is included in "Administrative expenses" in the consolidated statement of profit or loss.

^ The item is included in "Other income and gains, net" in the consolidated statement of profit or loss.

7. Finance Costs

An analysis of the Group's finance costs from continuing operations is as follows:

	Note	2020 RMB'000	2019 RMB'000 (Restated)
Interest on bank and other borrowings		**5,815,543**	6,209,762
Interest on lease liabilities	17	**123,896**	127,911
Less: Interest capitalised		**(4,905,196)**	(4,806,688)
		1,034,243	1,530,985

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	**5,437**	6,006
Other emoluments:		
Salaries, allowances and benefits in kind	**11,670**	14,478
Share-based compensation expenses	**1,170**	2,376
Pension scheme contributions	**91**	245
	12,931	17,099
	18,368	23,105

There were no directors and chief executive being granted share options during the year (2019: Nil).

During the year, certain directors were granted awarded shares, in respect of their services to the Group, under the Share Award Scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such awarded shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. Directors' and Chief Executive's Remuneration *(continued)*

(a) Independent non-executive directors

	Fees RMB'000
2020	
Independent non-executive directors:	
Mr. Lee Ka Sze, Carmelo	**438**
Mr. Tam Chun Fai	**438**
Mr. Li Bin Hai	**438**
	1,314
2019	
Independent non-executive directors:	
Mr. Lee Ka Sze, Carmelo	466
Mr. Tam Chun Fai	466
Mr. Li Bin Hai	466
	1,398

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

8. Directors' and Chief Executive's Remuneration *(continued)*

(b) Executive directors and chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based compensation expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2020					
Executive directors:					
Mr. Kong Jianmin	**1,262**	**3,500**	**-**	**23**	**4,785**
Mr. Kong Jiantao (note (i))	**1,262**	**3,500**	**-**	**23**	**4,785**
Mr. Kong Jiannan	**1,262**	**3,718**	**-**	**23**	**5,003**
Mr. Cai Fengjia	**337**	**952**	**1,170**	**22**	**2,481**
	4,123	**11,670**	**1,170**	**91**	**17,054**
2019					
Executive directors:					
Mr. Kong Jianmin	1,344	3,502	–	56	4,902
Mr. Kong Jiantao (note (i))	1,344	3,551	–	56	4,951
Mr. Kong Jiannan	1,344	3,642	–	56	5,042
Mr. Tsui Kam Tim (note (ii))	219	2,788	939	21	3,967
Mr. Cai Fengjia	357	995	1,437	56	2,845
	4,608	14,478	2,376	245	21,707

Notes:

(i) Mr. Kong Jiantao is also the chief executive officer of the Company.

(ii) Resigned on 12 August 2019.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees for the year ended 31 December 2020 included three (2019: three) directors and the chief executive, details of whose remuneration are set out in note 8.

Details of the remuneration for the year ended 31 December 2020 of the remaining two (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Fees	**–**	219
Salaries, allowances and benefits in kind	**7,850**	8,731
Share-based compensation expenses	**3,132**	2,542
Pension scheme contributions	**55**	92
	11,037	11,584

The number of non-director and non-chief executive highest paid employees whose emoluments fell within the following bands are as follows:

	Number of employees	
	2020	2019
HKD5,000,001 to HKD5,500,000	**1**	–
HKD5,500,001 to HKD6,000,000	**–**	1
HKD7,000,001 to HKD7,500,000	**–**	1
HKD8,000,001 to HKD8,500,000	**1**	–

During the year, awarded shares were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such awarded shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

There were no non-director and non-chief executive highest paid employees being granted share options during the year (2019: Nil).

10. Income Tax Expenses

	Note	2020 RMB'000	2019 RMB'000 (Restated)
Current – PRC			
CIT		**2,139,296**	1,728,629
LAT		**1,752,468**	1,008,773
		3,891,764	2,737,402
Deferred		**(493,985)**	759,950
Total tax charge for the year from continuing operations		**3,397,779**	3,497,352
Total tax charge for the year from a discontinued operation	11	**91,367**	65,617
		3,489,146	3,562,969

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax charge for the year, is as follows:

	Note	2020 RMB'000	2019 RMB'000
Profit before tax from continuing operations		**10,062,908**	13,368,449
Profit before tax from a discontinued operation	11	**327,547**	250,604
		10,390,455	13,619,053
Tax at the statutory tax rate of 25.0% (2019: 25.0%)		**2,597,614**	3,404,763
Income not subject to tax		**(19,618)**	(61,770)
Expenses not deductible for tax		**227,002**	372,497
Tax losses not recognised		**18,018**	131,309
Profits and losses attributable to associates		**(89,044)**	(128,427)
Profits and losses attributable to joint ventures		**(531,645)**	(733,349)
LAT		**1,752,468**	1,008,773
Effect of LAT		**(438,117)**	(252,193)
Tax effect of verification collection		**(11,037)**	(25,817)
Others		**(16,495)**	(152,817)
Tax charge for the year at the Group's effective rate		**3,489,146**	3,562,969
Tax charge for the year from continuing operations		**3,397,779**	3,497,352
Tax charge for the year from a discontinued operation		**91,367**	65,617

10. Income Tax Expenses *(continued)*

For the year ended 31 December 2020, the share of CIT expenses and LAT expenses attributable to the joint ventures amounting to approximately RMB788,643,000 (2019: approximately RMB1,022,127,000) and approximately RMB689,070,000 (2019: approximately RMB737,889,000), respectively, is included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

For the year ended 31 December 2020, the share of CIT expenses and LAT expenses attributable to the associates amounting to approximately RMB119,358,000 (2019: approximately RMB171,235,000) and approximately RMB10,894,000 (2019: approximately RMB68,507,000), respectively, is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2020 and 2019.

PRC CIT

PRC CIT in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2020 and 2019, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

11. Discontinued Operation

On 7 October 2020, the Company announced the decision of its board of directors in relation to the conditional special dividend to be satisfied by way of a distribution in specie (the "Distribution") of an aggregate of 1,589,025,505 shares of KWG Living, the Company's then non-wholly-owned subsidiary, to the Company's shareholders (the "Qualifying KWG Shareholders"), subject to the completion of the spin-off and separate listing of KWG Living on the Main Board of The Stock Exchange of Hong Kong Limited. On 30 October 2020 (the "Distribution Date"), in connection with the listing of KWG Living, all the issued share capital of KWG Living held by the Company was distributed to the Qualifying KWG Shareholders. Since then, the Company did not retain any interest in the issued share capital of KWG Living and KWG Living became a fellow subsidiary of the Company.

11. Discontinued Operation *(continued)*

KWG Living and its subsidiaries (collectively KWG Living Group) are engaged in providing property management services. In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating results of KWG Living Group before the spin-off have been presented as a discontinued operation in the consolidated statement of profit or loss since it represented a separate major line of business. The comparative figures for the consolidated statement of profit or loss have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

The net assets of KWG Living Group at the Distribution Date were as follows:

	Notes	RMB'000
Property, plant and equipment	14	**11,240**
Investment in an associate		**7,549**
Deferred tax assets		**19,194**
Other non-current assets		**205,017**
Trade receivables		**455,127**
Prepayments, other receivables and other assets		**224,223**
Restricted cash		**643**
Cash and cash equivalents		**661,036**
Trade and bills payables		**(174,634)**
Other payables and accruals		**(911,768)**
Lease liabilities	17	**(6,684)**
Tax payables		**(84,442)**
Deferred tax liabilities		**(17,425)**
Net assets directly associated with KWG Living Group		**389,076**
Non-controlling interests		**(14,050)**
Carrying value of net assets attributable to owners of the Company		**375,026**
Represented by:		
Distribution to the Qualifying KWG shareholders		**375,026**
An analysis of the net outflow of cash and cash equivalents in respect of the Distribution is as follows:		
Cash proceeds on the Distribution		**-**
Cash and cash equivalents of KWG Living Group as at the Distribution Date		**(661,036)**
Net outflow of cash and cash equivalents in respect of the Distribution		**(661,036)**

11. Discontinued Operation *(continued)*

The results of KWG Living Group for the year, which are only from transactions with counterparties external to the Group and do not necessarily represent the activities of the operation as individual entities, are presented below:

	2020* **RMB'000**	2019 RMB'000
Revenue	**732,921**	1,014,308
Expenses	**(405,122)**	(763,353)
Finance costs	**(252)**	(351)
Profit before tax from the discontinued operation	**327,547**	250,604
Income tax	**(91,367)**	(65,617)
Profit for the year from the discontinued operation	**236,180**	184,987

* These amounts represent the activities of KWG Living Group contributed to the Group in the current year prior to the Distribution Date.

The net cash flows incurred by KWG Living Group are as follows:

	2020* **RMB'000**	2019 RMB'000
Operating activities	**214,947**	259,405
Investing activities	**304,593**	(14,947)
Financing activities	**(275,269)**	(3,683)
Net cash inflow	**244,271**	240,775
Earnings per share:		
Basic, from the discontinued operation	**RMB7 cents**	RMB6 cents
Diluted, from the discontinued operation	**RMB7 cents**	RMB6 cents

* These amounts represent the activities of KWG Living Group contributed to the Group in the current year prior to the Distribution Date.

11. Discontinued Operation *(continued)*

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2020	2019
Profit attributable to owners of the Company from the discontinued operation	**RMB230,972,000**	RMB184,887,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 13)	**3,177,056,096**	3,174,303,108
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 13)	**3,181,197,036**	3,178,532,024

12. Dividends

(a) Dividends

	Note	**2020 RMB'000**	2019 RMB'000
Proposed final dividend (with scrip option) – RMB53 cents (2019: RMB42 cents (with scrip option)) per ordinary share		**1,685,668**	1,334,360
Interim dividend declared – RMB40 cents (2019: RMB32 cents) per ordinary share	37(b)	**1,271,220**	1,020,309
		2,956,888	2,354,669

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

(b) Distribution in specie

On 30 October 2020, in connection with the listing of KWG Living, a distribution in specie of all the issued share capital of KWG Living held by the Company, being 1,589,025,505 shares of KWG Living, was made to the Qualifying KWG Shareholders on a pro-rata basis to their shareholdings in the Company on a basis of one share of KWG Living for every two shares held by the Qualifying Shareholders.

13. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,177,056,096 (2019: 3,174,303,108) in issue during the year.

For the year ended 31 December 2020, the calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation of 3,177,056,096 (2019: 3,174,303,108) plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares of 4,140,940 (2019: 4,228,916).

The calculations of the basic and diluted earnings per share amounts are based on:

	2020 RMB'000	2019 RMB'000 (Restated)
Earnings		
Profit attributable to owners of the Company		
From continuing operations	**6,445,620**	9,620,926
From a discontinued operation	**230,972**	184,887
	6,676,592	9,805,813

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**3,177,056,096**	3,174,303,108
Effect of dilution – awarded shares	**4,140,940**	4,228,916
Weighted average number of ordinary shares during the year used in diluted earnings per share calculation	**3,181,197,036**	3,178,532,024

14. Property, Plant and Equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Right-of-use assets Buildings RMB'000	Right-of-use assets Vehicle RMB'000	Total RMB'000
31 December 2020									
At 1 January 2020:									
Cost	3,258,159	146,849	3,188	473,489	136,790	2,554,687	569,520	481,967	7,624,649
Accumulated depreciation	(617,495)	(61,964)	(3,173)	(331,060)	(102,898)	-	(58,752)	(38,156)	(1,213,498)
Net carrying amount	2,640,664	84,885	15	142,429	33,892	2,554,687	510,768	443,811	6,411,151
At 1 January 2020, net of accumulated depreciation	2,640,664	84,885	15	142,429	33,892	2,554,687	510,768	443,811	6,411,151
Additions	1,076,944	75,474	1,342	96,227	2,599	332,065	93,793	-	1,678,444
Disposals	(4,845)	(11,200)	-	(903)	(1,456)	-	-	-	(18,404)
Acquisition of subsidiaries	-	-	-	546	306	-	-	-	852
Assets included in the discontinued operation (note 11)	(464)	-	(455)	(2,954)	(872)	-	(6,495)	-	(11,240)
Derecognition of subsidiaries	-	-	-	(68)	-	-	-	-	(68)
Depreciation provided during the year	(112,183)	(30,629)	(887)	(43,433)	(6,056)	-	(56,968)	(30,525)	(280,681)
At 31 December 2020, net of accumulated depreciation	3,600,116	118,530	15	191,844	28,413	2,886,752	541,098	413,286	7,780,054
At 31 December 2020:									
Cost	4,322,333	205,588	3,188	559,121	134,663	2,886,752	651,655	481,967	9,245,267
Accumulated depreciation	(722,217)	(87,058)	(3,173)	(367,277)	(106,250)	-	(110,557)	(68,681)	(1,465,213)
Net carrying amount	3,600,116	118,530	15	191,844	28,413	2,886,752	541,098	413,286	7,780,054

14. Property, Plant and Equipment *(continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Right-of-use assets Buildings RMB'000	Right-of-use assets Vehicle RMB'000	Total RMB'000
31 December 2019									
At 1 January 2019:									
Cost	3,277,489	67,331	3,188	383,461	132,784	1,967,341	437,847	481,967	6,751,408
Accumulated depreciation	(519,913)	(34,672)	(3,173)	(305,913)	(90,811)	–	–	(7,631)	(962,113)
Net carrying amount	2,757,576	32,659	15	77,548	41,973	1,967,341	437,847	474,336	5,789,295
At 1 January 2019, net of accumulated depreciation	2,757,576	32,659	15	77,548	41,973	1,967,341	437,847	474,336	5,789,295
Additions	42,745	82,254	–	89,978	4,238	587,346	131,673	–	938,234
Disposals	(8,381)	(2,734)	–	(44)	(173)	–	–	–	(11,332)
Acquisition of subsidiaries	–	–	–	431	436	–	–	–	867
Derecognition of subsidiaries	–	–	–	(136)	(24)	–	–	–	(160)
Surplus on revaluation upon the transfer to investment properties	78,112	–	–	–	–	–	–	–	78,112
Transfers (note 15)	(131,806)	–	–	–	–	–	–	–	(131,806)
Depreciation provided during the year	(97,582)	(27,294)	–	(25,348)	(12,558)	–	(58,752)	(30,525)	(252,059)
At 31 December 2019, net of accumulated depreciation	2,640,664	84,885	15	142,429	33,892	2,554,687	510,768	443,811	6,411,151
At 31 December 2019:									
Cost	3,258,159	146,849	3,188	473,489	136,790	2,554,687	569,520	481,967	7,624,649
Accumulated depreciation	(617,495)	(61,964)	(3,173)	(331,060)	(102,898)	–	(58,752)	(38,156)	(1,213,498)
Net carrying amount	2,640,664	84,885	15	142,429	33,892	2,554,687	510,768	443,811	6,411,151

At 31 December 2020, certain items of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB3,031,614,000 (2019: approximately RMB2,743,081,000) were pledged to secure general banking facilities granted to the Group (note 39(a)).

15. Investment Properties

	2020 Completed investment properties RMB'000	2020 Investment properties under construction RMB'000	2020 Right-of-use assets RMB'000	2020 Total RMB'000	2019 Completed investment properties RMB'000	2019 Investment properties under construction RMB'000	2019 Right-of-use assets RMB'000	2019 Total RMB'000
At 1 January 2020	**16,298,329**	**9,519,000**	**1,446,000**	**27,263,329**	13,071,588	4,419,002	1,406,000	18,896,590
Transfers from properties under development (note 20)	**-**	**315,717**	**-**	**315,717**	–	2,096,993	–	2,096,993
Transfers from completed properties held for sale (note 21)	**313,191**	**-**	**-**	**313,191**	516,282	–	–	516,282
Transfers from property, plant and equipment (note 14)	**-**	**-**	**-**	**-**	131,806	–	–	131,806
Transfers from land use rights (note 16)	**-**	**-**	**-**	**-**	10,848	–	–	10,848
Additions	**-**	**1,307,918**	**-**	**1,307,918**	–	2,016,030	75,692	2,091,722
Transfers	**7,158,846**	**(7,158,846)**	**-**	**-**	931,712	(931,712)	–	–
Disposals	**(4,503)**	**-**	**(289,960)**	**(294,463)**	(197,373)	–	–	(197,373)
Net gain/(loss) from a fair value adjustment	**(72,663)**	**634,530**	**(146,710)**	**415,157**	1,833,466	1,918,687	(35,692)	3,716,461
Carrying amount at 31 December	**23,693,200**	**4,618,319**	**1,009,330**	**29,320,849**	16,298,329	9,519,000	1,446,000	27,263,329

The Group's investment properties consist of commercial properties and right-of-use assets in Mainland China. The directors of the Company have determined that the investment properties consist of two classes of assets, commercial properties and right-of-use assets, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2020 based on valuations performed by Savills Valuation and Professional Services Limited and Cushman & Wakefield Limited, independent professionally qualified valuers, at approximately RMB29,320,849,000 (2019: approximately RMB27,263,329,000). Each year, the management of the Group decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management of the Group has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 17 to the financial statements.

At 31 December 2020, certain items of the Group's investment properties with an aggregate carrying amount of approximately RMB7,291,926,000 (2019: approximately RMB13,506,919,000) were pledged to secure general banking facilities granted to the Group (note 39(a)).

At 31 December 2020, the Group has not yet obtained the real estate ownership certificates of investment properties with a net carrying amount of approximately RMB7,370,960,000 (2019: approximately RMB6,115,546,000) from the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 247 of the annual report.

15. Investment Properties *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	**28,311,519**	**28,311,519**
Right-of-use assets	–	–	**1,009,330**	**1,009,330**
	–	–	**29,320,849**	**29,320,849**

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	25,817,329	25,817,329
Right-of-use assets	–	–	1,446,000	1,446,000
	–	–	27,263,329	27,263,329

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2020	2019
Commercial properties	Investment approach and direct comparison approach	Market rent (per sq.m. and per month)	**RMB29 to 980**	RMB29 to 980
		Capitalisation rates	**3.00% to 5.50%**	3.00% to 5.50%
Right-of-use assets	Investment approach	Capitalisation rates	**3.00% to 4.75%**	3.00% to 4.75%

15. Investment Properties *(continued)*

Fair value hierarchy *(continued)*

All the properties are valued by the investment approach taking into account the rental income derived from the existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised into the value at appropriate rates.

The commercial properties are also valued by the direct comparison approach on the assumption that each property can be sold in their existing state subject to existing tenancies or otherwise by referring to comparable sales transactions as available in the relevant markets. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. The two approaches are reconciled, if applicable.

A significant increase (decrease) in the capitalisation rates in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

16. Land Use Rights

	Notes	**2020 RMB'000**	2019 RMB'000
Carrying amount at 1 January		**1,152,384**	1,140,936
Surplus on revaluation upon the transfer to investment properties		**-**	6,426
Transfer to investment properties	15	**-**	(10,848)
Additions		**1,563,437**	49,888
Amortisation recognised during the year	6	**(63,966)**	(34,018)
Carrying amount at 31 December		**2,651,855**	1,152,384
Non-current portion		**2,651,855**	1,152,384

At 31 December 2020, certain items of the Group's land use rights with an aggregate net carrying amount of approximately RMB741,252,000 (2019: approximately RMB432,122,000) were pledged to banks to secure general banking facilities granted to the Group (note 39(a)).

At 31 December 2020, the Group has not yet obtained the land use right certificates of certain lands with an aggregate net carrying amount of approximately RMB718,451,000 (2019: approximately RMB24,357,000) from the relevant government authorities.

17. LEASES

The Group as a lessee

The Group has lease contracts for various items of lands, buildings and vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 70 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 20 years, while vehicles generally have lease terms of 12 years.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are included in notes 14, 15 and 16.

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	Note	**2020 RMB'000**	2019 RMB'000
Carrying amount at 1 January		**2,125,771**	2,097,472
New leases		**92,867**	146,789
Early termination		**(294,409)**	–
Liabilities included in the discontinued operation	11	**(6,684)**	–
Accretion of interest recognised during the year		**124,148**	128,262
Payments		**(265,061)**	(246,752)
Carrying amount at 31 December		**1,776,632**	2,125,771
Analysed into:			
Current portion		**209,341**	230,445
Non-current portion		**1,567,291**	1,895,326

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

(c) The amounts recognised in profit or loss from continuing operations in relation to leases are as follows:

	Notes	**2020 RMB'000**	2019 RMB'000 (Restated)
Interest on lease liabilities	7	**123,896**	127,911
Depreciation charge of right-of-use assets		**83,682**	85,896
Expense relating to low-value assets and short-term leases (included in cost of sales and administrative expenses)	6	**5,048**	8,271
Decrease in fair value	15	**146,710**	35,692
Total amount recognised in profit or loss		**359,336**	257,770

17. LEASES *(continued)*

The Group as a lessor

The Group leases its investment properties consisting of several commercial properties in Mainland China under operating lease arrangements, with leases negotiated for terms ranging from 1 to 16 years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was approximately RMB801,073,000 (2019: RMB626,909,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**587,224**	481,071
After one year but within two years	**427,057**	325,605
After two years but within three years	**257,305**	218,751
After three years but within four years	**133,722**	124,181
After four years but within five years	**87,053**	72,465
After five years	**170,120**	183,057
	1,662,481	1,405,130

18. Interests in Associates

	2020 RMB'000	2019 RMB'000
Share of net assets	**3,929,773**	2,469,167
Advances to associates	**1,409,050**	2,201,274
	5,338,823	4,670,441

As at 31 December 2020, except for an aggregate amount of approximately RMB582,103,000 (2019: approximately RMB744,429,000), which bears interest at 4.4% to 11.0% (2019: 4.4% to 9.0%) per annum, the advances to associates as shown above are unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances are considered as part of the Group's net investments in the associates.

As at 31 December 2020, the amounts due to associates included in the Group's current liabilities of approximately RMB3,244,654,000 (2019: approximately RMB1,345,495,000) are unsecured, interest-free and have no fixed term of repayment.

18. Interests in Associates *(continued)*

The Group's shareholdings in the associates all comprise equity shares held by the wholly-owned subsidiaries of the Company.

The associates of the Group are all not individually material.

19. Interests in Joint Ventures

	2020 **RMB'000**	2019 RMB'000
Share of net assets	**24,761,811**	23,410,894
Advances to joint ventures	**22,110,232**	19,585,566
	46,872,043	42,996,460

As at 31 December 2020, except for an aggregate amount of approximately RMB4,371,565,000 (2019: approximately RMB3,671,374,000), which bear interest at 6.0% to 15.0% (2019: 6.0% to 12.0%) per annum, the advances to joint ventures as shown above are unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances were considered as part of the Group's net investments in the joint ventures.

As at 31 December 2020, an amount due from a joint venture included in the Group's current assets of approximately RMB30,004,000 (2019: approximately RMB30,062,000) is unsecured, interest-free and has no fixed terms of repayment.

As at 31 December 2020, the amounts due to joint ventures included in the Group's current liabilities of approximately RMB35,207,964,000 (2019: approximately RMB37,742,306,000) are unsecured, interest-free and has no fixed terms of repayment.

19. Interests in Joint Ventures *(continued)*

Particulars of the Group's material joint ventures as at the end of the reporting period are as follows:

2020

Name	Particulars of registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Chengdu Hongyu Real Estate Development Limited ("Chengdu Hongyu")#	US$699,980,000	PRC/ Mainland China	**50**	**50**	**50**	Property development
Nantong Nanjing Property Development Limited ("Nantong Nanjing")#*	US$185,189,000	PRC/ Mainland China	**51**	**51**	**51**	Property development
Foshan Xinjin Real Estate Development Limited ("Foshan Xinjin")#	US$70,000,000	PRC/ Mainland China	**50**	**50**	**50**	Property development
Unicorn Bay Limited ("Unicorn Bay")	US$50,000	British Virgin Islands/Hong Kong	**50**	**50**	**50**	Property development
Great Smart International Limited ("Great Smart")	US$50,000	British Virgin Islands/Hong Kong	**50**	**50**	**50**	Property development

2019

Name	Particulars of registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Chengdu Hongyu#	US$699,980,000	PRC/ Mainland China	50	50	50	Property development
Guangzhou Jinjing Property Development Limited ("Guangzhou Jinjing")#	RMB50,000,000	PRC/ Mainland China	50	50	50	Property development
Foshan Xinfeng Real Estate Development Limited ("Foshan Xinfeng")#	US$194,000,000	PRC/ Mainland China	50	50	50	Property development
Unicorn Bay	US$50,000	British Virgin Islands/Hong Kong	50	50	50	Property development
Great Smart	US$50,000	British Virgin Islands/Hong Kong	50	50	50	Property development

* Nantong Nanjing is accounted for as a joint venture of the Group as all significant operating and financial activities need to be decided by all the joint venture partners.

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

The above investments are indirectly held through wholly-owned subsidiaries of the Company.

As at 31 December 2020, Chengdu Hongyu, Nantong Nanjing, Foshan Xinjin, Unicorn Bay and Great Smart, which are considered the material joint ventures of the Group, engage in the property development business in Mainland China and Hong Kong and have been accounted for using the equity method.

19. Interests in Joint Ventures *(continued)*

The following table illustrates the summarised financial information in respect of the Group's material joint ventures adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

			2020		
	Chengdu Hongyu RMB'000	**Nantong Nanjing RMB'000**	**Foshan Xinjin RMB'000**	**Unicorn Bay RMB'000**	**Great Smart RMB'000**
Current assets	**9,464,892**	**2,420,393**	**2,798,727**	**18,761,444**	**9,507,965**
Non-current assets	**480,222**	**44,234**	**76,761**	**10,507**	**40,462**
Total assets	**9,945,114**	**2,464,627**	**2,875,488**	**18,771,951**	**9,548,427**
Current liabilities	**(1,260,988)**	**(469,142)**	**(1,424,541)**	**(664,026)**	**(5,472,937)**
Non-current liabilities	**(523,760)**	**(383,900)**	**(527,658)**	**(6,809,208)**	**(5,628)**
Total liabilities	**(1,784,748)**	**(853,042)**	**(1,952,199)**	**(7,473,234)**	**(5,478,565)**
Revenue	**220,928**	**1,768,987**	**1,743,819**	**–**	**–**
Profit/(loss) for the year	**191,595**	**368,289**	**366,014**	**(21,012)**	**(11,709)**
Other comprehensive income	**–**	**–**	**–**	**2,682**	**2,890**
Total comprehensive income/(loss) for the year	**191,595**	**368,289**	**366,014**	**(18,330)**	**(8,819)**

The following table illustrates the summarised financial information in respect of the Group's material joint ventures adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

			2019		
	Chengdu Hongyu RMB'000	Guangzhou Jinjing RMB'000	Foshan Xinfeng RMB'000	Unicorn Bay RMB'000	Great Smart RMB'000
Current assets	10,200,121	6,109,624	5,940,315	17,852,968	7,713,828
Non-current assets	472,932	61,052	62,207	34,550	457
Total assets	10,673,053	6,170,676	6,002,522	17,887,518	7,714,285
Current liabilities	(2,309,351)	(2,989,297)	(3,724,296)	(674,373)	(3,370,158)
Non-current liabilities	(394,931)	(2,530,000)	–	(6,246,282)	–
Total liabilities	(2,704,282)	(5,519,297)	(3,724,296)	(6,920,655)	(3,370,158)
Revenue	1,854,824	2,157,752	2,061,667	–	–
Profit/(loss) for the year	1,120,156	633,988	605,583	(33,351)	(37,923)
Other comprehensive loss	–	–	–	(382)	(552)
Total comprehensive income/(loss) for the year	1,120,156	633,988	605,583	(33,733)	(38,475)

19. Interests in Joint Ventures *(continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the joint ventures' profit for the year	**1,676,309**	1,789,170
Share of the joint ventures' other comprehensive income/(loss)	**576,408**	(72,404)
Share of the joint ventures' total comprehensive income	**2,252,717**	1,716,766
Aggregate carrying amount of the Group's investments in the joint ventures	**33,824,018**	29,891,777

Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

20. Properties Under Development

	2020 RMB'000	2019 RMB'000
Properties under development expected to be recovered:		
Within one year	**31,220,651**	29,765,773
More than one year	**34,392,669**	21,994,917
	65,613,320	51,760,690

The Group's properties under development were mainly located in Mainland China and Hong Kong and are stated at cost.

During the year ended 31 December 2020, certain items of the Group's properties under development with an aggregate carrying value of approximately RMB315,717,000 (2019: approximately RMB2,096,993,000) (note 15) were transferred to investment properties.

As at 31 December 2020, certain items of the Group's properties under development with an aggregate carrying amount of approximately RMB13,741,498,000 (2019: approximately RMB13,514,324,000) were pledged to secure general banking facilities granted to the Group (note 39(a)).

Included in the Group's properties under development as at 31 December 2020 were land costs with an aggregate net carrying amount of approximately RMB11,726,266,000 (2019: approximately RMB544,469,000) for which the Group has not yet obtained land use right certificates from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of certain relevant land use right grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase consideration.

Further particulars of the Group's major properties under development are set out on page 247 of the annual report.

21. Completed Properties Held for Sale

The Group's completed properties held for sale are located in Mainland China. All completed properties held for sale are stated at the lower of cost and net realisable value.

During the year ended 31 December 2020, the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB313,191,000 (2019: approximately RMB516,282,000) were transferred to investment properties (note 15).

As at 31 December 2020, certain items of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB3,031,956,000 (2019: approximately RMB3,667,565,000) were pledged to secure general banking facilities granted to the Group (note 39(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 247 of the annual report.

22. Trade Receivables

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and hotel operation. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of rental and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within 12 months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	**1,139,192**	1,654,053
4 to 6 months	**–**	22,434
7 to 12 months	**433,279**	363,656
Over 1 year	**342,108**	126,616
	1,914,579	2,166,759

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For the sale of properties, rentals under operating leases and provision of property management services and hotel operation businesses of the Group, management has assessed that the expected credit loss rate for trade receivables was minimal as at 31 December 2020 and 31 December 2019. In the opinion of the directors of the Company, the Group's trade receivables relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.

23. Prepayments, Other Receivables and Other Assets

	2020 RMB'000	2019 RMB'000
Prepayments	**1,765,682**	1,347,559
Contract costs	**613,946**	381,935
Prepaid other taxes	**2,280,966**	1,680,375
Deposits and other receivables	**5,154,138**	3,991,696
	9,814,732	7,401,565

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. Tax Recoverables/Tax Payables

(a) Tax recoverables

	2020 RMB'000	2019 RMB'000
Prepaid CIT	**236,341**	226,201
Prepaid LAT	**612,078**	496,579
	848,419	722,780

(b) Tax payables

	2020 RMB'000	2019 RMB'000
CIT payable	**5,699,825**	4,551,838
LAT payable	**6,584,962**	5,374,299
	12,284,787	9,926,137

25. Cash and Cash Equivalents and Restricted Cash

	Notes	2020 RMB'000	2019 RMB'000
Cash and bank balances		**25,304,414**	29,403,189
Time deposits		**19,276,067**	27,330,816
		44,580,481	56,734,005
Less: Restricted cash	(a)	**(3,944,716)**	(5,356,141)
Cash and cash equivalents		**40,635,765**	51,377,864
Denominated in RMB	(b)	**43,286,810**	51,451,431
Denominated in other currencies		**1,293,671**	5,282,574
		44,580,481	56,734,005

Notes:

(a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the relevant properties.

Certain items of the Group's cash and bank balances and time deposits were restricted to be used in designated purposes. Besides, as at 31 December 2019, time deposits of RMB756,710,000 were pledged to secure general banking facilities granted to the Group (note 39(a)).

(b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made at a maximum of three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

26. Trade and Bills Payables

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**13,165,515**	9,072,301

The trade and bills payables are non-interest-bearing and are normally settled on demand.

27. Other Payables and Accruals

	Note	2020 RMB'000	2019 RMB'000
Contract liabilities		**15,615,816**	15,542,373
Other payables and accruals		**15,448,894**	11,308,048
Other tax payables		**651,303**	723,889
Deferred income	(a)	**13,002**	13,047
Payroll payables		**17,281**	39,685
		31,746,296	27,627,042

Note:

(a) The deferred income is related to a government grant of RMB203,700,000 received in 2009 for a project in an economic and technological development zone in Guangzhou, Guangdong Province, the PRC. During the year, approximately RMB45,000 (2019: approximately RMB261,000) has been credited to the cost of sales.

Other payables are non-interest-bearing and are normally settled on demand.

28. Interest-bearing Bank and Other Borrowings

	2020 Effective interest rate (%)	2020 Maturity	2020 RMB'000	2019 Effective interest rate (%)	2019 Maturity	2019 RMB'000
Current						
Bank loans						
– secured	**4.75-11.00**	**2021**	**1,805,244**	4.75–10.70	2020	3,834,083
– unsecured	**4.35-7.50**	**2021**	**1,127,000**	–	–	–
– denominated in HK$, secured	**HIBOR+2.4-3.51**	**2021**	**1,468,060**	–	–	–
– denominated in US$, secured	**LIBOR+3.51**	**2021**	**913,076**	2.92	2020	752,545
Current portion of long-term bank loans						
– secured	**4.75-8.50**	**2021**	**1,584,843**	4.75–9.90	2020	1,535,027
– unsecured	**4.75-8.50**	**2021**	**364,904**	4.75–8.50	2020	1,197,093
– denominated in HK$, secured	**HIBOR+3.66**	**2021**	**181,341**	HIBOR+1.8–3.66	2020	582,311
– denominated in US$, secured	**LIBOR+3.66**	**2021**	**87,038**	LIBOR+3.51-3.66	2020	318,658
Senior notes						
– denominated in US$, secured (note (a))	**8.27**	**2021**	**2,277,680**	10.25	2020	3,811,567
Domestic corporate bonds – unsecured (note (b))	**4.88-7.31**	**2021**	**15,446,153**	5.61–8.19	2020	11,696,759
			25,255,339			23,728,043
Non-current						
Bank loans						
– secured	**3.90-8.50**	**2022-2045**	**20,761,855**	4.70–11.00	2021–2043	20,310,775
– unsecured	**4.75-8.50**	**2022-2035**	**1,749,376**	4.75–8.50	2021–2039	2,883,746
– denominated in HK$, secured	**HIBOR+3.66**	**2022**	**639,226**	HIBOR+1.8–3.66	2021–2022	2,766,011
– denominated in US$, secured	**LIBOR+3.66**	**2022**	**308,198**	LIBOR+3.51–3.66	2021–2022	1,393,665
– denominated in US$, unsecured	**LIBOR+3.00**	**2022**	**652,270**	–	–	–
Senior notes						
– denominated in US$, secured (note (a))	**5.45-7.81**	**2022-2027**	**23,795,517**	5.45–8.27	2021–2024	21,380,020
Domestic corporate bonds – unsecured (note (b))	**5.82-7.01**	**2022-2023**	**4,698,834**	4.88–7.09	2021–2022	13,115,290
			52,605,276			61,849,507
			77,860,615			85,577,550

28. Interest-bearing Bank and Other Borrowings *(continued)*

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**7,531,506**	8,219,717
In the second year	**8,675,083**	12,301,292
In the third to fifth years, inclusive	**7,915,144**	6,263,692
Beyond five years	**7,520,698**	8,789,213
	31,642,431	35,573,914
Senior notes repayable:		
Within one year	**2,277,680**	3,811,567
In the second year	**7,478,837**	2,415,501
In the third to fifth years, inclusive	**11,762,593**	18,964,519
Beyond five years	**4,554,087**	–
	26,073,197	25,191,587
Domestic corporate bonds repayable:		
Within one year	**15,446,153**	11,696,759
In the second year	**4,134,465**	12,955,280
In the third to fifth years, inclusive	**564,369**	160,010
	20,144,987	24,812,049
	77,860,615	85,577,550

Certain items of the Group's borrowings are secured by the Group's assets, details of which are disclosed in note 39.

Except for the above-mentioned borrowings denominated in HK$ and US$, all borrowings were denominated in RMB as at the end of the reporting period.

28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes:

(a) On 11 January 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,733,113,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 11 January 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 11 January and 11 July of each year, commencing on 11 July 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 29 December 2016, 30 December 2016 and 11 January 2017.

On 15 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,772,980,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year, commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 9 March 2017, 10 March 2017 and 16 March 2017.

On 29 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$100,000,000 (equivalent to approximately RMB 672,638,000) (to be consolidated and form a single series with the US$400,000,000 6.00% senior notes due 2022 issued on 15 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017 and 29 March 2017.

On 21 September 2017, the Company issued 5.20% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,646,675,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 21 September 2022. The senior notes carry interest at a rate of 5.20% per annum, which is payable semi-annually in arrears on 21 March and 21 September of each year, commencing on 21 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 18 September 2017, 19 September 2017 and 22 September 2017.

On 10 November 2017, the Company issued 5.875% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,651,280,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 November 2024. The senior notes carry interest at a rate of 5.875% per annum, which is payable semi-annually in arrears on 10 May and 10 November of each year commencing on 10 May 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 7 November 2017, 8 November 2017 and 10 November 2017.

On 7 December 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$150,000,000 (equivalent to approximately RMB992,925,000) (to be consolidated and form a single series with the US$400,000,000 6.00% senior notes due 2022 issued on 15 March 2017, and the US$100,000,000 6.00% senior notes due 2022 issued on 29 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017, 29 March 2017, 1 December 2017 and 7 December 2017.

On 9 August 2018, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,391,095,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 9 August 2021. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 9 February and 9 August of each year commencing on 9 February 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 31 July 2018, 1 August 2018 and 9 August 2018.

28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(a) *(continued)*

On 26 November 2018, the Company issued 9.85% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,778,120,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 26 November 2020. The senior notes carry interest at a rate of 9.85% per annum, which is payable semi-annually in arrears on 26 May and 26 November of each year commencing on 26 May 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 14 November 2018, 15 November 2018 and 26 November 2018. On 26 November 2020, the Company repaid the senior notes.

On 11 December 2018, the Company issued 9.85% senior notes with an aggregate principal amount of US$150,000,000 (equivalent to approximately RMB1,034,940,000) (to be consolidated and form a single series with the US$400,000,000 9.85% senior notes due 2020 issued on 26 November 2018). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 26 November 2020. The senior notes carry interest at a rate of 9.85% per annum, which is payable semi-annually in arrears on 26 May and 26 November of each year commencing on 26 May 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 30 November 2018 and 11 December 2018. On 26 November 2020, the Company repaid the senior notes.

On 1 March 2019, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,343,495,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 1 September 2023. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 1 March and 1 September of each year commencing on 1 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 21 February 2019, 22 February 2019 and 1 March 2019.

On 22 March 2019, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,343,040,000) (to be consolidated and form a single series with the US$350,000,000 7.875% senior notes due 2023 issued on 1 March 2019). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 1 September 2023. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 1 March and 1 September of each year commencing on 1 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 20 March 2019 and 22 March 2019.

On 3 July 2019, the Company issued 5.875% senior notes with an aggregate principal amount of US$225,000,000 (equivalent to approximately RMB1,544,400,000) (to be consolidated and form a single series with the US$400,000,000 5.875% senior notes due 2024 issued on 10 November 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 November 2024. The senior notes carry interest at a rate of 5.875% per annum, which is payable semi-annually in arrears on 10 May and 10 November of each year commencing on 10 November 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 25 June 2019 and 3 July 2019.

On 29 July 2019, the Company issued 7.4% senior notes with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,064,630,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 March 2024. The senior notes carry interest at a rate of 7.4% per annum, which is payable semi-annually in arrears on 5 March and 5 September of each year commencing on 5 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 22 July 2019, 23 July 2019 and 29 July 2019.

On 13 January 2020, the Company issued 7.4% senior notes with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,077,890,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 13 January 2027. The senior notes carry interest at a rate of 7.4% per annum, which is payable semi-annually in arrears on 13 January and 13 July of each year commencing on 13 July 2020. For further details on the senior notes, please refer to the related announcements of the Company dated 7 January 2020 and 13 January 2020.

28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(a) *(continued)*

On 10 August 2020, the Company issued 5.95% senior notes with an aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,392,980,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 August 2025. The senior notes carry interest at a rate of 5.95% per annum, which is payable semi-annually in arrears on 10 February and 10 August of each year commencing on 10 February 2021. For further details on the senior notes, please refer to the related announcements of the Company dated 4 August 2020 and 10 August 2020.

On 13 November 2020, the Company issued 6.3% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,651,400,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 13 February 2026. The senior notes carry interest at a rate of 6.3% per annum, which is payable semi-annually in arrears on 13 February and 13 August of each year commencing on 13 February 2021. For further details on the senior notes, please refer to the related announcements of the Company dated 8 November 2020, 13 November 2020 and 16 November 2020.

(b)(i) On 17 December 2015, Guangzhou Hejing, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,300,000,000. The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 4.94% per annum which was adjusted to 7.00% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 1 Bonds"), and the second type has a term of seven years and bears a coupon rate at 6.15% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 2 Bonds").

The aggregate principal amount for the Type 1 Bonds issued was RMB2,500,000,000 and the aggregate principal amount for the Type 2 Bonds issued was RMB800,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 15 December 2015 and 16 December 2015.

(b)(ii) On 28 March 2016, Guangzhou Tianjian, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,200,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 3.90% per annum which was adjusted to 7.0% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 3 Bonds"), and the second type has a term of ten years and bears a coupon rate at 4.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 4 Bonds").

The aggregate principal amount for the Type 3 Bonds issued was RMB600,000,000 and the aggregate principal amount for the Type 4 Bonds issued was RMB1,600,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 24 March 2016 and 28 March 2016.

28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(b)(iii) On 26 April 2016, Guangzhou Tianjian issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB6,500,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of seven years and bears a coupon rate at 5.60% per annum with the issuer's option to raise the coupon rate after the end of the forth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 5 Bonds"), and the second type has a term of seven years and bears a coupon rate at 5.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 6 Bonds").

The aggregate principal amount for the Type 5 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 6 Bonds issued was RMB5,500,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 7 April 2016 and 26 April 2016.

On 22 April 2020, Guangzhou Tianjian redeemed the Type 5 Bonds.

(b)(iv) On 21 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,000,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.85% per annum which was adjusted to 6.85% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors can exercise a retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 21 July 2016.

(b)(v) On 28 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,300,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.95% per annum which was adjusted to 6.95% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investor can exercise a retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 28 July 2016.

(b)(vi) On 30 September 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB8,000,000,000.

The domestic corporate bonds consist of three types, of which the first type has a term of seven years and bears a coupon rate at 5.6% per annum which was adjusted to 7.10% per annum with the issuer's option to adjust the coupon rate after the end of the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 7 Bonds"), the second type has a term of seven years and bears a coupon rate at 5.7% per annum with the issuer's option to adjust the coupon rate after the end of the fourth and a half year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 8 Bonds"), and the third type has a term of seven years and bears a coupon rate at 5.8% per annum with the issuer's option to adjust the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 9 Bonds").

The aggregate principal amount for the Type 7 Bonds issued was RMB2,500,000,000; the aggregate principal amount for Type 8 Bonds issued was RMB2,500,000,000 and the aggregate principal amount for Type 9 Bonds issued was RMB3,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 30 September 2016. On 14 October 2020, the Company redeemed the Type 7 Bonds for RMB830,000,000.

28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(b)(vii) On 26 September 2017, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,000,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of five years and bears a coupon rate at 7.85% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 10 Bonds"), and the second type has a term of three years and bears a coupon rate at 7.50% per annum which was adjusted to 6.8% per annum with the issuer's option to adjust the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 11 Bonds").

The aggregate principal amount for the Type 10 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 11 Bonds issued was RMB2,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 25 September 2017 and 26 September 2017.

On 28 September 2020, Guangzhou Hejing redeemed the Type 10 Bonds and repaid Type 11 Bonds.

(b)(viii) On 16 October 2017, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,000,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of five years and bears a coupon rate at 8.00% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 12 Bonds"), and the second type has a term of three years and bears a coupon rate at 7.50% per annum with the issuer's option to raise the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 13 Bonds").

The aggregate principal amount for the Type 12 Bonds issued was RMB840,000,000 and the aggregate principal amount for the Type 13 Bonds issued was RMB2,160,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 16 October 2017.

On 18 October 2020, Guangzhou Hejing redeemed the Type 12 Bonds and repaid Type 13 Bonds.

(b)(ix) On 17 March 2020, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,000,000,000.

The domestic corporate bonds have a term of three years and bear a coupon rate at 5.75% per annum with the issuer's option to adjust the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

28. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(b)(x) On 24 August 2020, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,800,000,000.

The domestic corporate bonds have a term of three years and bear a coupon rate at 5.6% per annum with the issuer's option to adjust the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

(b)(xi) On 12 October 2020, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,000,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 6% per annum with the issuer's option to adjust the coupon rate after the end of the second year or the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

(b)(xii) On 10 November 2020, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB700,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 6.19% per annum with the issuer's option to adjust the coupon rate after the end of the second year or the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

(c) The Group has established a contemplated strategy to repurchase and sell its own domestic corporate bonds and senior notes (collectively the "Bonds"), from time to time, in the open market, for the purposes of managing its overall leverage and reducing the Group's overall borrowing costs. During year ended 31 December 2020, the Group repurchased, redeemed and sold the Bonds with the aggregate principal amounts of approximately RMB6,246,265,000, RMB3,670,000,000 and RMB4,592,404,000, respectively. As at 31 December 2020, the aggregate principal amount of the Bonds included in interest-bearing bank and other borrowings was RMB46,436,729,000 (31 December 2019: RMB50,293,742,000).

29. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Revaluation of properties RMB'000	Withholding taxes RMB'000	Recognition of revenue over time RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	92,188	339,277	2,989,488	139,720	195,145	469,538	19,000	4,244,356
Movements during the year	6,589	276,342	140,467	76,033	(54,434)	(89,971)	6,465	361,491
Gross deferred tax liabilities at 31 December 2020	98,777	615,619	3,129,955	215,753	140,711	379,567	25,465	4,605,847

29. Deferred Tax *(continued)*

Deferred tax assets

	Depreciation allowance in excess of related depreciation RMB'000	Provision for LAT RMB'000	Losses available for offset against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	**2,960**	**2,045,098**	**361,932**	**574,075**	**3,262**	**467,823**	**-**	**3,455,150**
Movements during the year	**261**	**507,079**	**231,194**	**(78,208)**	**(11)**	**(70,354)**	**406**	**590,367**
Gross deferred tax assets at 31 December 2020	**3,221**	**2,552,177**	**593,126**	**495,867**	**3,251**	**397,469**	**406**	**4,045,517**
Net deferred tax liabilities at 31 December 2020								**(560,330)**

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Revaluation of properties RMB'000	Withholding taxes RMB'000	Recognition of revenue over time RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	84,181	70,980	2,030,315	139,720	153,669	457,693	9,725	2,946,283
Movements during the year	8,007	268,297	959,173	–	41,476	11,845	9,275	1,298,073
Gross deferred tax liabilities at 31 December 2019	92,188	339,277	2,989,488	139,720	195,145	469,538	19,000	4,244,356

Deferred tax assets

	Depreciation allowance in excess of related depreciation RMB'000	Provision for LAT RMB'000	Losses available for offset against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2019	2,711	1,741,003	538,954	197,200	3,327	444,734	2,927,929
Movements during the year	249	304,095	(177,022)	376,875	(65)	23,089	527,221
Gross deferred tax assets at 31 December 2019	2,960	2,045,098	361,932	574,075	3,262	467,823	3,455,150
Net deferred tax liabilities at 31 December 2019							(789,206)

29. Deferred Tax *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**2,432,853**	1,872,238
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,993,183)**	(2,661,444)
	(560,330)	(789,206)

The Group has unutilised tax losses arising in Mainland China of approximately RMB3,488,204,000 (2019: approximately RMB2,592,639,000) that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses amounting to approximately RMB1,115,700,000 (2019: approximately RMB1,144,911,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2020, unremitted earnings that are subject to withholding taxes of the Group's subsidiaries, joint ventures and associates established in Mainland China of approximately RMB26,200,886,000 (2019: approximately RMB21,066,770,000) have not been recognised for withholding taxes.

Taking into account the Group's dividend policy and the working capital demand for business operation in Mainland China, the directors of the Company are of the opinion that it is the best interest of the Company to distribute its final dividend in the foreseeable future out of the share premium account of the Company, which is permissible by the Companies Law of the Cayman Islands and is also permissible by the Company's articles of association upon the approval of the Company's shareholders at the annual general meeting.

29. Deferred Tax *(continued)*

During the year, considering the future dividend plan, the Group provided additional deferred tax of approximately RMB76,033,000 (2019: Nil) related to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. Deferred Revenue

The Group entered into an agreement with a vendor (the "Vendor") on 7 July 2011, pursuant to which the Group should pay a cash consideration of RMB43,400,000, and transfer certain apartments and car parking spaces (collectively, the "Transfer Properties") of RMB11,000,000 to the Vendor, in exchange for the 10% equity interest in Shanghai Deyu. The exchange of the Transfer Properties is accounted for as a transaction which generates revenue. During the year ended 31 December 2014, the Group entered into a supplemental agreement with the Vendor, pursuant to which the Group paid a cash consideration of RMB8,958,000 to the Vendor in place of transferring partial apartments and car parking spaces to the Vendor. As at 31 December 2020, the remaining apartments and car parking spaces had not been transferred to the Vendor. Accordingly, the above revenue is deferred and will be recognised upon the delivery of the remaining parts of the Transfer Properties.

31. Share Capital

Shares

	2020		2019	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Authorised:				
Ordinary shares of HK$0.10 each	**8,000,000,000**	**786,113**	8,000,000,000	786,113
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**3,180,505,853**	**304,474**	3,176,749,463	304,148

31. Share Capital *(continued)*

Shares *(continued)*

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2019	3,174,071,756	303,909	(125)	3,653,876	3,957,660
Final 2018 dividend declared	–	–	–	(983,962)	(983,962)
Shares issued as scrip dividend during the year	723,707	63	–	5,263	5,326
Issue of treasury shares (note (a))	1,954,000	176	(176)	–	–
Vested awarded shares transferred to employees	–	–	125	15,310	15,435
Interim 2019 dividend	–	–	–	(1,020,309)	(1,020,309)
At 31 December 2019 and 1 January 2020	3,176,749,463	304,148	(176)	1,670,178	1,974,150
Issue of treasury shares (note (a))	**2,454,842**	**207**	**(207)**	**-**	**-**
Vested awarded shares transferred to employees	**-**	**-**	**174**	**19,251**	**19,425**
Share options exercised (note (b))	**392,000**	**35**	**-**	**4,724**	**4,759**
Share repurchase	**-**	**-**	**(1,514)**	**-**	**(1,514)**
Final 2019 dividend declared	**-**	**-**	**-**	**(1,334,360)**	**(1,334,360)**
Shares issued as scrip dividend during the year	**909,548**	**84**	**-**	**11,817**	**11,901**
Interim 2020 dividend	**-**	**-**	**-**	**(371,610)**	**(371,610)**
At 31 December 2020	**3,180,505,853**	**304,474**	**(1,723)**	**-**	**302,751**

Notes:

(a) During the year ended 31 December 2020, 2,454,842 (2019: 1,954,000) new shares of HK$0.10 each were issued to the trustee for the purpose of the Share Award Scheme as further disclosed in note 32 to the financial statements. These 2,454,842 (2019: 1,954,000) shares are held by the trustee and were recorded in treasury shares upon the issue of new shares. As at 31 December 2020, 2,454,842 (2019: 1,954,000) shares are held by the trustee and would be granted in the future.

(b) The subscription rights attaching to 392,000 share options were exercised at the subscription price of HK$11.12 per share (note 32), resulting in the issue of 392,000 shares for a total cash consideration, before expenses, of RMB3,952,000. An amount of RMB807,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

32. Employee Share Schemes

(a) Share option scheme

Pursuant to the shareholder's resolutions of the Company passed on 9 February 2018, the Company has adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants (the "Eligible Participants") who will contribute and has contributed to the success of the Group's operations. Eligible participants of the Share Option Scheme include any directors, full-time or part-time employees, executives or officers, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries. Upon becoming effective, the Share Option Scheme will remain in force for 10 years from that date.

The maximum number of shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 10% of the total number of issued shares as at the date of the adoption of the Share Option Scheme. The aggregate number of shares which may be issued upon the exercise of all options that may be granted under the Share Option Scheme has not exceeded 30% of the shares in issue as at the latest practicable date. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the issue of a circular by the Company and the shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000 or such other sum as may be from time to time provided under the Listing Rules, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange of Hong Kong Limited closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange of Hong Kong Limited closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 9 February 2018, the Group granted 1,719,000 share options with an exercise price of HK$12.024 per share upon the acceptance of the grantees (the "Grantees") of the Group. None of the Grantees is a director, chief executive and substantial shareholder of the Company.

32. Employee Share Schemes *(continued)*

(a) Share option scheme *(continued)*

On 12 February 2018, as approved by the board of the Company, and consented by each of the Grantees, share options granted on 9 February 2018 had been cancelled.

On 13 February 2018, the Group granted 1,719,000 share options with an exercise price of HK$11.12 per share upon the acceptance of the Grantees of the Group. None of the Grantees is a director, chief executive and substantial shareholder of the Company.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Weighted average exercise price (HK$ per share)	**Number of options**	Weighted average exercise price (HK$ per share)	Number of options
At 1 January	**11.12**	**1,494,000**	11.12	1,569,000
Granted	**-**	**-**	–	–
Cancelled	**-**	**-**	–	–
Forfeited	**11.12**	**(153,500)**	11.12	(75,000)
Exercised	**11.12**	**(392,000)**	11.12	–
At 31 December	**11.12**	**948,500**	11.12	1,494,000

The share options granted to the employees of the Group are exercisable during the following periods:

Share options granted on 13 February 2018

(i) Each grantee may exercise not more than one-third of his respective options granted from the first anniversary of the date of grant (i.e. 13 February 2019);

(ii) Each grantee may exercise not more than one-third of his respective options granted from the second anniversary of the date of grant (i.e. 13 February 2020); and

(iii) Each grantee may exercise all his respective remaining options granted from the date of the third anniversary of the date of grant (i.e. 13 February 2021).

And, in each case, not later than 12 February 2022.

HK$1.00 is payable for acceptance of grant of share options by each grantee.

The fair value of the share options granted on 13 February 2018 determined at the date of grant using the Binomial Option Pricing Model was approximately HK$4,058,000. Approximately HK$402,000 (equivalent to approximately RMB338,000) was charged to the statement of profit or loss during the year ended 31 December 2020 (2019: approximately HK$1,121,000 (equivalent to approximately RMB1,008,000)).

32. Employee Share Schemes *(continued)*

(a) Share option scheme *(continued)*

The following inputs were used to calculate the fair values of the share options granted:

	Options granted on 13 February 2018
Exercise price	HK$11.12
Expected life	4 years
Expected volatility	43.35%
Expected dividend yield (%)	7.18%
Risk-free interest rate (%)	0.84%

At 31 December 2020, the Company had 948,500 (31 December 2019: 1,494,000) share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 948,500 (31 December 2019: 1,494,000) additional ordinary shares of the Company, additional share capital of HK$94,850 (equivalent to approximately RMB79,800) (31 December 2019: HK$149,400 (equivalent to approximately RMB134,000)) and share premium of approximately HK$10,452,000 (equivalent to approximately RMB8,797,000) (31 December 2019: HK$16,464,000 (equivalent to approximately RMB14,748,000)) (before issue expenses).

(b) Share award scheme

The Share Award Scheme was adopted by the Board on 19 January 2018 in order to recognise the contributions by certain employees including certain executive directors of the Company and/or members of the Group (the "Eligible Participant"). Subject to the rules of the Share Award Scheme (the "Scheme Rules"), the Board may, from time to time, at its absolute discretion select any Eligible Participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "Selected Participant"), and determine the number of shares to be granted to the Selected Participant.

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

The Board shall not make any further award of awarded shares which will result in the total number of shares granted under the Share Award Scheme exceeding 5% of the total number of issued Shares of the Company from the date of adoption. If the relevant subscription or purchase would result in the trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the adoption date, the trustee shall not subscribe or purchase any further shares.

32. Employee Share Schemes *(continued)*

(b) Share award scheme *(continued)*

On 19 January 2018, the Board resolved to grant an aggregate of 4,393,500 awarded shares to 28 eligible participants and on 18 October 2018, the Board resolved to grant 192,000 awarded shares to an eligible participant under the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 19 January 2019; (ii) one-third shall be vested on the second anniversary of the date of grant, i.e. 19 January 2020; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 19 January 2021, or an earlier date as approved by the Board.

On 8 April 2019, the Board resolved to grant a total of 2,059,500 awarded shares to 27 eligible participants under the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 8 April 2020; (ii) one-third shall be vested on the second anniversary of the date of grant, i.e. 8 April 2021; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 8 April 2022, or an earlier date as approved by the Board.

On 14 April 2020, the Board resolved to grant a total of 1,938,000 awarded shares to 36 eligible participants under the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 14 April 2021; (ii) one-third shall be vested on the second anniversary of the date of grant, i.e. 14 April 2022; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 14 April 2023, or an earlier date as approved by the Board.

The fair value of these awarded shares at the grant date approximated to the market value of the shares which is calculated based on the closing price of the shares as at the date of grant of the awarded shares.

Movements in the number of awarded shares are as follows:

	2020 Number of shares awarded	2019 Number of shares awarded
At 1 January	**4,571,500**	4,260,000
Granted	**1,938,000**	2,059,500
Forfeited	**(185,500)**	(328,000)
Vested	**(1,933,500)**	(1,420,000)
At 31 December	**4,390,500**	4,571,500

Under the Share Award Scheme, the Group recognised share-based compensation expenses of approximately RMB18,405,000 (2019: approximately RMB20,226,000) during the year ended 31 December 2020.

32. Employee Share Schemes *(continued)*

(c) Other employee share-based payments

On 24 June 2020, the Company, the then sole shareholder of Happy Harmony International Limited ("Happy Harmony"), which in turn holds one ordinary share of KWG Living, (i) transferred the entire issued share capital of Happy Harmony (the "Transferred Share") to an employee of the Company (the Employee), at a cash consideration of US$6,075,000 (the "Consideration") and (ii) subscribed 35 shares of KWG Living. The Consideration was fully settled on 24 June 2020 and has been funded by an interest-free loan from Mr. Kong Jianmin (the "Loan"), the Company's controlling shareholder. Upon completion of the aforesaid share transfer and immediately after the subscription of 35 shares of KWG Living by the Company at par on 24 June 2020, the Company and the Employee through Happy Harmony held 97.22% and 2.78% equity interests in KWG Living, respectively. The share transferred to the Employee constitutes a share-based payment arrangement under HKFRS 2 *Share-based Payment* and the share-based payment expense which represents the difference of RMB320,000 between (i) the fair value of the Transferred Share and (ii) the Consideration of US$6,075,000 was charged to profit or loss as an expense in full immediately upon the completion of the share transfer with a corresponding increase in capital reserve of approximately RMB320,000 during the year. The deemed interest expense of the Loan to the Employee, calculated based on the outstanding loan principal and a general market interest rate that the Employee could possibly obtain from financial institutions in Hong Kong on an arm's length basis as of the date of the loan agreement entered into between Mr. Kong Jianmin and the Employee, was charged to profit or loss with a corresponding increase in employee share-based compensation reserve of approximately RMB424,000 during the year to reflect the contribution to the Company from Mr. Kong Jianmin.

33. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 128 to 129 of the financial statements.

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries which are registered in the PRC shall appropriate a certain percent of profit for the year (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds which are restricted as to use.

34. Investments in Joint Operations

The Group has entered into three (2019: three) joint venture arrangements in the form of joint operations with certain parties, to jointly undertake three (2019: three) property development projects located in Guangzhou, Guangdong Province, the PRC. As at 31 December 2020, the aggregate amounts of assets and liabilities recognised in respect of these joint operations were as follows:

	2020 RMB'000	2019 RMB'000
Assets	**4,281,554**	4,321,776
Liabilities	**(121,337)**	(123,139)

35. Business Combinations

Acquisition of Subsidiaries

(i) Before 1 November 2020, the Group held 30% equity interests of Suzhou Fujing Real Estate Development Limited ("Suzhou Fujing")# and accounted for Suzhou Fujing as an associate of the Group. Suzhou Fujing is principally engaged in property development. On 1 November 2020, the Group entered into an agreement with a third party shareholder, which has 20% equity interests of Suzhou Fujing. Pursuant to the agreement, the shareholder agreed to act in concert with the Group for all resolutions of the board of shareholders and the board of directors of Suzhou Fujing. The board of directors of Suzhou Fujing has the rights to decide all significant matters of Suzhou Fujing and all significant resolutions of Suzhou Fujing shall be approved by over two-thirds of the directors of Suzhou Fujing. The Group controls seven of nine seats in the board of directors of Suzhou Fujing through the aforesaid arrangement. Accordingly, the Group has obtained control over Suzhou Fujing and has been accounted for Suzhou Fujing as a subsidiary of the Group since then.

The fair values of the identifiable assets and liabilities of Suzhou Fujing as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Deferred tax assets	6,858
Property, plant and equipment	235
Property under development	3,095,000
Tax recoverables	116,449
Prepayments, other receivables and other assets	82,282
Cash and cash equivalents	527,913
Trade payables	(56,544)
Other payables and accruals	(2,551,699)
Deferred tax liabilities	(6,539)
Interest-bearing bank loans	(1,050,000)
Total identifiable net assets at fair value	163,955
Non-controlling interests	(114,769)
Gain on remeasurement of the pre-existing interest in an associate recognised in other income and gains in the consolidated statement of profit or loss	(5,885)
	43,301
Satisfied by	
Equity interest in Suzhou Fujing held by the Group prior to the acquisition	43,301

An analysis of the net cash inflow in respect of the acquisiton of a subsidiary is as follows:

	RMB'000
Cash and cash equivalents acquired	527,913
Net inflow of cash and cash equivalents included in cash flows from investing activities	527,913

Since the acquisition, Suzhou Fujing contributed revenue and profit of approximately RMB259,262,000 and RMB42,679,000, respectively to the Group.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 2020 would have been approximately RMB29,818,295,000 and RMB6,666,095,000, respectively.

The English name of the company referred to in the financial statements represent management's best effort to translate the Chinese name of the company, as no English name has been registered.

35. Business Combination *(continued)*

Acquisition of Subsidiaries *(continued)*

(ii) Before 3 October 2020, the Group held 50% equity interests in Hangzhou Zhiyan Investment Limited ("Hangzhou Zhiyan")# and accounted for as a joint venture of the Group. Hangzhou Zhiyan is principally engaged in property development. On 3 October 2020, the shareholders agreed to amend the articles of association, pursuant to which, the resolutions of the board of directors should be approved by not less than two-thirds of the directors of Hangzhou Zhiyan. The Group obtained control over Hangzhou Zhiyan through two of three seats in the board of directors of Hangzhou Zhiyan and accounted for Hangzhou Zhiyan as a subsidiary of the Group since then.

The fair values of the identifiable assets and liabilities of Hangzhou Zhiyan as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Deferred tax assets	**4,299**
Property, plant and equipment	**420**
Property under development	**4,265,000**
Prepayments, other receivables and other assets	**32,440**
Cash and cash equivalents	**10,131**
Other payables and accruals	**(1,163,789)**
Trade payables	**(246,310)**
Deferred tax liabilities	**(114,897)**
Interest-bearing bank loans	**(2,290,000)**
Total identifiable net assets at fair value	**497,294**
Non-controlling interests	**(248,647)**
Gain on remeasurement of the pre-existing interest in a joint venture recognised in other income and gains in the consolidated statement of profit or loss	**(72,346)**
	176,301
Satisfied by	
Equity interest in Hangzhou Zhiyan held by the Group prior to the acquisition	**176,301**

An analysis of the net cash inflow in respect of the acquisiton of subsidiaries is as follows:

	RMB'000
Cash and cash equivalents acquired	**10,131**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**10,131**

Since the acquisition, Hangzhou Zhiyan contributed revenue and profit of approximately RMB390,538,000 and RMB11,065,000, respectively to the Group.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 2020 would have been approximately RMB29,742,063,000 and RMB6,654,896,000, respectively.

The English name of the company referred to in the financial statements represent management's best effort to translate the Chinese name of the company, as no English name has been registered.

35. Business Combination *(continued)*

Acquisition of Subsidiaries *(continued)*

(iii) Before 18 December 2020, the Group held 51% equity interests of Foshan Hongsheng Real Estate Development Limited ("Foshan Hongsheng")# and accounted for as a joint venture of the Group as all significant operating and financial activities need to be decided by all the joint venture partners. Foshan Hongsheng is principally engaged in property development. On 18 December 2020, the shareholders amended articles of association, pursuant to which, the resolutions of the board of shareholders of Foshan Hongsheng should be approved by not less than 50% shareholders, the Group obtained control over Foshan Hongsheng and accounted for Foshan Hongsheng as a subsidiary of the Group since then.

The fair values of the identifiable assets and liabilities of Foshan Hongsheng as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Deferred tax assets	**46,339**
Property, plant and equipment	**154**
Property under development	**4,145,367**
Prepayments, other receivables and other assets	**234,236**
Trade receivables	**55,154**
Cash and cash equivalents	**318,275**
Other payables and accruals	**(1,591,482)**
Trade payables	**(144,685)**
Tax payable	**(19,722)**
Deferred tax liabilities	**(138,412)**
Interest-bearing bank loans	**(1,450,000)**
Total identifiable net assets at fair value	**1,455,224**
Non-controlling interests	**(713,060)**
Gain on remeasurement of the pre-existing interest in a joint venture recognised in other income and gains in the consolidated statement of profit or loss	**(119,138)**
	623,026
Satisfied by	
Equity interest in Foshan Hongsheng held by the Group prior to the acquisition	**623,026**

An analysis of the net cash inflow in respect of the acquisiton of a subsidiary is as follows:

	RMB'000
Cash and cash equivalents acquired	**318,275**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**318,275**

Since the acquisition, Foshan Hongsheng contributed revenue and profit of approximately RMB1,253,970,000 and RMB106,142,000, respectively to the Group.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 2020 would have been approximately RMB29,840,445,000 and RMB6,613,469,000, respectively.

The English name of the company referred to in the financial statements represent management's best effort to translate the Chinese name of the company, as no English name has been registered.

35. Business Combination *(continued)*

Acquisition of Subsidiaries *(continued)*

(iv) Before 30 December 2020, the Group held 51% equity interests in Zhaotong Jingbang Trading Limited ("Zhaotong Jingbang")# and accounted for Zhaotong Jingbang as a joint venture of the Group. Zhaotong Jingbang is principally engaged in property development. The resolutions of the board of shareholders and board of directors of Zhaotong Jingbang should be approved by all shareholders and directors of Zhaotong Jingbang. On 30 December 2020, the Group entered into an agreement with the third party shareholder, which has 49% equity interests of Zhaotong Jingbang. Pursuant to the agreement, the shareholder agreed to act in concert with the Group for all resolutions of the board of shareholders and the board of directors of Zhaotong Jiangbang. Accordingly, the Group has obtained control over Zhaotong Jingbang and accounted for Zhaotong Jingbang as a subsidiary of the Group since then.

The fair values of the identifiable assets and liabilities of Zhaotong Jingbang as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Deferred tax assets	3,672
Property, plant and equipment	43
Property under development	1,103,000
Tax recoverable	3,013
Cash and cash equivalents	309,433
Trade payables	(26,977)
Other payables and accruals	(673,490)
Deferred tax liabilities	(84,108)
Interest-bearing bank loans	(382,000)
Total identifiable net assets at fair value	252,586
Non-controlling interests	(123,768)
Gain on remeasurement of the pre-existing interest in a joint venture recognised in other income and gains in the consolidated statement of profit or loss	(128,685)
	133
Satisfied by	
Equity interest in Zhaotong Jingbang held by the Group prior to the acquisition	133

An analysis of the net cash inflow in respect of the acquisiton of a subsidiary is as follows:

	RMB'000
Cash and cash equivalents acquired	309,433
Net inflow of cash and cash equivalents included in cash flows from investing activities	309,433

Since the acquisition, Zhaotong Jingbang did not contribute revenue and profit to the Group.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 2020 would have been approximately RMB29,761,349,000 and RMB6,655,520,000, respectively.

The English name of the company referred to in the financial statements represent management's best effort to translate the Chinese name of the company, as no English name has been registered.

35. Business Combination *(continued)*

Acquisition of Subsidiaries *(continued)*

(v) During the year ended 31 December 2019, the Group acquired interests in two companies from third parties. These acquired companies' principal activities are respectively engaged in education and property management.

The fair values of the identifiable assets and liabilities of these acquired companies as at the dates of acquisitions were as follows:

	Fair value recognised on acquisitions RMB'000
Total considerations	**205,507**
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	**46**
Other non-current asset	**211,928**
Deferred tax assets	**73**
Properties under development	**474**
Prepayments, other receivables and other assets	**44,512**
Trade receivables	**11,011**
Cash and cash equivalents	**28,830**
Trade payables	**(4,459)**
Other payables and accruals	**(59,069)**
Tax payables	**(2,224)**
Deferred tax liabilities	**(21,420)**
Total identifiable net assets at fair value	**209,702**
Non-controlling interests	**(4,195)**
Satisfied by cash	**165,507**
Satisfied by other payables	**40,000**

An analysis of the cash flows in respect of the acquisitions of these two subsidiaries is as follows:

	RMB'000
Cash considerations	**(165,507)**
Cash and cash equivalents acquired	**28,830**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(136,677)**

Since the acquisitions, these two companies contributed revenue and profit of approximately RMB98,822,000 and RMB15,498,000, respectively, to the Group.

Had the combinations taken place at the beginning of the year 2019, the revenue of the Group and the profit of the Group for the year ended 2019 would have been approximately RMB24,965,680,000 and RMB10,058,319,000, respectively.

35. Business Combination *(continued)*

Acquisition of Subsidiaries *(continued)*

(vi) During the year ended 31 December 2019, the Group acquired interests in two companies from third parties. These acquired companies' principal activities are property development.

The fair values of the identifiable assets and liabilities of these acquired companies as at the dates of acquisitions were as follows:

	Fair value recognised on acquisitions RMB'000
Total considerations	**169,250**
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	821
Deferred tax assets	36,379
Properties under development	4,369,012
Prepayments, other receivables and other assets	3,058,607
Trade receivables	2,583
Cash and cash equivalents	387,370
Trade payables	(297,224)
Other payables and accruals	(4,573,040)
Tax payables	(745,644)
Interest-bearing bank and other borrowings	(651,340)
Deferred tax liabilities	(296,810)
Total identifiable net assets at fair value	1,290,714
Gain on remeasurement of the pre-existing interest in a joint venture recognised in other income and gains in the consolidated statement of profit or loss	(791,218)
	499,496
Satisfied by cash	169,250
Equity interests in the companies held by the Group prior to the acquisitions	330,246

An analysis of the cash flows in respect of the acquisitions of these two subsidiaries is as follows:

	RMB'000
Cash considerations	(169,250)
Cash and cash equivalents acquired	387,370
Net inflow of cash and cash equivalents included in cash flows from investing activities	218,120

Since the acquisitions, these two companies contributed revenue and profit of approximately RMB1,599,673,000 and RMB407,180,000, respectively, to the Group.

Had the combinations taken place at the beginning of the year 2019, the revenue of the Group and the profit of the Group for the year ended 2019 would have been approximately RMB25,004,489,000 and RMB10,040,273,000, respectively.

36. Derecognition of Subsidiaries

(i) During the year ended 31 December 2020, the Group entered into an agreement with Guangzhou Qinzhi Investment Development Limited ("Guangzhou Qinzhi")#, pursuant to which the Group transferred its 20% equity interest of Guangzhou Hejing Hengyu Zhiye Development Limited ("Guangzhou Hejing Hengyu")# to Guangzhou Qinzhi for a cash consideration of RMB10,000,000. According to the agreement, all significant resolutions of Guangzhou Hejing Hengyu, a wholly-owned subsidiary of the Company before entering into the agreement, should be approved by the Group and Guangzhou Qinzhi unanimously, and hence the Group lost control over Guangzhou Hejing Hengyu, and Guangzhou Hejing Hengyu has been accounted for as a joint venture of the Group since then.

The carrying values of the assets and liabilities on the date of derecognition of the subsidiary were as follows:

	RMB'000
Net assets derecognised of:	
Deferred tax assets	**45**
Property under development	**4,336,772**
Prepayments, other receivables and other assets	**1,456,299**
Cash and bank balances	**1,223**
Trade payables	**(12,763)**
Other payables and accruals	**(2,983,784)**
Tax payables	**(1,611)**
Interest-bearing bank loans	**(2,800,000)**
Net asset value derecognised	**(3,819)**
Gain on derecognition of Guangzhou Hejing Hengyu	**324,700**
Investment in a joint venture	**310,881**
Satisfied by cash	**10,000**

An analysis of the net cash inflow of cash and cash equivalents in respect of the derecognition of Guangzhou Hejing Hengyu is as follows:

	RMB'000
Cash consideration	**10,000**
Cash and cash equivalents of Guangzhou Hejing Hengyu derecognised of	**(1,223)**
Net inflow of cash and cash equivalents in respect of the derecognition of Guangzhou Hejing Hengyu	**8,777**

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

36. Derecognition of Subsidiaries *(continued)*

(ii) During the year ended 31 December 2020, the Group entered into an agreement with Guangzhou Fangyuan Leqin Industrial Investment Limited ("Guangzhou Fangyuan Leqin")#, pursuant to which, Guangzhou Fangyuan Leqin injected of registered capital with a cash consideration of RMB62,000,000 to obtain 20% of a fully diluted equity interest in Suzhou Jiajing Real Estate Development Limited ("Suzhou Jiajing")#, a wholly-owned subsidiary of the Company before the capital injection. Subsequent to the capital injection by Guangzhou Fangyuan Leqin, all significant resolutions of Suzhou Jiajing, shall be approved by the Group and Guangzhou Fangyuan Leqin unanimously, and hence the Group has lost control over Suzhou Jiajing, and accordingly, Suzhou Jiajing has been accounted for as a joint venture of the Group since then.

The carrying values of the assets and liabilities on the date of derecognition of the subsidiary were as follows:

	RMB'000
Net assets derecognised:	
Deferred tax assets	**725**
Property, plant and equipment	**68**
Interest in a joint venture	**75,126**
Property under development	**902,881**
Prepayments, other receivables and other assets	**4,474,777**
Tax recoverables	**26,025**
Trade receivables	**10,026**
Cash and bank balances	**54,711**
Trade payables	**(193,531)**
Other payables and accruals	**(3,183,729)**
Deferred tax liabilities	**(149)**
Interest-bearing bank loans	**(2,106,530)**
Net asset value derecognised	**60,400**
Gain on derecognition of Suzhou Jiajing	**130,065**
Investment in a joint venture	**190,465**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Suzhou Jiajing is as follows:

	RMB'000
Cash consideration	**–**
Cash and cash equivalents derecognised	**(54,711)**
Net outflow of cash and cash equivalents in respect of the derecognition of Suzhou Jiajing	**(54,711)**

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

36. Derecognition of Subsidiaries *(continued)*

(iii) During the year ended 31 December 2019, the Group entered into an agreement with Guangzhou Zhenli Investment Development Limited ("Guangzhou Zhenli")#. According to the agreement, all significant resolutions of Hefei Mingyu Real Estate Development Limited ("Hefei Mingyu")#, a wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Guangzhou Zhenli unanimously, and hence the Group has no control over Hefei Mingyu, and accordingly, Hefei Mingyu has been accounted for as a joint venture of the Group since then.

Details of the net assets derecognised as at the date of derecognition and financial impacts were summarised below:

	RMB'000
Net assets derecognised:	
Deferred tax assets	3,335
Properties under development	2,576,609
Prepayments, deposits and other receivables	661,741
Tax recoverable	1,564
Cash and cash equivalents	42,065
Trade payables	(13,734)
Other payables and accruals	(2,225,793)
Interest-bearing bank and other borrowings	(999,990)
Net asset value derecognised	45,797
Gain on derecognition of Hefei Mingyu	128,339
Investment in a joint venture	174,136

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Hefei Mingyu is as follows:

	RMB'000
Cash and cash equivalents derecognised	(42,065)
Net outflow of cash and cash equivalents in respect of the derecognition of Hefei Mingyu	(42,065)

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

36. Derecognition of Subsidiaries *(continued)*

(iv) During the year ended 31 December 2019, the Group entered into an agreement with Guangzhou Zhanyu Investment Development Limited ("Guangzhou Zhanyu")#. According to the agreement, all significant resolutions of Wenzhou Jinxuan Real Estate Development Limited ("Wenzhou Jinxuan")#, a wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Guangzhou Zhanyu unanimously, and hence the Group has no control over Wenzhou Jinxuan, and accordingly, Wenzhou Jinxuan has been accounted for as a joint venture of the Group since then.

Details of the net assets derecognised as at the date of derecognition and the financial impacts were summarised below:

	RMB'000
Net assets derecognised:	
Deferred tax assets	**1,589**
Property, plant and equipment	**74**
Properties under development	**1,714,607**
Prepayments, deposits and other receivables	**697,058**
Tax recoverables	**4,812**
Cash and cash equivalents	**121,924**
Trade payables	**(48,912)**
Other payables and accruals	**(1,924,573)**
Interest-bearing bank and other borrowings	**(527,510)**
Net asset value derecognised	**39,069**
Gain on derecognition of Wenzhou Jinxuan	**85,795**
Investment in a joint venture	**124,864**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Wenzhou Jinxuan is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(121,924)**
Net outflow of cash and cash equivalents in respect of the derecognition of Wenzhou Jinxuan	**(121,924)**

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

36. Derecognition of Subsidiaries *(continued)*

(v) During the year ended 31 December 2019, the Group entered into an agreement with Guangzhou Zhenli#. According to the agreement, all significant resolutions of Guangxi Junrong Properties Limited ("Guangxi Junrong")#, a wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Guangzhou Zhenli unanimously, and hence the Group has no control over Guangxi Junrong, and accordingly, Guangxi Junrong has been accounted for as a joint venture of the Group since then.

Details of the net assets derecognised as at the date of derecognition and the financial impacts were summarised below:

	RMB'000
Net assets derecognised:	
Deferred tax assets	**5,622**
Property, plant and equipment	**80**
Properties under development	**2,061,338**
Prepayments, deposits and other receivables	**375,162**
Tax recoverables	**7,138**
Cash and cash equivalents	**244,431**
Trade payables	**(89,933)**
Other payables and accruals	**(1,561,385)**
Deferred tax liabilities	**(1,191)**
Interest-bearing bank and other borrowings	**(1,051,382)**
Net asset value derecognised	**(10,120)**
Gain on derecognition of Guangxi Junrong	**477,227**
Investment in a joint venture	**467,107**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Guangxi Junrong is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(244,431)**
Net outflow of cash and cash equivalents in respect of the derecognition of Guangxi Junrong	**(244,431)**

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

36. Derecognition of Subsidiaries *(continued)*

(vi) During the year ended 31 December 2019, the Group entered into an agreement with Shenzhen Tongchuang Group Limited ("Shenzhen Tongchuang")# and Shenzhen Xiaoma Huanteng Investment Development Limited ("Shenzhen Xiaoma Huanteng")#. According to the agreement, all significant resolutions of Shenzhen Chuangshihe Industrial Limited ("Shenzhen Chuangshihe")#, a 51% owned subsidiary of the Company before entering into the agreement, shall be approved by the Group, Shenzhen Tongchuang and Shenzhen Xiaoma Huanteng unanimously, and hence the Group has no control over Shenzhen Chuangshihe, and accordingly, Shenzhen Chuangshihe has been accounted for as a joint venture of the Group since then.

Details of the net assets derecognised as at the date of derecognition and the financial impacts were summarised below:

	RMB'000
Net assets derecognised:	
Property, plant and equipment	**6**
Deferred tax assets	**2,054**
Properties under development	**3,431,676**
Trade receivables	**30**
Prepayments, deposits and other receivables	**758,868**
Cash and cash equivalents	**6,055**
Trade payables	**(31)**
Other payables and accruals	**(1,103,102)**
Interest-bearing bank and other borrowings	**(1,000,000)**
Net asset value derecognised	**2,095,556**
Non-controlling interest	**(1,026,822)**
Investment in a joint venture	**1,068,734**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Shenzhen Chuangshihe is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(6,055)**
Net outflow of cash and cash equivalents in respect of the derecognition of Shenzhen Chuangshihe	**(6,055)**

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

36. Derecognition of Subsidiaries *(continued)*

(vii) During the year ended 31 December 2019, the Group derecognised its interests in a number of subsidiaries.

Details of the net assets derecognised as at the date of derecognitions and the financial impacts were summarised below:

	RMB'000
Net assets derecognised:	
Deferred tax assets	781
Properties under development	6,236,901
Prepayments, other receivables and other assets	181,980
Cash and cash equivalents	766,110
Trade payables	(701)
Other payables and accruals	(5,797,026)
Tax payables	(154)
Interest-bearing bank and other borrowings	(1,180,000)
Net asset value derecognised	207,891
Non-controlling interests	(148,508)
Investments in joint ventures	59,383

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of these companies is as follows:

	RMB'000
Cash and cash equivalents derecognised	(766,110)
Net outflow of cash and cash equivalents in respect of the derecognition of these companies	(766,110)

37. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, the Group had non-cash reductions of right-of-use assets and lease liabilities of approximately RMB202,662,000 and approximately RMB208,226,000, respectively, in respect of lease arrangements for buildings and investment properties (2019: additions of approximately RMB118,088,000 and approximately RMB146,789,000).

37. Notes to the Consolidated Statement of Cash Flows *(continued)*

(b) Changes in liabilities arising from financing activities

	Notes	**Interest-bearing bank and other borrowings RMB'000**	**Lease liabilities RMB'000**	**Other payables and accruals RMB'000**
At 1 January 2020		**85,577,550**	**2,125,771**	**2,311,323**
Changes from financing cash flows		**(6,067,775)**	**(265,061)**	**(8,191,752)**
New and expired leases		**–**	**(201,542)**	**–**
2019 final dividends payable	12, 31	**–**	**–**	**1,334,360**
2020 interim dividends payable	12	**–**	**–**	**1,271,220**
Shares issued as scrip dividend	31	**–**	**–**	**(11,901)**
Interest expense		**66,629**	**124,148**	**5,748,914**
Foreign exchange movement		**(1,981,259)**	**–**	**–**
Acquisition of subsidiaries		**5,172,000**	**–**	**–**
Derecognition of subsidiaries		**(4,906,530)**	**–**	**–**
Liabilities included in the discontinued operation	11	**–**	**(6,684)**	**–**
At 31 December 2020		**77,860,615**	**1,776,632**	**2,462,164**

	Notes	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Other payables and accruals RMB'000
At 1 January 2019		77,463,709	2,097,472	2,019,701
Changes from financing cash flows		15,144,709	(246,752)	(7,890,965)
New leases		–	146,789	–
2018 final dividends payable	31	–	–	983,962
2019 interim dividends payable	12, 31	–	–	1,020,309
Shares issued as scrip dividend	31	–	–	(5,326)
Interest expense		26,120	128,262	6,183,642
Foreign exchange movement		763,143	–	–
Acquisition of subsidiaries		651,340	–	–
Due to joint ventures		(3,712,589)	–	–
Derecognition of subsidiaries		(4,758,882)	–	–
At 31 December 2019		85,577,550	2,125,771	2,311,323

37. Notes to the Consolidated Statement of Cash Flows *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**5,974**	68,847
Within financing activities	**265,061**	246,752
	271,035	315,599

38. Contingent Liabilities

At the end of the reporting period, contingent liabilities of the Group not provided for in the financial statements were as follows:

	Notes	2020 RMB'000	2019 RMB'000
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties	(a)	**20,271,662**	16,765,473
Guarantees given to banks in connection with bank loans granted to joint ventures and associates	(b)	**32,939,744**	29,362,515
		53,211,406	46,127,988

Notes:

(a) As at 31 December 2020 and 2019, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled to, among others, take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the board of directors of the Company considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the years ended 31 December 2020 and 2019 for the guarantees.

(b) As at 31 December 2020, the banking loans guaranteed by the Group to joint ventures and associates were utilised to the extent of approximately RMB32,939,744,000 (2019: approximately RMB29,362,515,000).

39. Pledge of Assets

(a) At the end of the reporting period, the following assets of the Group were pledged to certain banks to secure general banking and other borrowing facilities granted to the Group:

	Notes	2020 RMB'000	2019 RMB'000
Property, plant and equipment	14	**3,031,614**	2,743,081
Investment properties	15	**7,291,926**	13,506,919
Land use rights	16	**741,252**	432,122
Properties under development	20	**13,741,498**	13,514,324
Completed properties held for sale	21	**3,031,956**	3,667,565
Time deposits		**-**	756,710
		27,838,246	34,620,721

(b) As at 31 December 2020 and 2019, the equity interests of certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.

(c) As at 31 December 2020 and 2019, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

(d) As at 31 December 2020, the domestic corporate bonds of approximately RMB12,568,748,000 (2019: approximately RMB16,433,948,000) were guaranteed by the Company.

40. Commitments

The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**724,360**	371,999
Properties being developed by the Group for sale	**8,303,602**	10,535,392
Investment properties	**464,421**	530,916
	9,492,383	11,438,307

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for	**5,816,841**	7,948,847

41. Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) During the year ended 31 December 2020, the Group provided project management services to certain joint ventures and associates of the Group for a total cash consideration of approximately RMB420,140,000 (2019: approximately RMB366,105,000), which was recognised as other income of the Group. The management fee income was determined at rates mutually agreed between the Group and the joint ventures and associates.

(b) During the year ended 31 December 2020, the Group provided advances to certain joint ventures and associates at the interest rates of 4.4% to 15% (2019: 4.4% to 12.0%) per annum. The interest income of approximately RMB311,913,000 (2019: approximately RMB247,885,000), which was recognised as other income of the Group, was determined at rates mutually agreed between the Group and the joint ventures and associates.

(c) During the year ended 31 December 2020, the Group leased some properties to related parties, of which an executive director of the Company is the ultimate beneficial owner, for a total cash consideration of approximately RMB29,579,000 (2019: approximately RMB9,789,000), which was recognised as rental income of the Group. The income was determined at rates mutually agreed between the Group and this executive director.

41. Related Party Transactions *(continued)*

(d) KWG Living Group became a related party of the Company since its listing of the ordinary shares of KWG Living on the Main Board of The Stock Exchange of Hong Kong Limited on 30 October 2020 and the aggregate amounts set out below with KWG Living Group are for the transactions involved during the period from 30 October 2020 to 31 December 2020.

	RMB'000
Rental income from KWG Living Group	
Property Lease:	
Properties	7
Car parking lots	430
	437
Service fees to KWG Living Group	
Residential Property Management Services:	
Residential pre-sale management services	17,723
Residential property management services	21,619
	39,342
Property Agency Services	64,778
Commercial Property Management Services:	
Commercial pre-sale management services	4,113
Commercial property management services	6,399
	10,512
Commercial Operational and Value-added Services:	
Commercial operational services	10,238
Commercial value-added services	5,706
	15,944

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

41. Related Party Transactions *(continued)*

(e) Other transactions with related parties

Details of guarantees given by the Group to banks in connection with bank loans granted to joint ventures and associates are included in note 38 to the financial statements.

(f) Outstanding balances with related parties

Details of the Group's balances with its associates and joint ventures are included in notes 18 and 19 respectively to the financial statements.

(g) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Short term employee benefits	**28,285**	33,226
Post-employment benefits	**229**	630
Share-based compensation	**5,198**	6,690
Total compensation paid to key management personnel	**33,712**	40,546

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

The related party transaction in respect of items (c) and (d) above also constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.

42. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – Financial assets at amortised cost

	Notes	**2020 RMB'000**	2019 RMB'000
Trade receivables	22	**1,914,579**	2,166,759
Financial assets included in prepayments, other receivables and other assets	23	**5,154,138**	3,991,696
Due from a joint venture	19	**30,004**	30,062
Restricted cash	25	**3,944,716**	5,356,141
Cash and cash equivalents	25	**40,635,765**	51,377,864
		51,679,202	62,922,522

Financial liabilities – Financial liabilities at amortised cost

	Notes	**2020 RMB'000**	2019 RMB'000
Trade and bills payables	26	**13,165,515**	9,072,301
Lease liabilities	17	**1,776,632**	2,125,771
Financial liabilities included in other payables and accruals	27	**15,448,894**	11,308,048
Due to joint ventures	19	**35,207,964**	37,742,306
Due to associates	18	**3,244,654**	1,345,495
Interest-bearing bank and other borrowings	28	**77,860,615**	85,577,550
		146,704,274	147,171,471

43. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Financial liabilities:				
Interest-bearing bank and other borrowings	**77,860,615**	85,577,550	**78,879,979**	86,160,688

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, lease liabilities, financial liabilities included in other payables and accruals, amounts due from/to joint ventures and due to associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management of the Group. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management of the Group. The valuation process and results are discussed with the management of the Group twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2020 and 2019.

During the years ended 31 December 2020 and 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

43. Fair Value and Fair Value Hierarchy of Financial Instruments
(continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**–**	**78,879,979**	**–**	**78,879,979**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	86,160,688	–	86,160,688

44. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, trade receivables, other receivables and other assets, and amounts due from a joint venture. The financial liabilities of the Group mainly include trade and bills payables, lease liabilities, other payables and accruals, interest-bearing bank and other borrowings, amounts due to joint ventures and amounts due to associates.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management and focuses on minimising potential adverse effects of these risks with material impact on the Group's financial performance. The Group's exposure to these risks is kept to a minimum. Management closely monitors the risk exposure and will consider using derivatives and other instruments to hedge significant risk exposure should the need arise. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

Business risk

The Group conducts its operations in Mainland China and Hong Kong, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, the influence of national authorities over pricing and the financing regulations in the property development industry.

44. Financial Risk Management Objectives and Policies *(continued)*

Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2020		
RMB	**200**	**(410,003)**
Hong Kong dollar	**200**	**(21,757)**
United States dollar	**200**	**(22,052)**
RMB	**(200)**	**410,003**
Hong Kong dollar	**(200)**	**21,757**
United States dollar	**(200)**	**22,052**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2019		
RMB	200	(423,249)
Hong Kong dollar	200	(59,857)
United States dollar	200	(41,716)
RMB	(200)	423,249
Hong Kong dollar	(200)	59,857
United States dollar	(200)	41,716

44. Financial Risk Management Objectives and Policies *(continued)*

Foreign currency risk

The Group's most businesses are mainly located in Mainland China and the transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's foreign currency exposures mainly arise from interest-bearing bank and other borrowings and bank balances denominated in currencies other than the units' functional currencies as at 31 December 2020 and 31 December 2019. The Group considers the foreign currency risk between Hong Kong dollar and United States dollar is not material as the exchange rate between these two currencies is pegged.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000
2020			
If RMB weakens against Hong Kong dollar	**(5)**	**N/A**	**365,265**
If RMB strengthens against Hong Kong dollar	**5**	**N/A**	**(365,265)**
If RMB weakens against United States dollar	**N/A**	**(5)**	**9,520**
If RMB strengthens against United States dollar	**N/A**	**5**	**(9,520)**

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000
2019			
If RMB weakens against Hong Kong dollar	(5)	N/A	418,083
If RMB strengthens against Hong Kong dollar	5	N/A	(418,083)
If RMB weakens against United States dollar	N/A	(5)	13,555
If RMB strengthens against United States dollar	N/A	5	(13,555)

44. Financial Risk Management Objectives and Policies *(continued)*

Credit risk

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020 and 31 December 2019. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
2020	**Stage 1 RMB'000**	**Stage 2 RMB'000**	**Stage 3 RMB'000**	**Simplified approach RMB'000**	**Total RMB'000**
Trade receivables	-	-	-	1,914,579	1,914,579
Financial assets included in prepayments, other receivables and other assets					
– Normal*	5,154,138	-	-	-	5,154,138
Due from a joint venture	30,004	-	-	-	30,004
Restricted bank balances					
– Not yet past due	3,944,716	-	-	-	3,944,716
Cash and cash equivalents					
– Not yet past due	40,635,765	-	-	-	40,635,765
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties					
– Not yet past due	20,271,662	-	-	-	20,271,662
Guarantees given to banks in connection with bank loans granted to joint ventures and associates					
– Not yet past due	32,939,744	-	-	-	32,939,744
	102,976,029	-	-	1,914,579	104,890,608

44. Financial Risk Management Objectives and Policies *(continued)*

Credit risk *(continued)*

2019	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	–	–	2,166,759	2,166,759
Financial assets included in prepayments, other receivables and other assets					
– Normal*	3,991,696	–	–	–	3,991,696
Due from a joint venture	30,062	–	–	–	30,062
Restricted bank balances					
– Not yet past due	5,356,141	–	–	–	5,356,141
Cash and cash equivalents					
– Not yet past due	51,377,864	–	–	–	51,377,864
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties					
– Not yet past due	16,765,473	–	–	–	16,765,473
Guarantees given to banks in connection with bank loans granted to joint ventures and associates					
– Not yet past due	29,362,515	–	–	–	29,362,515
	106,883,751	–	–	2,166,759	109,050,510

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The management of the Group aims to maintain sufficient cash and cash equivalents through the sales proceeds generated from the sale of the properties and having available funding through an adequate amount of credit facilities to meet the Group's construction commitments. The board of directors of the Company expects that the Group's net cash flows from operating activities and additional bank and other borrowings will be available to finance the Group's existing and future property development projects. The Group has a number of alternative plans to mitigate the potential impacts on the Group's working capital should there be any significant adverse changes in the economic environment. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

44. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**-**	**6,076,551**	**23,508,724**	**47,201,550**	**14,075,448**	**90,862,273**
Lease liabilities	**-**	**57,020**	**180,988**	**757,220**	**1,324,831**	**2,320,059**
Trade and bills payables	**13,165,515**	**-**	**-**	**-**	**-**	**13,165,515**
Other payables and accruals	**15,448,894**	**-**	**-**	**-**	**-**	**15,448,894**
Due to joint ventures	**35,207,964**	**-**	**-**	**-**	**-**	**35,207,964**
Due to associates	**3,244,654**	**-**	**-**	**-**	**-**	**3,244,654**
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties	**20,271,662**	**-**	**-**	**-**	**-**	**20,271,662**
Guarantees given to banks in connection with bank loans granted to joint ventures and associates	**32,939,744**	**-**	**-**	**-**	**-**	**32,939,744**
	120,278,433	**6,133,571**	**23,689,712**	**47,958,770**	**15,400,279**	**213,460,765**

	2019					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	2,907,134	26,098,730	60,493,797	10,860,468	100,360,129
Lease liabilities	–	62,393	194,016	886,218	1,766,368	2,908,995
Trade and bills payables	9,072,301	–	–	–	–	9,072,301
Other payables and accruals	11,308,048	–	–	–	–	11,308,048
Due to joint ventures	37,742,306	–	–	–	–	37,742,306
Due to associates	1,345,495	–	–	–	–	1,345,495
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties	16,765,473	–	–	–	–	16,765,473
Guarantees given to banks in connection with bank loans granted to joint ventures and associates	29,362,515	–	–	–	–	29,362,515
	105,596,138	2,969,527	26,292,746	61,380,015	12,626,836	208,865,262

44. Financial Risk Management Objectives and Policies *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is the net borrowings (total bank and other borrowings net of cash and cash equivalents and restricted cash) divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of the reporting periods were as follows:

	2020 RMB'000	2019 RMB'000
Net borrowings	**33,280,134**	28,843,545
Total equity	**53,916,691**	38,242,591
Gearing ratio	**61.7%**	75.4%

45. Comparative Amounts

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

As further explained in note 2.2 to the financial statements, due to Policy Change during the current year, the presentation of certain items in the consolidated statement of cash flows has been revised to comply with the new accounting policy. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

46. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**52,067**	43,417
Interests in subsidiaries	**32,892,729**	25,475,332
Interests in joint ventures	**10,962,238**	10,925,047
Total non-current assets	**43,907,034**	36,443,796
CURRENT ASSETS		
Prepayments, other receivables and other assets	**295,786**	229,678
Due from subsidiaries	**6,250,851**	6,653,268
Cash and cash equivalents	**686,229**	4,384,582
Total current assets	**7,232,866**	11,267,528
CURRENT LIABILITIES		
Trade payables	**11,884**	14,025
Other payables and accruals	**3,757,256**	1,852,122
Due to joint ventures	**4,810,732**	3,595,348
Interest-bearing bank and other borrowings	**11,522,598**	7,964,107
Total current liabilities	**20,102,470**	13,425,602
NET CURRENT LIABILITIES	**(12,869,604)**	(2,158,074)
TOTAL ASSETS LESS CURRENT LIABILITIES	**31,037,430**	34,285,722
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**28,863,612**	33,799,848
Other payables and accruals	**167,045**	152,992
Deferred tax liabilities	**76,033**	–
Total non-current liabilities	**29,106,690**	33,952,840
NET ASSETS	**1,930,740**	332,882
EQUITY		
Issued capital	**304,474**	304,148
Treasury shares	**(1,723)**	(176)
Reserves (note)	**1,627,989**	28,910
TOTAL EQUITY	**1,930,740**	332,882

46. Statement of Financial Position of the Company *(continued)*

Note:

A summary to the Company's reserves is as follows:

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 1 January 2019		3,653,876	308,006	(1,106,179)	28,776	(1,274,185)	1,610,294
Final 2018 dividend declared	31	(983,962)	–	–	–	–	(983,962)
Share-based compensation expenses		–	–	–	21,234	–	21,234
Shares issued as scrip dividend during the year	31	5,263	–	–	–	–	5,263
Vested awarded shares transferred to employees	31	15,310	–	–	(15,435)	–	(125)
Interim 2019 dividend	31	(1,020,309)	–	–	–	–	(1,020,309)
Profit for the year		–	–	–	–	578,898	578,898
Exchange differences on translation into presentation currency		–	–	(182,383)	–	–	(182,383)
At 31 December 2019 and 1 January 2020		**1,670,178**	**308,006**	**(1,288,562)**	**34,575**	**(695,287)**	**28,910**
Share options exercised	31	**4,724**	**-**	**-**	**(807)**	**-**	**3,917**
Share-based compensation expenses	32	**-**	**-**	**-**	**19,487**	**-**	**19,487**
Vested awarded shares transferred to employees	31	**19,251**	**-**	**-**	**(19,425)**	**-**	**(174)**
Shares issued as scrip dividend during the year	31	**11,817**	**-**	**-**	**-**	**-**	**11,817**
Final 2019 dividend declared	31	**(1,334,360)**	**-**	**-**	**-**	**-**	**(1,334,360)**
Interim 2020 dividend	31	**(371,610)**	**-**	**-**	**-**	**(899,610)**	**(1,271,220)**
Profit for the year		**-**	**-**	**-**	**-**	**3,815,720**	**3,815,720**
Exchange differences on translation into presentation currency		**-**	**-**	**728,918**	**-**	**-**	**728,918**
Distribution in specie	11	**-**	**-**	**-**	**-**	**(375,026)**	**(375,026)**
At 31 December 2020		**-**	**308,006**	**(559,644)**	**33,830**	**1,845,797**	**1,627,989**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation of the Group in preparation for the listing of the Company, over the nominal value of the Company's shares in exchange therefor.

The equity-settled share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

47. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 March 2021.

Major Properties held by the Group

Property	The Group's interest (%)	Location	Site area ('000 sq.m.)	Total GFA ('000 sq.m.)	Usage	Expected date of completion
Major completed properties held for sale						
KWG Center II	100	Tongzhou District, Beijing	17	56	Serviced apartment, office and commercial	N/A
Summer Terrace	100	Haidian District, Beijing	13	32	Residential and commercial	N/A
The Summit	100	Zengcheng District, Guangzhou	994	1,638	Residential, villa, serviced apartment, office and commercial	N/A
The Sapphire	100	Xiangcheng District, Suzhou	327	885	Residential,serviced apartment, office and commercial	N/A
Vision of World	100	Fengxian District, Shanghai	80	206	Residential, serviced apartment, commercial and hotel	N/A
Essence of City	100	Zengcheng District, Guangzhou	96	354	Residential, villa and commercial	N/A
Chengdu Cosmos	100	South New District, Chengdu	149	1,034	Residential, serviced apartment, office and commercial	N/A
Major properties under development						
Richmond Greenville	100	Tianhe District, Guangzhou	47	101	Residential	2022
Oriental Dawn	50	Jianggan District, Hangzhou	64	128	Residential and commercial	2022
The Summit	100	Zengcheng District, Guangzhou	797	1,112	Residential, villa, serviced apartment, office and commercial	2021
Lakeside Mansion	100	Zengcheng District, Guangzhou	124	352	Residential and commercial	2022
Swan Harbor Park	30	Wuzhong District, Jiangsu	85	345	Residential, serviced apartment, office and commercial	2021
The Riviera	51	Shunde District, Foshan	92	166	Residential and commercial	2022
Precious Mansion	77	Jianggan District, Hangzhou	43	108	Residential, villa, office and commercial	2022
Moonlit River	50	Wuzhong District, Jiangsu	42	115	Residential	2022

Property	The Group's interest) (%)	Usage	
Major investment properties			
International Finance Place, Plot J-6, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC	100	Office and commercial	Medium term lease
International Metropolis Plaza, 58 Yaoyuan Road, Pudong new area, Shanghai, the PRC	75.5	Office and commercial	Medium term lease

Five Year Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

Consolidated Results

	Year ended 31 December				
	2016 RMB'000 (Restated)	2017 RMB'000 (Restated)	2018 RMB'000 (Restated)	2019 RMB'000 (Restated)	**2020** **RMB'000**
Continuing operations					
Revenue	8,495,206	11,087,739	6,911,750	23,941,953	**29,742,063**
Profit before tax from continuing operations	4,490,802	5,497,429	5,286,922	13,368,449	**10,062,908**
Income tax expenses	(1,056,920)	(1,936,564)	(1,211,770)	(3,497,352)	**(3,397,779)**
Profit for the year from a discontinued operation	27,724	44,148	79,682	184,987	**236,180**
Profit for the year	3,461,606	3,605,013	4,154,834	10,056,084	**6,901,309**
Attributable to:					
Owners of the Company	3,464,714	3,620,071	4,035,415	9,805,813	**6,676,592**
Non-controlling interests	(3,108)	(15,058)	119,419	250,271	**224,717**
	3,461,606	3,605,013	4,154,834	10,056,084	**6,901,309**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	RMB115 cents	RMB117 cents	RMB128 cents	RMB309 cents	**RMB210 cents**

Consolidated Assets, Liabilities and Equity

	As at 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
ASSETS					
Non-current assets	35,795,122	53,206,924	63,761,404	84,577,931	**94,396,477**
Current assets	74,946,688	81,738,114	120,775,757	129,744,748	**137,801,902**
Total assets	110,741,810	134,945,038	184,537,161	214,322,679	**232,198,379**
LIABILITIES					
Current liabilities	47,308,585	49,407,316	90,697,356	109,671,769	**121,113,896**
Non-current liabilities	39,424,313	57,292,029	62,067,796	66,408,319	**57,167,792**
Total liabilities	86,732,898	106,699,345	152,765,152	176,080,088	**178,281,688**
EQUITY					
Equity attributable to owners of the Company	23,950,445	27,607,284	28,778,564	35,794,758	**43,534,877**
Non-controlling interests	58,467	638,409	2,993,445	2,447,833	**10,381,814**
Total equity	24,008,912	28,245,693	31,772,009	38,242,591	**53,916,691**

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