

ANNUAL REPORT 2019

寶龍地產控股有限公司

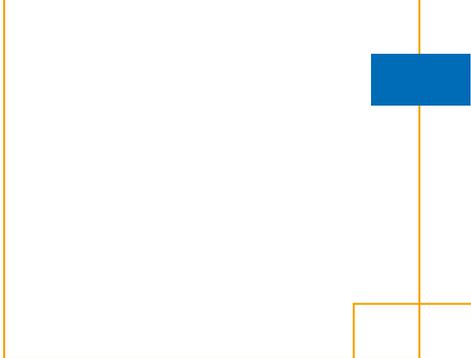
POWERLONG REAL ESTATE HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

Stock code : 1238







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GROUP INTRODUCTION

Powerlong Real Estate Holdings Limited (1238.HK) (the “**Company**” or “**Powerlong**”) and its subsidiaries (collectively as the “**Group**”) are dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 14 October 2009. The Group is committed to improving the living standards of the citizens and driving the urbanization progress in the People’s Republic of China (“**China**” or the “**PRC**”).

The Group developed, owned and operated 155 real estate projects as at 31 December 2019. Powerlong Plaza, which comprises of shopping malls, restaurants, leisure and other recreational facilities, has embedded a unique business model drawing extensive attention and recognition from the government and the public. Each project not only promotes the regional economic development, but also improves the retail facilities of the cities and creates job opportunities. The improvement of people’s living standard is a key driver for city quality improvement.

The successful development of the Group is attributable to the innovative vision of the Chairman of the Company, Mr. Hoi Kin Hong, who has instilled his insights and visions since the beginning of the Group’s corporate development and driven its evolvement along the way. The Group will continue to uphold the belief of “Honest, Modest, Innovative, Devoted” and build up an efficient and excellent team to create values for society, customers, shareholders and its staff.



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong (Chairman of the Board)
Mr. Hoi Wa Fong (Chief executive officer)
Mr. Xiao Qing Ping
Ms. Shih Sze Ni
Mr. Zhang Hong Feng (Deputy chief executive officer)

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Mr. Ding Zu Yu

AUDIT COMMITTEE

Mr. Ngai Wai Fung (Chairman)
Mr. Mei Jian Ping
Mr. Ding Zu Yu

REMUNERATION COMMITTEE

Mr. Mei Jian Ping (Chairman)
Mr. Hoi Wa Fong
Mr. Ding Zu Yu

NOMINATION COMMITTEE

Mr. Hoi Kin Hong (Chairman)
Mr. Mei Jian Ping
Mr. Ding Zu Yu

COMPANY SECRETARY

Ms. Xiao Ying Lin

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
Ms. Xiao Ying Lin

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

Unit 5603, 56th Floor
The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Powerlong Tower
1399 Xinzhen Road
Minhang District
Shanghai
PRC
Postal Code: 201101

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Communication Co., Ltd.
Agricultural Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Bank of China Limited
China Minsheng Banking Corp., Ltd.
China CITIC Bank Corporation Limited
The Bank of East Asia Limited
China Everbright Bank Co., Ltd.
Ping An Bank Co., Ltd.

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

HONG KONG LEGAL ADVISOR

Sidley Austin

WEBSITE

www.powerlong.com

MILESTONES AND AWARDS

APR

- Official launch of 'Power Sun', the strategic collaboration between Powerlong and Tencent

SEP

- Successful opening of Shaoxing Paojiang Powerlong Plaza in Zhejiang

JUL

- Successfully issued US\$170 million 6.95% senior notes due 2023

OCT

- Celebrated 10th year of Powerlong's listing on the Stock Exchange
- Completed Powerlong's inaugural top-up placement of 146,600,000 shares

DEC

- Successfully spun off property management company, Powerlong Commercial Management Holdings Limited, listed on the Main Board of the Stock Exchange
- Successful opening of 4 Powerlong plazas namely Tianjin Binhai Powerlong Plaza, Shanghai Baoyang Powerlong Plaza, Ningbo Yinzhou Powerlong Plaza and Nanjing Gaochun Powerlong Plaza

NOV

- Strategically initiated movement into the Guangdong-Hong Kong-Macau Bay Area, securing the first project in the Gaoxin Area of Zhuhai
- Successfully issued US\$300 million 7.125% senior notes due 2022
- Successful opening of Hangzhou Lin'an Powerlong Plaza

MILESTONES AND AWARDS



CORPORATE AWARDS

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

- 2019 China TOP 100 Real Estate Developers
- 2006-2019 China TOP 100 Real Estate Developers for fourteen consecutive years
- 2019 China Excellent Brand Real Estate Developers
- 2019 TOP 10 Brands of China Commercial Real Estate Companies
- 2019 TOP 10 Brands of China Commercial Real Estate Projects – Powerlong Plaza
- 2018-2019 China Real Estate Developers with High Social Responsibility
- 2019 China Excellent Commercial Real Estate Developers
- 2019 China Benchmarking Commercial Real Estate Developers
- 2019 China Excellent Listed Real Estate Company by Commercial Operation
- 2019 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by EVA (Economic Value Added)
- 2019 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Financial Stability
- 2019 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value

China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal

- 2019 Best 10 of China Commercial Real Estate Developers with Comprehensive Strengths
- 2019 Best 50 of China Real Estate Developers
- 2019 Best 10 of China Real Estate Developers with Corporate Responsibility

Green Ranking

- 2019 Top 10 Chinese Green Property (Commercial) Award
- 2019 Top 10 Chinese Green Property Award
- 2019 Top 50 Chinese Real Estate Developers Green Credit Index (Mid-term)
- 2019 Top 10 Chinese Green Property – Shanghai Qingpu Powerlong Plaza

Media and other Social Association Awards

- 2019 Leading Commercial Property Developer (awarded by Yicai)
- 2019 Competent Brand Enterprise (awarded by people.cn)
- Glory for 20 years – Influential Real Estate Developer (awarded by Sohu.com)
- 2019 Enterprise with the Best Brand Influence (awarded by Baidu)
- Award for Enterprise with Excellent Contribution (awarded by Shanghai Minhang District Qibao People's Government)
- 2019 China Top 100 Commercial Real Estate (awarded by Guandian)
- 2019 Influential Real Estate Developers in China (awarded by Guandian)
- 2019 Top 30 of China Commercial Real Estate Developer with Management Capability (awarded by Guandian)
- 2019 Top 30 Value of Chinese Commercial Real Estate Brand (awarded by Guandian)
- 2019 Top 30 of China Commercial Real Estate Developer with Operating Capability (awarded by Guandian)
- 2019 Top 100 of China Real Estate Excellence (awarded by Guandian)



- the 9th anniversary (2019) IF China Commercial Real Estate Summit-Outstanding Enterprise (awarded by The Economic Observer)
- the 9th anniversary (2019) IF China Commercial Real Estate Summit-Outstanding Project – Xiamen Powerlong One Mall (awarded by The Economic Observer)
- 2019 China Valuable Real Estate Awards – Valuable Real Estate Listed Companies of the Year (awarded by National Business Daily)
- 2019 Best Commercial Real Estate Operator (awarded by The Times Weekly)
- 2019 Leading Enterprise in Commercial Property Sector (awarded by 21st Century Economic Journal)
- 2019 Chinese Listed Company Outstanding Commercial Real Estate Practice (awarded by Finance Sector)
- China Commercial Real Estate Developer Best Overall Strengths Top10 (awarded by "China-CRB")
- 2019 China Real Estate Green Procurement "Golden Partner" Award (awarded by "China-CRB")
- 2019 China Top100 Commercial Real Estate Developers; 2019 Top100 Brands of China Commercial Real Estate Companies (awarded by "China Real Estate Data Academy")
- China Commercial Real Estate Award for Operations and Management Innovation – Powerlong One Mall (awarded by "2019 (16th) China Commercial Real Estate Industry Development Forum")
- 2019 Human Resources Management Excellence Award (awarded by "51 job")

PERSONAL AWARDS RECEIVED BY MR. HOI KIN HONG

- 2019 Top 100 Contributors to the Real Estate Industry in China (awarded by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Institute of Real Estate Studies, China Index Academy)
- 2019 Contributors to the Real Estate Brands in China (awarded by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Institute of Real Estate Studies, China Index Academy)
- Fujian Province Outstanding Constructor of the Economy within Non-public Sector (awarded by the Fujian People's Government)

PERSONAL AWARDS RECEIVED BY MR. HOI WA FONG

- 2019 Top 10 Gold-Medal CEO of China Real Estate Listed Companies (awarded by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Institute of Real Estate Studies, China Index Academy)
- Key Contributor to Facilitating the Construction of Socialism with Chinese Characteristics (awarded by "Shanghai Non-local Enterprises Federation")
- Key Contributor to Chinese Real Estate for Seven Glorious Decades (awarded by "China-CRB")
- 2019 Top30 Influential Real Estate Individuals in China (awarded by Guandian)
- 2019 Top100 Chinese Commercial Real Estate Individuals (awarded by "China Real Estate Data Academy")
- Leading Commercial Property Individuals (awarded by "China Commercial Real Estate Industry Development Forum")

CHAIRMAN'S STATEMENT



Facing the intense international competition, as a PRC enterprise, the Company strives to keep up its business growth rate and quality standards so as to stay aligned with the economic development of the country. The Group will be persistent in its pursuit of better performance.

HOI KIN HONG
Chairman

DEAR SHAREHOLDERS,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, I am pleased to present to all shareholders the audited annual results of the Group for the year ended 31 December 2019. Amidst the ongoing effect of a long-term mechanism in the real estate market and the overall stability of the real estate market, the Group precisely comprehended the market trend and made substantial achievement in pushing ahead its strategic moves.

During the year ended 31 December 2019, the Group realized a revenue of RMB26,042 million and profit attributable to owners of RMB4,041 million, representing year-on-year increases of approximately 32.9% and 42.4%, respectively. Basic earnings per share was RMB100.4 cents. The Board recommended the payment of a final dividend of HK\$27.0 cents per ordinary share for the year ended 31 December 2019 (the “**Final Dividend**”), and a special dividend of HK\$4.0 cents per ordinary share (the “**Special Dividend**”) to mark the 10th anniversary of the Company's listing and to reward the shareholders of the Company for their continued support. Together with the interim dividend of HK\$9.0 cents per ordinary share for the six months ended 30 June 2019, the total dividend for the year amounted to HK\$40.0 cents per ordinary share, representing an increase of approximately 33.3% as compared with the corresponding period in 2018.

CONTRACTED SALES HITTING ANOTHER RECORD HIGH

During the year ended 31 December 2019, the Group's annual contracted sales target was further raised to RMB55,000 million. For the year ended 31 December 2019, the Group's contracted sales hit another record high, reaching RMB60,350 million and a year-on-year growth of 47.1%, and fully meeting the annual target.

The reasons for the Group's contracted sales hitting record high were multifaceted. The sound performance was attributable to the Group's ongoing efforts in strengthening product research and development and precise positioning of its products; the Group's pursuit of high quality, under which the Group's capability in handling large-scale projects was further uplifted. There

were a total of six single projects reaching contracted sales of more than RMB2,000 million. During the year ended 31 December 2019, key contributing projects, including those of the Group's subsidiaries and joint ventures, were located in Ningbo, Hangzhou, Wenzhou, Shaoxing, Jinhua, Nanjing and Haikou.

REMARKABLE RESULTS IN EXPANSION OF LAND BANK

The Group continued to adhere to the development strategy of “Focusing on Shanghai with Intensive Development in the Yangtze River Delta”, and precisely laid out strategic plans and grasped the policy directions. Through strict compliance with the principle of value investment, the Group remained diversified in its land acquisition channels and increased 41 parcels of quality land during the year ended 31 December 2019.

As at 31 December 2019, the Group had 155 projects across China, including 113 projects in the Yangtze River Delta, accounting for 72.9% of the Group's portfolio nationwide, given the Group's precise planning in strategic key cities, value investment with reasonable costs, perseverance in diversified expansion, as well as extension in resource integration and strategic cooperation with leading enterprises in the industry. The Group's first project in Zhuhai was acquired during the year ended 31 December 2019. In future, the Guangdong-Hong Kong-Macau Bay Area with Zhuhai as the core city will be identified as one of the strategic target markets and regions for expansion, in which the Group will establish strong presence.

As at 31 December 2019, the Group had a land bank amounting to a total gross floor area (“**GFA**”) of approximately 29.7 million square meters, which is expected to be sufficient for the property development of the Group in the next three to five years. Currently, more than approximately 70.0% of the land bank of the Group is located in Yangtze River Delta Region. From the perspective of the geographical location of the Group's land bank, current land bank in the first-tier and second-tier cities represents an aggregate of 61.0% of the Group's land bank under development and held for future development. Therefore, the Group is confident that its quality land resources will continuously drive the Group's long-term and healthy development.

NEW OPPORTUNITIES IN COMMERCIAL MANAGEMENT SERVICES

The spin-off and successful listing of Powerlong Commercial Management Holdings Limited (“Powerlong CM”, stock code: 9909.HK), a subsidiary of the Group, on the Main Board of the Stock Exchange on 30 December 2019 will foster the rapid development of the Group’s commercial management services.

During the year ended 31 December 2019, the Group completed six project commencement missions. The Group has always seen the uplift of capability in commercial operational management as one of the most crucial direction for its management. As at 31 December 2019, the Group held and managed 42 shopping malls and managed three asset-light projects, outperforming other industry players in terms of quantity and GFA of managed projects.

Among all projects that were opened during the year ended 31 December 2019, Shanghai Baoyang Powerlong Plaza (上海寶楊寶龍廣場), as a benchmark project of the Group in this year, underwent effective explorations in community mall implementation. With the organic integration by the “Mall+ Commercial Street” architecture model, it achieved a 100% tenancy rate and a customer flow of more than 300,000 on the first day of operation.

Having entered the commercial real estate industry for 16 years, the Group has been awarded TOP 10 Brands of China Commercial Real Estate Companies (中國商業地產公司品牌價值十強) for nine consecutive years. Powerlong Plazas operated by the Group have been awarded TOP 10 Brands of China Commercial Real Estate Companies (中國商業地產公司品牌價值十強) for ten consecutive years.

ONGOING IMPROVEMENT IN THE STRUCTURE AND COSTS OF FINANCING

In optimizing debt structure, the Group has diversified its financing channels in order to maintain the finance costs at a relatively low level. During the year ended 31 December 2019, despite the relatively tight financing environment for the real estate industry, the Group’s consolidated effective interest rate was slightly decreased to 6.47% when compared to that in the previous year. The net gearing ratio of the Group decreased to 81.2%, which was primarily attributable to the ongoing management of the Group’s financial leverage for the purpose of sustainable growth.

As at 31 December 2019, cash and cash equivalents and restricted cash of the Group amounted to RMB23,671 million, the loans maturing within one year amounted to RMB15,321 million, securing sound liquidity.

OUTLOOK

The year 2020 is the second year to implement ideas under the 19th National Congress of the Communist Party of China. Looking ahead to the year 2020, with continuous stability of monetary and financial policies, constant upward momentum of economic growth, and the significant effect of regulation under long-term effective mechanism of real estate policies, the medium and long-term conditions in the PRC real estate market will be sound, stable, healthy and in order.

The real estate industry remains at a large scale and is still a pillar industry supporting China’s economy. High-quality and focused development will remain the keynote of the country’s real estate industry. In the face of an ever-changing market, the Group has a new mission of “Create Space Full of Love”, to link up living space with the well-being of everything, achieve sustainable development, and create the best experience of living space and services. The Group aims at becoming a century-lasting and well-respected enterprise, and continually enhancing and solidifying its leading position in the real estate industry and the commercial operation and management sector of the PRC.

Since the outbreak of the novel coronavirus epidemic (COVID-19), the Chinese Communist Party and different levels of the Chinese government have paid high regards thereto. Comprehensive emergency plans have been adopted and implemented with a view to bringing the epidemic under control. In response to the Chinese government’s call, the Group has acted proactively including making donations and adopting various rental reduction measures to support business tenants, and the Company has conducted share buy-back in January 2020 to reflect its confidence in the long-term strategy and the prospects of the Company. Whilst stirring China’s real estate market at the beginning of 2020, the full-year effect is expected to be minimal. Despite causing delay in construction works and commencement of project sales and in turn disrupting the pace of the Group’s planned project sales, the Group managed to adjust the supply cycle and structure in a timely manner, thereby mitigating

the respective risk factors. The management is fully confident of the long-term development of the real estate industry in the PRC and of the Group going forward.

Based on the current trend, the Group will further increase its contracted sales target for 2020 to RMB75,000 million. High turnover will remain the main theme of the Group's sales strategies. The Group intends to upgrade its "369" development model, for better sell-through rates and faster cash inflow. The Group will also continue to build its internal control mechanism and organizational structure in line with the scale of its sales, with full participation in development and operation, and enhance its professional and project-specific marketing capabilities.

In future, novel urbanization will continue to improve in terms of quality. The Group will continue to enhance its superiority in terms of land bank. In line with the Chinese government's strategy of "Integration Development of the Yangtze River Delta"(長三角一體化), the Group will adhere to the intensive development in this region with a focus on Shanghai. At the same time, the Group will also see the Zhuhai-centered Guangdong-Hong Kong-Macau Bay Area as a key focal market in which it will further expand and develop its business. In key regional hubs, the Group will strengthen market tracking and research, adhere to precise product positioning, and strictly comply with the principle of value investment in acquiring land bank.

The year 2020 will be a year of frequent opening of shopping centres. The Group will integrate its significant resources to ensure the opening of 11 shopping centres within the year. Leveraging the spin-off and separate listing of its subsidiary, Powerlong CM, on the Main Board of the Stock Exchange, the Group will focus on building up core competence of Powerlong CM, enhancing the organizational capability in commercial management, and achieving leap-frog development. At the same time, the Group will continue to uphold its customer-centered philosophy and stress the importance of customer experience, uplift its capability in tenant sourcing, enhance service quality, and create commercial spaces with love. For digitalization, the Group will continue to probe the implementation of the tech-enabled "new commerce" strategies. The Group will further enhance its commercial asset management system and uplift returns on assets.

The Group will continue to foster a steady and safe system of financial control, with intensive efforts on the enhanced digitized development of financial management for better management effectiveness. Meanwhile, the Group will control the overall debt scale, optimize its financing structure, constantly enhance its financing capability and lower its financing cost.

The Group will continue to proactively promote the parallel development of both its talents and the enterprise, ensuring the achievement of professionalism, competency and cultural recognition. The Group will establish a platform and create opportunities for the career development of its staff and fully unleash their vibrancy.

The Board believes in "concerted efforts, love and care". The Group will firmly adhere to its targets, gather the wisdom and power of all fellow folks of Powerlong, to build the Group into an ambitious and well-respected benchmarking player in the PRC real estate industry with even greater success.

APPRECIATION

The year marked the tenth anniversary of the Company's listing on the Main Board of the Stock Exchange. In tandem with the overall development of China's real estate market and the continual achievement of the operating goals of the Group, the Company also achieved leap-frog enhancement in its corporate governance and value creation, which would not have been possible without the strenuous support of the community at large. On behalf of the Board, I would like to express my gratitude to the Company's shareholders, investors, customers and business partners for their trust and support, and to the staff members for their devotion and perseverance. The Group will remain firm on its beliefs, continue to provide products and services of ever better quality to its customers, and create better return for its shareholders and investors, and create better value for the society.

Hoi Kin Hong
Chairman

9 March 2020

OVERVIEW OF BUSINESS

Total GFA of approximately

48.2

million sq.m.

CHINA



OVERVIEW

Property Development

As at 31 December 2019, the Group owned and operated 155 property development projects which are at different phases of development. The Group currently has 38 fully completed projects, among which 11 in Shanghai Municipality, 7 in Jiangsu Province, 3 in Zhejiang Province, 2 in Anhui Province, 6 in Shandong Province, 1 in Henan Province and 8 in Fujian Province. The Group had 117 projects under development or held for future development, among which 6 are located in Shanghai Municipality, 24 in Jiangsu Province, 60 in Zhejiang Province, 2 in Hainan Province, 5 in Tianjin Municipality, 6 in Shandong Province, 2 in Henan Province, 1 in Chongqing Municipality, 1 in Sichuan Province, 8 in Fujian Province and 2 in Guangdong Province.

Property Investment

As at 31 December 2019, the Group held investment properties, mainly shopping malls, with a total GFA of approximately 5,076,029 square meters. These shopping malls are located at Shanghai Municipality; Nanjing, Zhenjiang, Wuxi, Changzhou, Suqian and Yancheng in Jiangsu Province; Hangzhou, Shaoxing and Ningbo in Zhejiang Province; Bengbu and Fuyang in Anhui Province; Yantai, Tai'an and Qingdao in Shandong Province; Chongqing Municipality; Tianjin Municipality; Fuzhou, Xiamen and Quanzhou in Fujian Province; and Zhengzhou, Luoyang and Xinxiang in Henan Province.

Property Management Services

The Group provides commercial operation and residential property management services to the projects developed by the Group and other third parties. For commercial operation service, it includes market positioning and business tenant sourcing services, commercial operation and management services and other value-added services. For residential property management service, it includes pre-sale management service, property management service and community value-added services ("**Property Management Services**").

Hotel Development

The Group continued to develop its hotel business as a source of long-term recurring income, including the core businesses of international branded hotels and self-owned branded chain hotels. As at 31 December 2019, the Group owned and managed nine international branded hotels and eight self-owned branded chain hotels.



OVERVIEW OF BUSINESS

GFA (AS AT 31 DECEMBER 2019)

As at 31 December 2019, the development status of the property projects of the Group was as follows:

Province/ municipality	Project	Type	Total GFA ('000 sq.m)	Properties completed ('000 sq.m)	Properties under development ('000 sq.m)	Properties held for future development ('000 sq.m)	
Shanghai Municipality	Shanghai Baoyang Powerlong Plaza (上海寶楊寶龍廣場)	Commercial	270	0	270	0	
	Shanghai Caolu Powerlong Plaza (上海曹路寶龍廣場)	Commercial	167	167	0	0	
	Shanghai Fengxian Powerlong Plaza (上海奉賢寶龍廣場)	Commercial	179	179	0	0	
	Shanghai Guozhan Powerlong City (上海國展寶龍城)	Commercial	313	0	313	0	
	Shanghai Hongqiao Powerlong Land (上海虹橋寶龍天地)	Commercial/ residential	309	309	0	0	
	Shanghai Jiading Powerlong Plaza (上海嘉定寶龍廣場)	Commercial	193	193	0	0	
	Shanghai Jiading New Town Office Project (上海嘉定新城辦公項目)	Commercial	157	0	0	157	
	Shanghai Jiuting Center (上海九亭中心)	Commercial	306	306	0	0	
	Shanghai Lingang Powerlong Plaza (上海臨港寶龍廣場)	Commercial	86	86	0	0	
	Shanghai Lingang Powerlong Mansion (上海臨港寶龍世家)	Commercial/ residential	85	85	0	0	
	Shanghai Longshu Tianlang (上海龍湖天琅)	Commercial	139	0	139	0	
	Shanghai Luodian Powerlong Plaza (上海羅店寶龍廣場)	Commercial	36	36	0	0	
	Shanghai Qibao Powerlong Plaza (上海七寶寶龍城)	Commercial	408	408	0	0	
	Shanghai Qingpu Powerlong Plaza (上海青浦寶龍廣場)	Commercial	348	348	0	0	
	Shanghai Wujing Powerlong Plaza (上海吳淞寶龍廣場)	Commercial	98	98	0	0	
	Shanghai Wujing Powerlong Plaza Phase II (上海吳淞寶龍廣場二期)	Commercial	83	14	69	0	
	Shanghai Yangpu District Huanchuang Centre (上海楊浦環創中心)	Commercial	175	0	175	0	
	Sub-total	17	-	3,352	2,229	966	157
	Zhejiang Province	Hangzhou Powerlong Taoyuan Project (杭州寶龍桃源項目)	Commercial	202	0	202	0
		Hangzhou Binjiang Powerlong City (杭州濱江寶龍城)	Commercial	435	192	243	0
Hangzhou Future Tech City Powerlong Plaza (杭州未來科技城寶龍廣場)		Commercial	344	0	344	0	
Hangzhou Dajiangdong Powerlong Plaza (杭州大江東寶龍廣場)		Commercial/ residential	483	184	299	0	
Hangzhou Donghu City (杭州東湖城)		Commercial	329	279	0	50	
Hangzhou Fuyang Powerlong Plaza (杭州富陽寶龍廣場)		Commercial	193	193	0	0	
Hangzhou Lin'an Powerlong Plaza (杭州臨安寶龍廣場)		Commercial/ residential	386	0	386	0	
Hangzhou Lin'an Powerlong Xuhui City (杭州臨安寶龍旭輝城)		Commercial	501	0	501	0	
Hangzhou Lin'an Chengdong A-32 Land Lot Project (杭州臨安城東A-32地塊項目)		Residential	86	0	86	0	
Hangzhou Lin'an Jinnan (Northern Land Lot) Project (杭州臨安錦南北地塊項目)		Commercial/ residential	127	0	127	0	
Hangzhou Lin'an Jinnan New Town Metro Suprastructure Project (杭州臨安錦南新城地鐵上蓋項目)		Commercial/ residential	203	0	0	203	
Hangzhou Xiasha Powerlong Plaza (杭州下沙寶龍廣場)		Commercial	357	357	0	0	
Hangzhou Xiaoshan Powerlong Plaza (杭州蕭山寶龍廣場)		Commercial	223	223	0	0	
Hangzhou Liangzhu New Town Gouyang Road Land Lot Project (杭州良渚新城勾陽路地塊項目)		Commercial/ residential	699	0	0	699	
Ningbo TOD Fengyong New Town 1-18/21 Land Lot Jinyuan (寧波TOD奉甯新城1-18/21地塊錦園)		Residential	34	0	34	0	
Ningbo TOD Fengyong New Town 3-02 Land Lot Qinxueyuan (寧波TOD奉甯新城3-02地塊沁學園)		Residential	57	0	57	0	

Province/ municipality	Project	Type	Total GFA ('000 sq.m)	Properties completed ('000 sq.m)	Properties under development ('000 sq.m)	Properties held for future development ('000 sq.m)
	Ningbo TOD Fengyong New Town 3-08 Land Lot Yongyuan (寧波TOD奉甬新城3-08地塊雅園)	Residential	50	0	50	0
	Ningbo TOD Fengyong New Town 3-14 Land Lot Yunshang Jiyuan (寧波TOD奉甬新城3-14地塊雲尚嘉園)	Commercial/ residential	329	0	329	0
	Ningbo TOD Fengyong New Town 3-18 Land Lot Shuoyuan (寧波TOD奉甬新城3-18地塊碩園)	Commercial/ residential	120	0	120	0
	Ningbo TOD Fengyong New Town 4-17 Land Lot Project (寧波TOD奉甬新城4-17地塊項目)	Residential	217	0	0	217
	Ningbo TOD Fengyong New Town 4-23 Land Lot Project (寧波TOD奉甬新城4-23地塊項目)	Residential	96	0	96	0
	Ningbo Yinzhou Powerlong Plaza (寧波鄞州寶龍廣場)	Commercial	134	0	134	0
	Ningbo Powerlong Sanjiang Palace (寧波寶龍三江觀邸)	Residential	144	0	144	0
	Ningbo Powerlong Mansion (寧波寶龍世家)	Residential	121	0	121	0
	Ningbo Powerlong Land (寧波寶龍天地)	Commercial/ residential	63	0	63	0
	Ningbo Powerlong One Mall (寧波寶龍一城)	Commercial/ residential	530	0	530	0
	Ningbo Gaoxin Powerlong Plaza (寧波高新寶龍廣場)	Commercial/ residential	345	0	345	0
	Ningbo Jiangbei Goods Transportation Market Land Lot Project (寧波江北貨運市場地塊項目)	Commercial/ residential	281	0	0	281
	Ningbo Ninghai Old Town Area Featured Culture Street Land Lot Project (寧波寧海老城區特色文化街地塊項目)	Commercial/ residential	85	0	0	85
	Ningbo New Long Island Garden (寧波新長島花園)	Residential	222	0	222	0
	Ningbo Wujiangkou Land Lot Project (寧波五江口地塊項目)	Commercial/ residential	669	0	0	669
	Ningbo Yuyao North Lot A-1 Project (寧波余姚北A-1地塊項目)	Commercial/ residential	126	0	126	0
	Ningbo Yuyao North Lot A-2 Project (寧波余姚北A-2地塊項目)	Commercial/ residential	107	0	107	0
	Jinhua Lanxi Project (金華蘭溪項目)	Commercial/ residential	255	0	0	255
	Jinhua Pan'an Project (金華磐安項目)	Commercial/ residential	296	0	296	0
	Jinhua Yiwu Lugang Powerlong Plaza (金華義烏陸港寶龍廣場)	Commercial/ residential	212	0	212	0
	Jinhua Yiwu Lugang Mentha Garden (金華義烏陸港薄荷苑)	Commercial/ residential	286	0	286	0
	Jinhua Yiwu Meide Powerlong Mansion (金華義烏美的寶龍世家)	Commercial/ residential	285	0	285	0
	Jinhua Yiwu No. 23 Lane Project (金華義烏廿三里項目)	Commercial/ residential	187	0	49	138
	Jinhua Yiwu Qingkou Project (金華義烏青口項目)	Commercial/ residential	291	0	291	0
	Jinhua Yongkang Powerlong Plaza (金華永康寶龍廣場)	Commercial/ residential	348	0	348	0
	Shaoxing Powerlong Mansion (紹興寶龍世家)	Commercial/ residential	579	0	579	0
	Shaoxing Keqiao Project (紹興柯橋項目)	Commercial/ residential	381	0	381	0
	Shaoxing Shangyu Cao'e Scenic Area Land Lot Project (紹興上虞曹娥景區地塊項目)	Commercial/ residential	205	0	205	0
	Shaoxing Xinchang Guanglong Project (紹興新昌廣龍項目)	Commercial/ residential	165	0	165	0

OVERVIEW OF BUSINESS

Province/ municipality	Project	Type	Total GFA ('000 sq.m)	Properties completed ('000 sq.m)	Properties under development ('000 sq.m)	Properties held for future development ('000 sq.m)
	Shaoxing Zhuji Powerlong Plaza (紹興諸暨寶龍廣場)	Commercial/ residential	348	0	348	0
	Shaoxing Zhuji Gaoxin Area Project (紹興諸暨高新區項目)	Residential	360	0	360	0
	Taizhou Jiaojiang Project (台州椒江項目)	Commercial/ residential	330	0	330	0
	Taizhou Luqiao No. 5 Land Lot Project (台州路橋5#地塊項目)	Commercial/ residential	149	0	149	0
	Taizhou Luqiao No. 6 Land Lot Project (台州路橋6#地塊項目)	Commercial/ residential	35	0	35	0
	Taizhou Tiantai Yuehu Lanting (台州天臺越湖蘭庭)	Residential	79	0	0	79
	Taizhou Wenling Living Center (台州溫嶺生活中心)	Commercial/ residential	404	0	404	0
	Wenzhou Powerlong Plaza (溫州寶龍廣場)	Commercial/ residential	482	0	153	329
	Wenzhou Emerald World Project (溫州翡翠天地)	Residential	317	0	317	0
	Wenzhou Pingyang Project (溫州平陽項目)	Residential	78	0	78	0
	Zhoushan Dinghai Powerlong Plaza (舟山定海寶龍廣場)	Commercial/ residential	85	0	85	0
	Zhoushan Dinghai Zhushanmen Project (舟山定海竹山門項目)	Commercial/ residential	92	0	92	0
	Zhoushan Harbour City (舟山海港城)	Commercial	334	0	334	0
	Zhoushan Putuo Powerlong Land (舟山普陀寶龍天地)	Commercial/ residential	224	0	224	0
	Zhoushan Putuo Dagan Project (舟山普陀大幹項目)	Commercial/ residential	53	0	53	0
	Huzhou Wuxing 2019-20 Commercial/ Residential Project (湖州吳興區2019-20商住項目)	Commercial/ residential	179	0	179	0
	Huzhou Changxing Project (湖州長興項目)	Commercial/ residential	187	0	0	187
	Jiaxing Haining Powerlong Mansion (嘉興海寧寶龍世家)	Residential	119	1	118	0
Sub-total	63	-	15,643	1,429	11,022	3,192
Jiangsu Province	Wuxi Powerlong Mansion (無錫寶龍世家)	Commercial/ residential	432	0	186	246
	Wuxi Wangzhuang Powerlong Plaza (無錫旺莊寶龍廣場)	Commercial	287	287	0	0
	Wuxi Xinwu Phase Two Project (無錫新吳二期項目)	Commercial/ residential	302	0	0	302
	Wuxi Dingshu Town No. 17A Land Lot Project (無錫丁蜀鎮17號A地塊項目)	Commercial/ residential	149	0	149	0
	Wuxi Dingshu Town No. 22-26 C-G Land Lot Project (無錫丁蜀鎮22-26號C-G地塊項目)	Commercial/ residential	309	0	309	0
	Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	Commercial/ residential	346	346	0	0
	Changzhou Powerlong Plaza (常州寶龍廣場)	Commercial/ residential	1,057	637	0	420
	Changzhou Fenghuang New Town Project (常州鳳凰新城項目)	Commercial/ residential	328	0	328	0
	Xuzhou Powerlong Palace (徐州寶龍觀邸)	Residential	155	155	0	0
	Xuzhou Fengxian Powerlong Mansion (徐州豐縣寶龍世家)	Commercial/ residential	622	0	351	271
	Xuzhou Fenghuang Yuanzhe (徐州鳳凰源著)	Residential	125	0	125	0

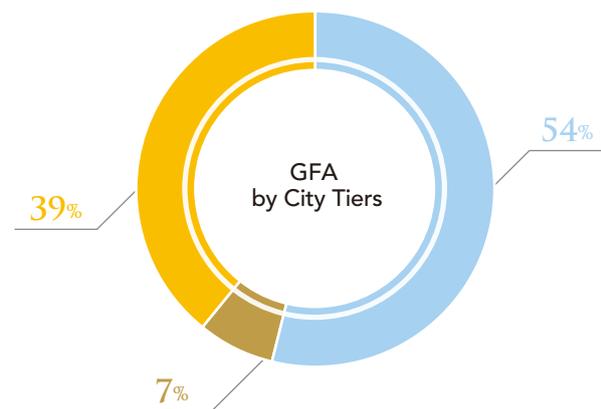
Province/ municipality	Project	Type	Total GFA ('000 sq.m)	Properties completed ('000 sq.m)	Properties under development ('000 sq.m)	Properties held for future development ('000 sq.m)
	Nanjing Metro Project (南京地鐵項目)	Commercial	63	0	63	0
	Nanjing Gaochun Powerlong Plaza (南京高淳寶龍廣場)	Commercial/ residential	234	0	225	9
	Nanjing Gaochun Powerlong Plaza Phase 2 (南京高淳寶龍廣場二期)	Commercial/ residential	138	0	138	0
	Nanjing Jiangning Jinmaoyue (南京江寧金茂悅)	Residential	270	0	270	0
	Nanjing Qixia Yunji 99 (南京棲霞雲集99)	Commercial/ residential	355	0	355	0
	Suzhou Changshu Guli Mingshi Haoting (蘇州常熟古里名仕豪庭)	Residential	179	0	179	0
	Suzhou Changshu Xinzhuang Guanxi Heyuan (蘇州常熟辛莊觀溪和園)	Residential	191	0	191	0
	Suzhou Bay Tianpo (蘇州蘇州灣天鈞)	Commercial/ residential	367	0	367	0
	Suzhou Taicang Powerlong Plaza (蘇州太倉寶龍廣場)	Commercial/ residential	288	266	0	22
	Yancheng Powerlong Plaza (鹽城寶龍廣場)	Commercial/ residential	493	493	0	0
	Yancheng Chengdong Powerlong Plaza (鹽城城東寶龍廣場)	Commercial/ residential	495	0	416	79
	Zhenjiang Powerlong International Garden (鎮江寶龍國際花園)	Residential	382	382	0	0
	Zhenjiang Powerlong Plaza (鎮江寶龍廣場)	Commercial	246	193	53	0
	Zhenjiang Yuefu (鎮江越府)	Commercial/ residential	236	0	236	0
	Suqian Powerlong Plaza (宿遷寶龍廣場)	Commercial/ residential	486	486	0	0
	Nantong Tianpo Garden (南通天鈞花園)	Commercial/ residential	469	0	469	0
	Huai'an Powerlong Land (淮安寶龍天地)	Commercial	159	32	33	94
	Huai'an Qingjiangpu Powerlong Mansion (淮安清江浦寶龍世家)	Commercial/ residential	269	0	200	69
	Taizhou Powerlong Mansion (泰州寶龍世家)	Commercial/ residential	280	0	280	0
	Yangzhou Powerlong Plaza (揚州寶龍廣場)	Commercial/ residential	231	231	0	0
Sub-total	31	-	9,943	3,508	4,923	1,512
Anhui Province	Fuyang Powerlong Plaza (阜陽寶龍廣場)	Commercial/ residential	743	743	0	0
	Bengbu Powerlong Plaza (蚌埠寶龍廣場)	Commercial/ residential	512	512	0	0
Sub-total	2	-	1,255	1,255	0	0
Fujian Province	Quanzhou Anhai Powerlong Haoyuan (泉州安海寶龍豪苑)	Residential	54	54	0	0
	Quanzhou Anxi Powerlong Plaza (泉州安溪寶龍廣場)	Commercial/ residential	322	322	0	0
	Quanzhou Jinjiang Powerlong Plaza (泉州晉江寶龍廣場)	Commercial/ residential	771	771	0	0

OVERVIEW OF BUSINESS

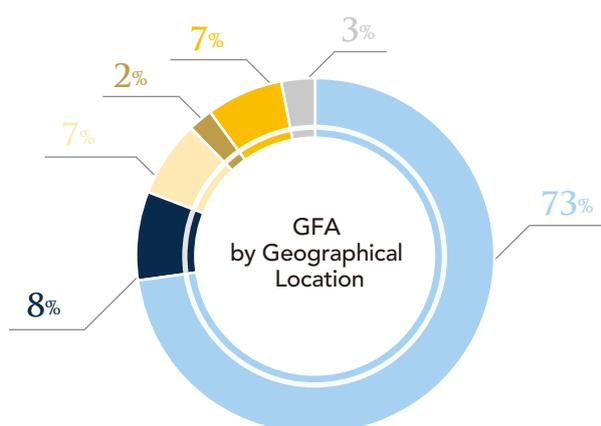
Province/ municipality	Project	Type	Total GFA ('000 sq.m)	Properties completed ('000 sq.m)	Properties under development ('000 sq.m)	Properties held for future development ('000 sq.m)
	Quanzhou Jinjiang Powerlong Golden Jiayuan (泉州晉江寶龍金色家園)	Residential	144	144	0	0
	Quanzhou Jinjiang Powerlong Mansion (泉州晉江寶龍世家)	Commercial/ residential	159	159	0	0
	Quanzhou Jinjiang Xintang Powerlong Mansion (泉州晉江新塘寶龍世家)	Commercial/ residential	192	0	192	0
	Quanzhou Jinjiang Xintang Park Project (泉州晉江新塘園區項目)	Commercial/ residential	346	0	346	0
	Quanzhou Taitou Xinghe City (泉州台投星河城)	Commercial/ residential	669	0	669	0
	Quanzhou Yongchun Powerlong Plaza (泉州永春寶龍廣場)	Residential	384	357	27	0
	Xiamen Powerlong One Mall (廈門寶龍一城)	Commercial	383	301	82	0
	Xiamen Powerlong Lakeside Mansion (廈門寶龍禦湖官邸)	Commercial/ residential	78	78	0	0
	Ningde Fuding Nanwan District Lot 905A Project (寧德福鼎南灣片區905A地塊項目)	Commercial/ residential	177	0	0	177
	Ningde Fuding Nanwan District Lot 905B Project (寧德福鼎南灣片區905B地塊項目)	Commercial/ residential	200	0	0	200
	Zhangzhou Powerlong Plaza (漳州寶龍廣場)	Commercial/ residential	227	0	27	200
	Zhangzhou Yunxiao General Avenue No. 1 (漳州雲霄將軍一號)	Residential	111	111	0	0
	Fuzhou Powerlong Plaza (福州寶龍廣場)	Commercial	228	228	0	0
Sub-total	16	-	4,445	2,525	1,343	577
Tianjin Municipality	Tianjin North Green Area Land Lot Project (天津北綠地地塊項目)	Commercial	110	0	0	110
	Tianjin Beitang Julu Qingchuan (天津北塘九里晴川)	Residential	263	0	263	0
	Tianjin Binhai Powerlong Plaza (天津濱海寶龍廣場)	Commercial/ residential	779	711	68	0
	Tianjin Yujiapu Powerlong International Center (天津于家堡寶龍國際中心)	Commercial/ residential	362	258	104	0
	Tianjin Yujing City (天津愉景城)	Residential	288	0	288	0
Sub-total	5	-	1,802	969	723	110
Shandong Province	Qingdao Chengyang Powerlong Plaza (青島城陽寶龍廣場)	Commercial/ residential	794	794	0	0
	Qingdao Jimo Powerlong Plaza (青島即墨寶龍廣場)	Commercial/ residential	618	618	0	0
	Qingdao Jimo Haier Cooperation Project (青島即墨海爾合作項目)	Commercial/ residential	271	0	271	0
	Qingdao Jiaozhou Powerlong Art Villa (青島膠州寶龍大沽河藝術村)	Commercial/ residential	271	126	38	107

Province/ municipality	Project	Type	Total GFA ('000 sq.m)	Properties completed ('000 sq.m)	Properties under development ('000 sq.m)	Properties held for future development ('000 sq.m)
	Qingdao Jiaozhou Powerlong Plaza (青島膠州寶龍廣場)	Commercial/ residential	352	352	0	0
	Qingdao Licang Powerlong Plaza (青島李滄寶龍廣場)	Commercial/ residential	369	369	0	0
	Yantai Haiyang Powerlong City (煙臺海陽寶龍城)	Commercial/ residential	407	138	0	269
	Yantai Haiyang Powerlong Mansion (煙臺海陽寶龍世家)	Commercial/ residential	549	0	162	387
	Yantai Laishan Powerlong Plaza (煙臺萊山寶龍廣場)	Commercial/ residential	170	170	0	0
	Yantai Penglai Powerlong Plaza (煙臺蓬萊寶龍廣場)	Commercial/ residential	330	297	33	0
	Dongying Powerlong Plaza (東營寶龍廣場)	Commercial/ residential	455	263	0	192
	Tai'an Powerlong Plaza (泰安寶龍廣場)	Commercial/ residential	289	289	0	0
Sub-total	12	-	4,875	3,416	504	955
Hainan Province	Haikou Global 100 Powerlong City (海口環球100寶龍城)	Commercial/ residential	2,062	0	1,014	1,048
	Haikou Meijin Project (海口美錦項目)	Commercial/ residential	111	0	0	111
Sub-total	2	-	2,173	0	1,014	1,159
Henan Province	Luoyang Powerlong Plaza (洛陽寶龍廣場)	Commercial/ residential	1,364	1,357	0	7
	Xinxiang Powerlong Plaza (新鄉寶龍廣場)	Commercial/ residential	1,237	781	456	0
	Zhengzhou Powerlong Plaza (鄭州寶龍廣場)	Commercial/ residential	252	252	0	0
Sub-total	3	-	2,853	2,390	456	7
Sichuan Province	Bazhong Powerlong Pavilion (巴中寶龍名邸)	Residential	173	82	0	91
Sub-total	1	-	173	82	0	91
Chongqing Municipality	Chongqing Hechuan Powerlong Plaza (重慶合川寶龍廣場)	Commercial/ residential	621	618	3	0
Sub-total	1	-	621	618	3	0
Guangdong Province	Zhuhai Gaoxin Area Project (珠海高新區項目)	Commercial/ residential	396	0	0	396
	Zhuhai Jinwan Project (珠海金灣項目)	Commercial/ residential	619	0	0	619
Sub-total	2	-	1,015	0	0	1,015
Total	155	-	48,150	18,421	20,954	8,775

LAND BANK (AS AT 31 DECEMBER 2019)



City Tiers	GFA '000 square meters	Percentage %
First-Tier Cities	1,956	7
Second-Tier Cities	16,164	54
Third/Fourth-Tier Cities	11,609	39
Total	29,729	100



Geographical Location	GFA '000 square meters	Percentage %
Yangtze River Delta	21,772	73
Bohai Rim	2,292	8
West Strait Economic Zone	1,920	7
Central and Western Region	557	2
Hainan	2,173	7
Guangdong-Hong Kong-Macau Bay Area	1,015	3
Total	29,729	100

SHOPPING MALLS IN OPERATION

SHANGHAI



SHANGHAI BAORYANG POWERLONG PLAZA

Shanghai Baoyang

Powerlong Plaza

Opening Date:
December 2019

Operating Area:
Approximately
74,000
square meters ^{Note}

Shanghai Qingpu

Powerlong Plaza

Opening Date:
September 2018

Operating Area:
Approximately
61,000
square meters ^{Note}

Shanghai Wujing

Powerlong Plaza

Opening Date:
July 2017

Operating Area:
Approximately
25,000
square meters ^{Note}

Shanghai Qibao

Powerlong City

Opening Date:
October 2016

Operating Area:
Approximately
67,000
square meters ^{Note}

Shanghai Jiading

Powerlong Plaza

Opening Date:
October 2016

Operating Area:
Approximately
64,000
square meters ^{Note}

Shanghai Baoshan

Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately
14,000
square meters ^{Note}

Shanghai Lingang

Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately
24,000
square meters ^{Note}

Shanghai Fengxian

Powerlong Plaza

Opening Date:
November 2015

Operating Area:
Approximately
42,000
square meters ^{Note}

Shanghai Caolu

Powerlong Plaza

Opening Date:
December 2013

Operating Area:
Approximately
31,000
square meters ^{Note}

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

TIANJIN



TIANJIN BINHAI POWERLONG PLAZA

Tianjin Binhai

Powerlong Plaza

Opening Date:
December 2019

Operating Area:
Approximately
38,000
square meters ^{Note}

Tianjin Yujiapu

Powerlong Plaza

Opening Date:
December 2014

Operating Area:
Approximately
34,000
square meters ^{Note}

JIANGSU PROVINCE



NANJING GAOCHUN POWERLONG PLAZA

Nanjing Gaochun

Powerlong Plaza

Opening Date:
December 2019

Operating Area:
Approximately
59,000
square meters ^{Note}

Yangzhou

Powerlong Plaza

Opening Date:
January 2017

Operating Area:
Approximately
51,000
square meters ^{Note}

Changzhou

Powerlong Plaza

Opening Date:
June 2016

Operating Area:
Approximately
107,000
square meters ^{Note}

Zhenjiang

Powerlong Plaza

Opening Date:
September 2015

Operating Area:
Approximately
69,000
square meters ^{Note}

Suqian

Powerlong Plaza

Opening Date:
September 2011

Operating Area:
Approximately
121,000
square meters ^{Note}

Yancheng

Powerlong Plaza

Opening Date:
September 2011

Operating Area:
Approximately
135,000
square meters ^{Note}

Wuxi Wangzhuang

Powerlong Plaza

Opening Date:
October 2010

Operating Area:
Approximately
106,000
square meters ^{Note}

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

SHANDONG PROVINCE



QINGDAO JIAOZHOU POWERLONG PLAZA

Yantai Laishan

Powerlong Plaza

Opening Date:
December 2016

Operating Area:
Approximately
39,000
square meters ^{Note}

Yantai Penglai

Powerlong Plaza

Opening Date:
November 2016

Operating Area:
Approximately
44,000
square meters ^{Note}

Qingdao Jiaozhou

Powerlong Plaza

Opening Date:
February 2015

Operating Area:
Approximately
76,000
square meters ^{Note}

Tai'an

Powerlong Plaza

Opening Date:
September 2012

Operating Area:
Approximately 43,000
square meters ^{Note}

Qingdao Jimo

Powerlong Plaza

Opening Date:
December 2011

Operating Area:
Approximately 118,000
square meters ^{Note}

Qingdao Licang

Powerlong Plaza

Opening Date:
December 2011

Operating Area:
Approximately 111,000
square meters ^{Note}

Qingdao Chengyang

Powerlong Plaza

Opening Date:
October 2009

Operating Area:
Approximately 190,000
square meters ^{Note}

FUJIAN PROVINCE



XIAMEN POWERLONG ONE MALL

Xiamen

Powerlong One Mall

Opening Date: September 2018

Operating Area:
Approximately
125,000 square meters ^{Note}

Jinjiang

Powerlong Plaza

Opening Date: December 2013

Operating Area:
Approximately
120,000 square meters ^{Note}

Quanzhou Anxi

Powerlong Plaza

Opening Date: December 2010

Operating Area:
Approximately
55,000 square meters ^{Note}

Fuzhou

Powerlong Plaza

Opening Date: April 2007

Operating Area:
Approximately
95,000 square meters ^{Note}

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

ANHUI PROVINCE



FUYANG POWERLONG PLAZA

Fuyang

Powerlong Plaza

Opening Date:
December 2017

Operating Area:
Approximately
107,000
square meters ^{Note}

Bengbu

Powerlong Plaza

Opening Date:
December 2009

Operating Area:
Approximately
182,000
square meters ^{Note}

ZHEJIANG PROVINCE



NINGBO YINZHOU POWERLONG PLAZA

Ningbo Yinzhou

Powerlong Plaza

Opening Date:
December 2019

Operating Area:
Approximately
52,000
square meters ^{Note}

Hangzhou Lin'an

Powerlong Plaza

Opening Date:
November 2019

Operating Area:
Approximately
57,000
square meters ^{Note}

Shaoxing Paojiang

Powerlong Plaza

Opening Date:
September 2019

Operating Area:
Approximately
30,000
square meters ^{Note}

Hangzhou Binjiang

Powerlong City

Opening Date:
December 2016

Operating Area:
Approximately
126,000
square meters ^{Note}

Hangzhou Fuyang

Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately
22,000
square meters ^{Note}

Hangzhou Xiaoshan

Powerlong Plaza

Opening Date:
December 2015

Operating Area:
Approximately
65,000
square meters ^{Note}

Hangzhou Xiasha

Powerlong Plaza

Opening Date:
November 2014

Operating Area:
Approximately
22,000
square meters ^{Note}

Note: Underground parking spaces excluded.

SHOPPING MALLS IN OPERATION

HENAN PROVINCE



LUOYANG POWERLONG PLAZA

Xinxiang

Powerlong Plaza

Opening Date:
September 2012

Operating Area:
Approximately
85,000
square meters ^{Note}

Luoyang

Powerlong Plaza

Opening Date:
December 2011

Operating Area:
Approximately
133,000
square meters ^{Note}

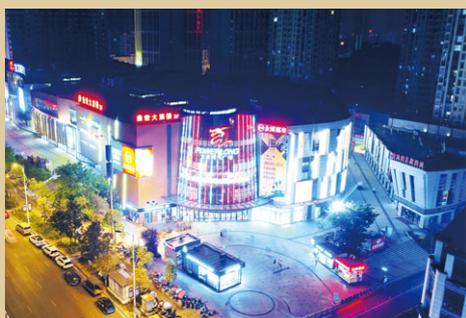
Zhengzhou

Powerlong Plaza

Opening Date:
December 2009

Operating Area:
Approximately
108,000
square meters ^{Note}

CHONGQING



CHONGQING HECHUAN POWERLONG PLAZA

**Chongqing
Hechuan**

Powerlong Plaza

Opening Date: December 2014

Operating Area:
Approximately
74,000 square meters ^{Note}

Note: Underground parking spaces excluded.

HOTELS

SHANGHAI



ARTELS+ COLLECTION LINGANG SHANGHAI

ARTELS+ Wujing Shanghai

Opening Date: December 2017

Number of Rooms (Suites): 210

Address:

No. 1, Lane 39,
Shangyi Road, Wujing,
Minhang District, Shanghai, China

ARTELS+ Collection Lingang Shanghai

Opening Date: June 2017

Number of Rooms (Suites): 184

Address:

No. 3127, Hongyin Road,
Pudong District, Shanghai, China

Le Meridien Shanghai Minhang

Opening Date: October 2016

Number of Rooms (Suites): 241

Address:

No. 3199, Caobao Road,
Minhang District,
Shanghai, China

Radisson Exhibition Center Shanghai

Opening Date: May 2016

Number of Rooms (Suites): 226

Address:

No. 1550, Xin Fu Zhong Road,
Qingpu District, Shanghai, China

Radisson Blu Shanghai Pudong Jinqiao

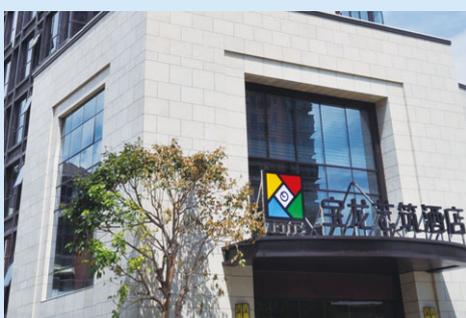
Opening Date: January 2016

Number of Rooms (Suites): 196

Address:

No. 2, Lane 2449, Jinhai Road,
Pudong District, Shanghai, China

FUJIAN PROVINCE



ARTELS ANXI

ARTELS Anxi

Opening Date: September 2015

Number of Rooms (Suites): 98

Address:

No. 17, Jian'an Avenue,
Chengxiang, Anxi, Quanzhou,
Fujian Province, China

JIANGSU PROVINCE



ARTELS+ HUIAI'AN

ARTELS+ Hui'ai'an

Opening Date:
June 2017

Number of Rooms
(Suites): 92

Address:
No. 180
Guangzhou Road,
Hui'ai'an, Jiangsu
Province, China

Aloft Yancheng

Opening Date:
December 2013

Number of Rooms
(Suites): 299

Address:
No. 99 South Yingbin
Road, Tinghu District,
Yancheng, Jiangsu
Province, China

Four Points by Sheraton Taicang, Suzhou

Opening Date:
June 2010

Number of Rooms
(Suites): 446

Address:
No. 288 East
Shanghai Road,
Taicang, Suzhou,
Jiangsu Province,
China

CHONGQING



ARTELS+ COLLECTION HECHUAN CHONGQING

ARTELS+ Collection Hechuan Chongqing

Opening Date: May 2018

Number of Rooms (Suites): 253

Address:
No. 223 Puyan Road,
Hechuan, Chongqing, China

ANHUI PROVINCE



WYNDHAM GRAND PLAZA ROYALE
POWERLONG FUYANG

Wyndham Grand Plaza Royale Powerlong Fuyang

Opening Date: December 2018

Number of Rooms (Suites): 178

Address:
No. 1000 intersection between Fuwang Road and
Huaihe Road Yingzhou District, Fuyang
Anhui Province, China

SHANDONG PROVINCE



FOUR POINTS BY SHERATON QINGDAO,
CHENGYANG

ARTELS Qingdao

Opening Date: December 2011

Number of Rooms (Suites): 170

Address:

No. 689, Qingshan Road,
Licang District, Qingdao,
Shandong Province, China

Aloft Haiyang

Opening Date: June 2011

Number of Rooms (Suites): 145

Address:

Powerlong City,
West Haibin Road,
Haiyang, Yantai,
Shandong Province, China

Four Points by Sheraton Qingdao, Chengyang

Opening Date: February 2011

Number of Rooms (Suites): 303

Address:

No. 271 Wenyang Road,
Chengyang District, Qingdao,
Shandong Province, China

Four Points by Sheraton Tai'an

Opening Date: December 2010

Number of Rooms (Suites): 300

Address:

No. 6 Daidao'an Road,
Taishan District, Tai'an,
Shandong Province, China

ZHEJIANG PROVINCE



JUNTELS BINJIANG HANGZHOU

JUNTELS Binjiang Hangzhou

Opening Date:
December 2017

Number of Rooms
(Suites): 175

Address:

Block 3, Powerlong City,
No. 3867 Binsheng Road,
Puyan Jiedao, Hangzhou,
Zhejiang Province, China

ARTELS+ Fuyang Hangzhou

Opening Date:
November 2017

Number of Rooms
(Suites): 161

Address:

next to No. 997 Wenju
Street,
1/F Powerlong Plaza,
Fuyang District, Hangzhou,
Zhejiang Province, China

MANAGEMENT DISCUSSION AND ANALYSIS



Create Space Full of Love!

HOI WA FONG
CEO

BUSINESS REVIEW

For the year ended 31 December 2019, the Group conducted its business activities in the following major business segments, namely (i) property development; (ii) property investment; (iii) Property Management Services; and (iv) other property development related businesses. During the year under review, property development remained as the main revenue stream of the Group.

Property Development

For the year ended 31 December 2019, the contracted sales of the Group together with its associates and joint ventures amounted to approximately Renminbi (“RMB”) 60,350 million (2018: approximately RMB41,036 million), representing an increase of approximately 47.1% as compared with the corresponding period in 2018. In 2019, the contracted sales area of the Group together with its associates and joint ventures amounted to 3,767,519 square meters (2018: 2,821,607 square meters), representing an increase of approximately 33.5% as compared with the corresponding period in 2018.

The Group’s contracted sales for the year ended 31 December 2019 continued to hit a record high and experienced a significant year-on-year increase, which was mainly attributable to (i) the Group’s ongoing efforts in strengthening its product research and development and the precise positioning of its products and its commitment to quality and emphasis on customer experience in developing its products; (ii) for residential projects, the “369” development model adopted by the Group to speed up the process of construction, sales and collection of sales proceeds, which has proven to be highly effective; and (iii) the localized sales strategies adopted by the Group to accommodate local market needs and satisfy requirements of the local governments. The Group’s ability to handle large projects was further strengthened, with six projects each of which achieving contracted sales of more than RMB2,000 million. During the year ended 31 December 2019, the key contributing projects (including subsidiaries and joint ventures) were located in Ningbo, Hangzhou, Wenzhou, Shaoxing, Jinhua, Nanjing and Haikou.

Set forth below is the distribution of the Group’s contracted sales during the year ended 31 December 2019:

For the year ended 31 December 2019			
Distribution	Sales area sq.m.	Sales amount RMB’000	Average selling price RMB/sq.m.
Commercial	716,247	13,947,075	19,472
Residential	3,051,272	46,402,926	15,208
Total	3,767,519	60,350,001	16,018

Property Investment and Property Management Services

To generate a stable and recurring income, the Group has also retained and operated certain commercial properties for leasing. As at 31 December 2019, the Group had an aggregate GFA of approximately 5,076,029 square meters (2018: approximately 4,817,380 square meters) held as investment properties (including properties completed and under construction), representing an increase of approximately 5.4% as compared with 2018.

During the year ended 31 December 2019, the Group has completed project commencement mission in respect of six shopping malls. Shaoxing Paojiang Powerlong Plaza (紹興袍江寶龍廣場), which is operated by the Group, successfully commenced operation on 13 September 2019; Hangzhou Lin'an Powerlong Plaza (杭州臨安寶龍廣場) successfully commenced operation on 22 November 2019; Tianjin Binhai Powerlong Plaza (天津濱海寶龍廣場) successfully commenced operation on 18 December 2019. Three property projects, namely Shanghai Baoyang Powerlong Plaza (上海寶楊寶龍廣場), Ningbo Powerlong Plaza (寧波寶龍廣場) and Nanjing Gaochun Powerlong Plaza (南京高淳寶龍廣場) successfully commenced operation on 22 December 2019.

As one of the Group's benchmark projects in this year, Shanghai Baoyang Powerlong Plaza (上海寶楊寶龍廣場) achieved an organic integration by the "Mall+ Commercial Street" architecture model. Its customer flow reached beyond 300,000 on the first day of operation. Hangzhou Lin'an Powerlong Plaza (杭州臨安寶龍廣場), which is the largest one-stop commercial complex in Lin'an, Hangzhou, had a 100% tenancy rate and opening rate as well as a customer flow of approximately 150,000 on the first day of operation at its opening, delivering a new record in terms of customer flow and sales amount in that area.

With enhanced ability of regionalized operation and management, increasing sophistication in tenant sourcing, upgraded tenant mix and continuous development of the commercial operation and management, the number of shopping malls held and managed by the Group reached 42 as at 31 December 2019, while the Group also managed three asset-light projects, outperforming other industry players in terms of quantity and area of projects.

On 30 December 2019, the spin-off and separate listing of Powerlong CM on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") took place. It is expected that the spin-off and separate listing of Powerlong CM will further speed up the development of the Group's commercial management businesses.

Hotel Business

The Group continued to develop its hotel business as a source of its long-term recurring income with core businesses in operating international branded hotels and self-owned branded chain hotels.

As at 31 December 2019, the Group owned nine international branded hotels, namely Le Meridien Shanghai Minhang (上海閔行寶龍艾美酒店), Radisson Blu Shanghai Pudong Jinqiao (上海寶龍麗笙酒店), Radisson Exhibition Center Shanghai (上海國展寶龍麗筠酒店), Four Points by Sheraton Taicang (太倉寶龍福朋喜來登酒店), Four Points by Sheraton Tai'an (泰安寶龍福朋喜來登酒店), Four Points by Sheraton Qingdao, Chengyang (青島城陽寶龍福朋喜來登酒店), Aloft Haiyang (海陽雅樂軒酒店), Aloft Yancheng (鹽城雅樂軒酒店) and Wyndham Grand Plaza Royale Powerlong Fuyang (阜陽寶龍溫德姆至尊豪廷大酒店), and owned and managed eight self-owned branded chain hotels, namely ARTELS Qingdao (青島寶龍藝築酒店), ARTELS Anxi (安溪寶龍藝築酒店), ARTELS+ Huaian Jiangsu (江蘇淮安藝悅酒店), ARTELS+ Fuyang Hangzhou (杭州富陽藝悅酒店), ARTELS+ Collection Lingang Shanghai (上海臨港藝悅精選酒店), ARTELS+ Collection Hechuan Chongqing (重慶合川藝悅精選酒店), ARTELS+ Wujing Shanghai (上海吳涇藝悅酒店) and JUNTELS Binjiang Hangzhou (杭州濱江藝瑤酒店).

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own property development pipeline for the forthcoming three to five years. The Group will continue to adhere to the development strategy of "focus on Shanghai and intensive development in Yangtze River Delta", and to precisely lay out strategic plans and grasp the policy directions in a timely manner, in strict adherence to the principle of value investment.

As at 31 December 2019, the Group had a quality land bank amounting to a total GFA of approximately 29.7 million square meters, of which approximately 20.9 million square meters were properties under development and construction and approximately 8.8 million square meters were properties held for future development. The land bank under development will be used for the development of large-scale commercial and residential properties with cinema complexes, supermarkets, food courts, sports and leisure facilities, quality residential properties, serviced apartments, office buildings and hotels. As at 31 December 2019, over 70% of the land bank of the Group is located in the Yangtze River Delta region.

During the year ended 31 December 2019, the Group upheld cautious and stringent standards on land investment decision, and the following prime land parcels were added to the Group's land bank:

Name of project	Usage	Site area ('000 sq.m.)	Total GFA* ('000 sq.m.)	Attributable interest
Shanghai Jiading New Town Office Project (上海嘉定新城辦公項目)	Commercial/office	34	102.3	100.00%
Taizhou 2018 No. (6-1) Land Lot Project (泰州2018(6-1)號地塊項目)	Commercial/residential	122	220.3	46.74%
Ningbo-Fenghua 3-18 Land Lot Project (寧波奉化3-18地塊項目)	Commercial/residential	39	96.5	77.90%
Ningbo-Fenghua 03-02 Land Lot Project (寧波奉化03-02地塊項目)	Residential	23	57.1	77.90%
Shaoxing Shangyu Cao'e Scenic Area (2018) J5 Land Lot Project (紹興上虞曹娥景區(2018) J5地塊項目)	Commercial/residential	102	106.9	15.58%
Wenzhou Pingyang Kunya Road South Side A02 Land Lot Project (溫州平陽昆雅路南側A02地塊項目)	Residential	45	59.3	39.73%
Shaoxing Xinchang Xiashiyuan Land Lot Project (紹興新昌下石濱地塊項目)	Commercial/residential	56	111.2	38.95%
Hangzhou Lin'an Chengdong A-32 Land Lot Project (杭州臨安城東A-32地塊項目)	Residential	44	53.2	19.48%
Taizhou Wenling Living Center Land Lot Project (台州溫嶺生活中心地塊項目)	Commercial/residential	91	272.5	46.74%
Hangzhou Gongshu Taoyuan Land Lot Project (杭州拱墅桃源地塊項目)	Commercial	42	126.0	46.74%
Shaoxing Keqiao Binhai Industrial Area Land Lot Project (紹興柯橋濱海工業區地塊項目)	Commercial/residential	153	275.7	38.87%
Taizhou Luqiao No. 5 Land Lot Project (台州路橋5號地塊項目)	Commercial/residential	100	104.7	46.74%

Name of project	Usage	Site area (‘000 sq.m.)	Total GFA* (‘000 sq.m.)	Attributable interest
Jinhua Yiwu Qingkou Land Lot Project (金華義烏青口地塊項目)	Commercial/residential	72	198.7	25.71%
Taizhou Luqiao No. 6 Land Lot Project (台州路橋6號地塊項目)	Commercial/residential	22	26.2	46.74%
Changzhou Diaozhuang Fenghuang New Town Project (常州雕莊鳳凰新城項目)	Commercial/residential	115	246.2	48.45%
Zhoushan Putuo Area Dagan Land Lot Project (舟山市普陀區大幹地塊項目)	Commercial/residential	17	42.6	25.71%
Jinhua Pan’an Land Lot Project (金華磐安地塊項目)	Commercial/residential	112	217.3	54.53%
Qingdao Jimo Business and Trade Area Land Lot Project (青島即墨商貿城片區地塊項目)	Commercial/residential	127	200.7	24.60%
Zhoushan Dinghai Zhushanmen Land Lot Project (舟山定海竹山門地塊項目)	Commercial/residential	28	66.2	38.95%
Hangzhou Lin’an Jinnan (Northern Land Lot) Project (杭州臨安錦南北地塊項目)	Commercial/residential	37	93.3	51.00%
Nanjing Metro Heyan Road, Caohou Village Land Lot Project (南京地鐵和燕路、曹後村地塊項目)	Commercial/office	15	45.7	66.00%
Shaoxing Zhuji Chengxi Business Area Land Lot Project (紹興諸暨城西商務區地塊項目)	Residential	124	148.6	32.30%
Taizhou Jiaojiang Dazhuanpan Land Lot Project (台州椒江大轉盤地塊項目)	Commercial/residential	99	237.8	77.90%
Haikou Meijin Project (海口美錦項目)	Commercial/residential	212	174.3	41.82%
Ningbo Jiangbei Goods Transportation Market Land Lot Project (寧波江北貨運市場地塊項目)	Commercial/residential	87	199.0	26.49%
Hangzhou Lin’an Jinnan New Town Metro Suprastructure Complex Project (杭州臨安錦南新城地鐵上蓋綜合體項目)	Commercial/residential	57	148.3	26.49%
Taizhou Tiantai County Zhongxin Town Area Land Lot Project (台州天臺縣中心城區地塊項目)	Residential	54	80.8	38.17%
Ningbo Fenghua 04-23 Land Lot Project (寧波奉化04-23地塊項目)	Residential	41	98.3	77.90%

MANAGEMENT DISCUSSION AND ANALYSIS

Name of project	Usage	Site area (‘000 sq.m.)	Total GFA* (‘000 sq.m.)	Attributable interest
Huzhou Wuxing 2019-20 Commercial/ Residential Project (湖州吳興區2019-20商住項目)	Commercial/residential	91	272.9	47.50%
Ningbo Ninghai Old Town Area Featured Culture Street Land Lot Project (寧波寧海老城區特色文化街地塊項目)	Commercial/residential	59	61.3	31.16%
Jinhua Yiwu No. 23 Lane Land Lot Project (金華義烏廿三里地塊項目)	Commercial/residential	125	249.9	47.50%
Ningbo Wujiangkou Land Lot Project (寧波五江口地塊項目)	Commercial/residential	191	478.3	19.48%
Wuxi Dingshu Town No. 17A Land Lot Project (無錫丁蜀鎮17號A地塊項目)	Commercial/residential	78	156.9	51.00%
Wuxi Dingshu Town No. 22-26 C-G Land Lot Project (無錫丁蜀鎮22-26號C-G地塊項目)	Commercial/residential	230	311.1	51.00%
Hangzhou Liangzhu New Town Gouyang Road Land Lot Project (杭州良渚新城勾陽路地塊項目)	Commercial/residential	131	486.5	27.87%
Jinhua Lanxi Project (金華蘭溪項目)	Commercial/residential	126	254.6	57.00%
Zhuhai Gaoxin Area Project (珠海高新區項目)	Commercial/residential	84	292.9	90.10%
Huzhou Changxing Zhicheng Street Land Lot Project (湖州長興雒城街道地塊項目)	Commercial/residential	69	138.8	100.00%
Ningbo-Fenghua 04-17 Land Lot Project (寧波奉化04-17地塊項目)	Commercial/residential	57	159.7	77.90%
Wuxi Xinwu Phase Two Project (無錫新吳二期項目)	Commercial/residential	111	211.6	95.00%
Zhuhai Jinwan Project (珠海金灣項目)	Commercial/residential	158	431.9	45.08%
Total		3,581	7,316.1	

* Total GFA excludes underground and car parking spaces.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises income of property sales, rental income from investment properties, income from Property Management Services and income from other property development related businesses. For the year ended 31 December 2019, the Group recorded a total revenue of approximately RMB26,042 million (2018: approximately RMB19,594 million), representing an increase of approximately 32.9% as compared with the corresponding period in 2018. This was attributable to the increase in income from each of the Group's business segments.

Income of Property Sales

During the year ended 31 December 2019, the Group strictly complied with its original schedule for the completion and delivery of the corresponding projects. The revenue from projects sold and delivered for the year ended 31 December 2019 amounted to approximately RMB22,478 million (2018: approximately RMB16,667 million), representing an increase of approximately 34.9% as compared with the corresponding period in 2018. This was mainly attributable to the increase in the sales of residential properties.

Set forth below are the details regarding the properties sold and delivered during the year ended 31 December 2019:

		For the year ended 31 December 2019		
Geographical Location		GFA sold & delivered (sq.m.)	Amount sold & delivered (RMB'000)	Average selling price (RMB/sq.m.)
Yangtze River Delta	Commercial	326,832	3,796,511	11,616
	Residential	1,015,994	14,931,507	14,696
Bohai Rim	Commercial	40,951	358,191	8,747
	Residential	5,438	53,966	9,924
Central and Western Region	Commercial	160,094	1,058,866	6,614
	Residential	23,306	158,975	6,821
West Strait Economic Zone	Commercial	23,393	143,085	6,117
	Residential	143,934	1,103,347	7,666
Others	Residential	47,860	873,183	18,245
	Total	1,787,802	22,477,631	12,573
	Commercial	551,270	5,356,653	9,717
	Residential	1,236,532	17,120,978	13,846

Rental Income from Investment Properties and Income from Property Management Services

For the year ended 31 December 2019, the Group recorded rental income after elimination of intra-group transactions from investment properties of approximately RMB1,420 million (2018: approximately RMB1,124 million), representing an increase of approximately 26.3% as compared with the corresponding period in 2018.

For the year ended 31 December 2019, income from Property Management Services was mainly generated from the provision of commercial operation and residential property management services for projects developed by the Group and other third parties. The net income after elimination of intra-group transactions amounted to approximately RMB1,393 million (2018: approximately RMB1,125 million), representing an increase of approximately 23.8% as compared with the corresponding period in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2019, rental income from investment properties and income from Property Management Services amounted to approximately RMB2,813 million (2018: approximately RMB2,249 million), representing an increase of approximately 25.1% as compared with the corresponding period in 2018. In addition to the economies of scale brought by the increasing GFA of properties held and commercial and residential properties managed by the Group, the Group managed to match the local consumer demand and the Group's market penetration rate was increased as a result of the continuous enhancement of its commercial operating capability.

Income from Other Property Development Related Businesses

Income from other property development related businesses mainly comprises income from hotel operation, and the provision of construction and decoration services. For the year ended 31 December 2019, the Group recorded an income from other property development related businesses of approximately RMB751 million (2018: approximately RMB678 million), representing an increase of approximately 10.8% as compared with the corresponding period in 2018. It was mainly attributable to the year-on-year increase in income from hotel operation.

Cost of Sales

Cost of sales mainly represents the direct cost related to the property development of the Group. It comprises cost of land use rights, construction costs and decoration costs as well as other costs. Cost of sales for the year ended 31 December 2019 increased by approximately 37.5% to approximately RMB16,559 million (2018: approximately RMB12,041 million) as compared with 2018, which was mainly due to the increase in the total properties sold and delivered, leading to an increase in the total cost.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2019, gross profit increased by approximately 25.6% to approximately RMB9,483 million (2018: approximately RMB7,553 million) as compared with the corresponding period in 2018, primarily due to the growth in revenue from property sales. Gross profit margin amounted to 36.4%, representing a decrease of approximately 2.1 percentage points from 38.5% for the corresponding period in 2018.

Fair Value Gains on Investment Properties

For the year ended 31 December 2019, the Group recorded revaluation gains of approximately RMB2,394 million (2018: approximately RMB2,501 million), representing a decrease of approximately 4.3% as compared with the corresponding period in 2018. The decrease in revaluation gains was mainly attributable to the relatively moderate growth in the market rents of shopping malls.

Selling and Marketing Costs and Administrative Expenses

The Group's selling and marketing costs and administrative expenses for the year ended 31 December 2019 amounted to approximately RMB2,424 million (2018: approximately RMB2,267 million), representing an increase of approximately 6.9% over 2018, mainly attributable to the Group's business growth, leading to an expansion in the scale of sales and projects management. The Group will continue to exercise stringent control over expenses and costs whilst striving to continue with the Group's business expansion.

Share of Profit of Investments Accounted for Using the Equity Method

For the year ended 31 December 2019, share of post-tax profit of investments accounted for using the equity method amounted to approximately RMB376 million (2018: approximately RMB187 million), representing an increase of approximately 101.1% as compared with the corresponding period in 2018, which was mainly due to the increase in net profit from joint ventures and associates.

Income Tax Expenses

The Group's income tax expenses amounted to approximately RMB3,838 million (2018: approximately RMB3,166 million) for the year ended 31 December 2019, representing an increase of approximately 21.2% as compared with the corresponding period in 2018, primarily due to the increase of PRC corporate income tax and PRC land appreciation tax.

Profit Attributable to Owners of the Company

For the year ended 31 December 2019, the Group recorded profit attributable to owners of the Company of approximately RMB4,041 million (2018: approximately RMB2,837 million), representing an increase of approximately 42.4% as compared with the corresponding period in 2018.

For the year ended 31 December 2019, basic earnings per share was approximately RMB100.4 cents (2018: approximately RMB71.0 cents), representing an increase of approximately 41.5% as compared with the corresponding period in 2018.

Core earnings (being the profit excluding the fair value gains on investment properties and foreign exchange losses on financing activities during the year under review) for the year ended 31 December 2019 reached approximately RMB4,390 million (2018: approximately RMB2,579 million), representing an increase of approximately 70.2% as compared with the corresponding period in 2018.

Core earnings attributable to owners of the Company (being the profit excluding the fair value gains on investment properties and foreign exchange losses on financing activities during the year under review) for the year ended 31 December 2019 reached approximately RMB2,680 million (2018: approximately RMB1,844 million), representing an increase of approximately 45.3% as compared with the corresponding period in 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issuance of bonds, which were used as working capital and for investment in property development.

The Group's cash and cash equivalents and restricted cash amounted to approximately RMB23,671 million in total as at 31 December 2019 (2018: approximately RMB15,776 million), representing an increase of approximately 50.0% as compared with the end of 2018.

Borrowings

Total borrowings of the Group as at 31 December 2019 was approximately RMB55,263 million (2018: approximately RMB49,102 million), representing an increase of approximately 12.5% as compared with the end of 2018. The Group's borrowings comprise bank and other borrowings of approximately RMB31,703 million, corporate bonds of approximately RMB9,488 million, short-term commercial papers of approximately RMB999 million and senior notes of approximately RMB13,073 million.

Out of the total borrowings, approximately RMB15,321 million was repayable within one year, while approximately RMB39,942 million was repayable after one year.

On 14 January 2019, the Company completed the issuance of USD200 million senior notes at a price equivalent to 99.331% of the principal amount, with a nominal interest rate of 9.125% per annum and a maturity date of 14 January 2021. Please refer to the announcements of the Company dated 7 January 2019, 8 January 2019 and 16 January 2019 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

On 21 January 2019, Shanghai Powerlong Industrial Development Co., Ltd., (上海寶龍實業發展(集團)有限公司) (“**Shanghai Powerlong Industrial**”), a wholly-owned subsidiary of the Company, issued the first tranche of super short-term commercial paper for the year 2019 in an aggregate amount of RMB300 million, with a nominal interest rate of 5.85% per annum and a maturity date of 19 October 2019. Please refer to the announcement of the Company dated 22 January 2019 for further details.

On 5 March 2019, Shanghai Powerlong Industrial issued the first tranche of medium-term notes for the year 2019 in an aggregate amount of RMB1,000 million, with a nominal interest rate of 7.20% per annum and a maturity date of 7 March 2021. Please refer to the announcement of the Company dated 8 March 2019 for further details.

On 1 April 2019, Shanghai Powerlong Industrial issued corporate bonds specialized in rental housing (Tranche 1) in an aggregate amount of RMB300 million, with a nominal interest rate of 7.20% per annum. Please refer to the announcement of the Company dated 2 April 2019 for further details.

On 24-25 April 2019, Shanghai Powerlong Industrial issued the second tranche of super short-term commercial paper for the year 2019 in an aggregate amount of RMB300 million, with a nominal interest rate of 5.72% per annum and a maturity date of 22 December 2019. Please refer to the announcement of the Company dated 29 April 2019 for further details.

On 8 July 2019, the Company as the borrower, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macau) Limited and Tai Fung Bank Limited, each as the mandated lead arranger and the bookrunner and CMB Wing Lung Bank Limited as the agent, and other parties thereto, entered into a facility agreement (the “**Facility Agreement**”) in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to USD200,000,000 (which includes an accordion feature) (the “**Term Loan Facility**”). Pursuant to the Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the Term Loan Facility are set out in the announcement of the Company dated 8 July 2019.

On 23 July 2019, the Company completed the issuance of USD170 million senior notes at a price equivalent to 98.974% of the principal amount, with a nominal interest rate of 6.95% per annum and a maturity date of 23 July 2023. Please refer to the announcements of the Company dated 16 July 2019 and 25 July 2019 for further details.

On 19 August 2019, Shanghai Powerlong Industrial issued the third tranche of super short-term commercial paper for the year 2019 in an aggregate amount of RMB400 million, with a nominal interest rate of 6.40% per annum and a maturity date of 17 May 2020. Please refer to the announcement of the Company dated 22 August 2019 for further details.

On 16 October 2019, Shanghai Powerlong Industrial issued the fourth tranche of super short-term commercial paper for the year 2019 in an aggregate amount of RMB300 million, with a nominal interest rate of 5.95% per annum and a maturity date of 14 April 2020. Please refer to the announcement of the Company dated 18 October 2019 for further details.

On 8 November 2019, the Company completed the issuance of USD300 million senior notes at a price equivalent to 99.536% of the principal amount, with a nominal interest rate of 7.125% per annum and a maturity date of 8 November 2022. Please refer to the announcements of the Company dated 5 November 2019 and 12 November 2019 for further details.

On 20 November 2019, Shanghai Powerlong Industrial issued the first tranche of corporate bonds for the year 2019 in an aggregate amount of RMB1,070 million, with a nominal interest rate of 7.20% per annum. Please refer to the announcement of the Company dated 21 November 2019 for further details.

On 17 December 2019, Shanghai Powerlong Industrial issued the fifth tranche of super short-term commercial paper for the year 2019 in an aggregate amount of RMB300 million, with a nominal interest rate of 6.20% per annum and a maturity date of 14 September 2020. Please refer to the announcement of the Company dated 23 December 2019 for further details.

Net Gearing Ratio

As at 31 December 2019, the Group had a net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of approximately 81.2% (31 December 2018: approximately 101.6%), representing a decrease of 20.4 percentage points as compared with the corresponding period in 2018, which was primarily due to the Group's ceaseless efforts in managing finance leverage for sustainable growth.

Borrowing Cost

Total interest expenses as at 31 December 2019 amounted to approximately RMB3,599 million (2018: approximately RMB2,958 million), representing an increase of approximately 21.7% as compared with the end of 2018. The increase was mainly due to the increase in total borrowings. The effective interest rate decreased slightly from 6.48% for 2018 to 6.47% for 2019, due to tight control over finance costs. The Group will continue to implement stringent control over finance costs.

Credit Policy

Trade receivables mainly arose from sale and leasing of properties. Receivables in relation to sale and leasing of properties are therefore settled in accordance with the terms stipulated in the sale and purchase agreements and lease agreements, respectively.

Pledge of Assets

As at 31 December 2019, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of approximately RMB59,880 million (2018: approximately RMB56,291 million) to secure borrowings of the Group. The total secured bank and other borrowings as at 31 December 2019 amounted to approximately RMB31,563 million (2018: approximately RMB30,168 million). The above senior notes are guaranteed and secured by share pledges of certain non-PRC subsidiaries and non-PRC joint ventures of the Group.

Contingent Liabilities

As at 31 December 2019, the Group had no significant contingent liabilities.

Financial Guarantees

The face value of the financial guarantees provided by the Group is analysed as below:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	23,098,673	15,662,393
Guarantees for borrowings of joint ventures and associates	1,126,615	822,500
	24,225,288	16,484,893

Commitments

(1) *Commitments for property development expenditures*

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Contracted but not provided for		
– Property development activities	9,103,153	7,663,384
– Acquisition of land use rights	4,688,797	1,311,565
	13,791,950	8,974,949

(2) *Operating leases commitments*

As at 31 December 2019, the Group did not have any material short-term lease obligations.

BUSINESS RISK

The business of the Group is highly dependent on the performance of the PRC property market. Any property market downturn in China generally or in the cities and regions where the Group's property projects are located, or the lack of suitable land banks/reserves for project development could adversely affect the Group's business, results of operations and financial position. Further, property development is capital intensive in nature. Whilst the Group finances its property projects primarily through a combination of pre-sale and sales proceeds, borrowings from financial institutions and internal funds, if no adequate financing can be secured or there is any failure to renew the Group's existing credit facilities prior to their expiration, the Group's operation may adversely be impacted.

FINANCIAL RISK

The financial risk management of the Group are set out in note 3 to the consolidated financial statements.

FOREIGN CURRENCY RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is in RMB. As at 31 December 2019, the Group's financial assets or liabilities denominated in currencies other than RMB were mainly borrowings denominated in United States dollars or Hong Kong dollars, in the total amount of approximately RMB14,577 million. Any depreciation of RMB would adversely affect the value of any dividends the Group pays to its shareholders outside of the PRC. The Group currently does not engage in any hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

MATERIAL ACQUISITION AND DISPOSAL

For the year ended 31 December 2019, the Group did not have any material acquisition or disposal of subsidiaries and associates.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors confirmed that as at the date of this report, there are no current plans to acquire any material investment or capital assets other than in the Group's ordinary business of property development.

ISSUE OF NEW SHARES AND USE OF PROCEEDS

On 14 October 2019, the Company entered into a placing and subscription agreement (the “**Agreement**”) with Skylong Holdings Limited (the “**Vendor**”) and certain financial institutions as placing agents (the “**Placing Agents**”), pursuant to which, (a) the Placing Agents agreed to act to procure purchasers, or failing which themselves as principal, to purchase a total of 146,600,000 existing shares of the Company (the “**Placing Shares**”) at the placing price of HK\$5.40 per share (the “**Placing Price**”); and (b) the Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Vendor, a total of 146,600,000 new ordinary shares of par value of HK\$0.01 each at the subscription price of HK\$5.40 per share (being the same as the Placing Price), in each case upon the terms and subject to the conditions set out in the Agreement (the “**Placing**”). The Placing was completed on 23 October 2019 and the net proceeds of approximately HK\$781,378,000 was received by the Company.

The Placing Shares represent (i) approximately 3.67% of the issued share capital of the Company as at the date of the Agreement; and (ii) approximately 3.54% of the issued share capital of the Company as enlarged by the issue of the Placing Shares. The Placing Shares have a market value of approximately HK\$866,406,000 based on the closing price of HK\$5.91 per Share on 14 October 2019 (the “**Last Trading Day**”), the date of the Agreement.

The Placing Price of HK\$5.40 per Placing Share represents: (i) a discount of approximately 8.63% to the closing price of HK\$5.91 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 6.61% to the average closing price of HK\$5.782 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the Last Trading Day; and (iii) a discount of approximately 5.00% to the average closing price of HK\$5.684 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the Last Trading Day.

Pursuant to the Agreement, the Placing Agents agreed to place the Placing Shares on a fully underwritten basis, and placed to no less than six (6) independent placees, who and whose respective ultimate beneficial owners were third parties independent of and not connected with the Company, any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or any of its respective associates, and not acting in concert with the Vendor and its concert parties.

The gross proceeds from the Placing was approximately HK\$791,640,000, and the net proceeds (after deducting all applicable costs and expenses of the Placing) was approximately HK\$781,378,000. The Company intends to use the net proceeds from the Placing for possible business development or investments in the future when opportunities arise and as general working capital of the Group. As at 31 December 2019, the net proceeds from the Placing has been applied and fully utilized in compliance with the intended use.

EMPLOYEES AND EMOLUMENT POLICY

For the year ended 31 December 2019, the Group employed a total of 11,631 employees (2018: 11,042 employees) on full time basis. The total staff costs of the Group for the year under review amounted to approximately RMB1,797 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustments commensurate with the remuneration level in the industry. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

HOI Kin Hong, aged 68, is an executive Director and the chairman of the Board. He is primarily responsible for the overall strategy and investment decisions of the Group. Mr. Hoi is a standing committee member of the Chinese People's Political Consultative Conference and of the Election Committee of the Macau Special Administrative Region of the People's Republic of China. Mr. Hoi founded Powerlong Group Development Co., Ltd. (the "**Xiamen Powerlong Group**") in 1992 and has served as its chairman since then. Since the establishment of Xiamen Powerlong Group, he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. Mr. Hoi has, for a number of times, been recognized as a Contributor to Real Estate Brands in China by the China Real Estate Top 10 Research Team since 2006. In addition, Mr. Hoi was also awarded various honours such as the Most Influential Entrepreneur in China (中國最具影響力企業家), China Celebrities Achievement Award "10 Outstanding Masters" (中華名人成就獎「十大傑出名人」), Top 30 People in motivating Chinese Economy over the 30 years of China's reformation (中國改革開放30年感動中國經濟30人), the Outstanding Leader in the Commercial Real Estate Industry in China (中國商業地產傑出領袖人物), China Top 100 Real Estate Entrepreneurs (中國房地產百強企業家), Contributor of China Top 100 Real Estate Entrepreneurs (中國房地產百強企業家貢獻人物), Charity Special Contribution Award of China (中國公益事業特別貢獻獎), Award for Excellence in the 20th Anniversary of China Guangcai Program Outstanding Contribution Award (光彩事業20周年突出貢獻獎), Top 10 People for commerce and community in Fujian (閩商公益十大人物) and "Tribute to 40th Anniversary of China Reform and Opening Up, Top 40 in 40 Years in the Real Estate Industry in China" (致敬中國改革開放40週年中國房地產40年40人時代人物). Mr. Hoi is the father of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, an executive Director and a non-executive Director, respectively, and the father-in-law of Ms. Shih Sze Ni, an executive Director.

HOI Wa Fong, aged 42, is an executive Director and chief executive officer of the Company. He is primarily responsible for the overall management of the business operations of the Group. Mr. Hoi Wa Fong is a member of All-China Federation of Returned Overseas Chinese, a member of All-China Youth Federation, a director of China Overseas Friendship Association, a member of Chinese People's Political Consultative Conference for the city of Shanghai, the vice chairman of China Real Estate Chamber of Commerce and the vice-chairman of the Fujian Youth Federation. He graduated from the school of management of Xiamen University and received an EMBA degree from the Cheung Kong Graduate School of Business. He is currently pursuing a DBA at the Cheung Kong Graduate School of Business. He started to work as an intern in Xiamen Powerlong Group in 1999 and joined the Group upon graduation from Xiamen University in 2003. He held various positions of various Group companies including vice general manager, general manager, vice president, chief vice president and chief executive officer. Mr. Hoi Wa Fong is currently an executive director of Powerlong CM, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9909) and a subsidiary of the Company. He was awarded Annual Leaders in the Real Estate Industry in the PRC, Most Influential People in the Real Estate Industry in the PRC, Outstanding Individual Among Returned Overseas Chinese and Family Members, Top 10 Gold-Medal CEO of China Real Estate Listed Companies (中國房地產上市公司十大金牌CEO), Top 30 CEO in the Real Estate Industry in China (中國地產年度CEO 30強), China Commercial Real Estate Industry Outstanding Contribution Award (中國商業地產行業傑出貢獻獎), China Real Estate Achiever (中國房地產功勳人物), China Commercial Property Industry Leader (中國商業地產行業領軍人物), Achiever in Fostering the Building of Socialism with Chinese Characteristics (促進中國特色社會主義建設功勳人物), and so forth. Mr. Hoi Wa Fong is the son of Mr. Hoi Kin Hong, an executive Director and chairman of the Board, the spouse of Ms. Shih Sze Ni, an executive Director and the brother of Ms. Hoi Wa Fan, a non-executive Director.

XIAO Qing Ping, aged 71, is an executive Director and the head of the office of the Board of Directors of the Company. Mr. Xiao is primarily responsible for assisting on the formulation of the Group's overall strategy and investment decisions. He was an officer of Jinjiang Bureau of Land Administration from 1997 to 1999. He has over 30 years of experience in administration management. He joined Xiamen Powerlong Group in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Xiamen Powerlong Group and joined the Group as an executive Director. He graduated from China Textile Political Distance Learning College in 1988, majoring in economic management.

SHIH Sze Ni, aged 39, is an executive Director of the Company. Ms. Shih is responsible for the overall strategy of commercial operation of the Group. Ms. Shih graduated from Central Queensland University in Australia with a master's degree in arts administration, and obtained an EMBA degree from the Cheung Kong Graduate School of Business in September 2014. She joined Xiamen Powerlong Hotel in January 2003 as a director. She then joined Xiamen Powerlong Group in 2005 as a director and the general manager of the finance department. In November 2007, she held the positions of an executive Director, the general manager of the supervision department and the cost control centre. She has been directing the strategy management of the commercial group under the Group since April 2011. Ms. Shih Sze Ni is the daughter-in-law of Mr. Hoi Kin Hong, an executive Director and chairman of the Board, the wife of Mr. Hoi Wa Fong, an executive Director, and the sister-in-law of Ms. Hoi Wa Fan, a non-executive Director.

ZHANG Hong Feng, aged 52, is an executive Director, and an executive vice president and the general manager of business division 2 of the Company. Mr. Zhang is fully responsible for the operation and management of business division 2 and its subsidiary real estate companies. Mr. Zhang was a department manager of Tianyu Real Estate Company (天宇房地產公司), an assistant to the general manager of Anbao Real Estate Development Company Limited (安寶房地產開發有限公司), a deputy general manager of the real estate centre of Xiamen Powerlong Group, an executive director of Suzhou Powerlong Real Estate Development Company Limited (蘇州寶龍房地產發展有限公司), an executive director of Suqian Powerlong Property Development Company Limited (宿遷寶龍置業發展有限公司), a general manager of Suqian Powerlong Commercial Property Management Company Limited (宿遷寶龍商業物業管理有限公司), a general manager of Tianjin Powerlong City Company, a regional deputy general manager of the southern region, a general manager of project management centre, a vice president and a general manager of companies in other provinces and regions of the Group, a vice president of the Company and a general manager of operation management centre. He was responsible for the operation platform and the person-in-charge of operation management centre, cost control centre and technology development centre of the Company. He obtained a bachelor's degree in industrial electrical automation from Guangxi University in July 1989 and received an EMBA from Tongji University in December 2015. He joined the Company in December 2004 and was appointed as an executive Director on 14 October 2015.

NON-EXECUTIVE DIRECTOR

HOI Wa Fan, aged 44, is a non-executive Director. Ms. Hoi is the managing director of Companhia de Construção e Investimento Predialpou Long, Limitada (寶龍集團發展有限公司) and is responsible for the overall management and business development of Companhia de Construção e Investimento Predialpou Long, Limitada (寶龍集團發展有限公司). Ms. Hoi is currently a non-executive director of Powerlong CM, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9909) and a subsidiary of the Company. Since 2000, she has been the managing director of Nicole Boutique, a fashion brand concept store in Macau. In December 2011, she has held the position of managing director of Ultra City Co., Ltd., a fashion retail company, where she has been primarily responsible for the overall management of business operation. Ms. Hoi is the daughter of Mr. Hoi Kin Hong, an executive Director and chairman of the Board, sister of Mr. Hoi Wa Fong, an executive Director, and sister-in-law of Ms. Shih Sze Ni, an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

NGAI Wai Fung, aged 58, an independent non-executive Director. Mr. Ngai joined the Company as an independent non-executive Director in June 2008. He is currently the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 30 years of professional practice and senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and risk management, regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. Mr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He is a member of the General Committee of the Chamber of Hong Kong Listed Companies and has been appointed as a Finance Expert Consultant by the Ministry of Finance of the PRC since 2016. He was the President of Hong Kong Institute of Chartered Secretaries (2014-2015), an unofficial member of the Working Group on Professional Services under the Economic Development Commission of Hong Kong Special Administrative Region (2013-2018) and a member of the Qualification and Examinations Board of the Hong Kong Institute of Certified Public Accountants (2013-2018). Mr. Ngai is currently the independent non-executive director of Bosideng International Holdings Limited (Stock Code: 3998.HK), BaWang International (Group) Holding Limited (Stock Code: 1338.HK), Health and Happiness (H&H) International Holdings Limited (Stock Code: 1112.HK), SITC International Holdings Company Limited (Stock Code: 1308.HK), Beijing Capital Grand Limited (Stock Code: 1329.HK), BBMG Corporation (Stock Code: 2009.HK), TravelSky Technology Limited (Stock Code: 696.HK) and China Communications Construction Company Limited (Stock Code: 1800.HK), all of which are companies listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange. Mr. Ngai is also an independent director of LDK Solar Co., Ltd. and SPI Energy Co., Ltd., which are now listed on the OTC Pink Limited Information and Nasdaq, respectively. Mr. Ngai was the independent non-executive director of China Coal Energy Company Limited (Stock Code: 1898.HK) from December 2010 to June 2017, China Railway Group Limited (Stock Code: 390.HK) from June 2014 to June 2017, HKBridge Financial Holdings Limited (Stock Code: 2323.HK) from March 2016 to April 2018 and Yangtze Optical Fibre and Cable Joint Stock Limited Company (Stock Code: 6869.HK) from September 2014 to January 2020.

Mr. Ngai is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators), a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of Hong Kong Institute of Directors, a member of the Hong Kong Securities and Investment Institute and a member of the Chartered Institute of Arbitrators. Mr. Ngai received a doctoral degree in Finance from Shanghai University of Finance and Economics, a master's degree in Corporate Finance from the Hong Kong Polytechnic University, a bachelor honor degree in Laws from University of Wolverhampton in the United Kingdom and a master's degree in Business Administration from Andrews University of Michigan in the United States.

MEI Jian Ping, aged 60, is an independent non-executive Director. Mr. Mei joined the Company as an independent non-executive Director in June 2008. Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business since 2006. He was an assistant professor from 1990 to 1995 at New York University, and an associate professor of finance at the same university from 1996 to 2005. From 2003 to 2008, he was a visiting professor at Tsinghua University. Mr. Mei has been a director of Cratings.com Inc. since 1999. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor's degree in mathematics from Fudan University in 1982, a master's degree in economics and a doctorate in economics (finance) from Princeton University in 1988 and 1990, respectively. He was appointed as an independent non-executive Director of the Company in June 2008. He was also appointed as an independent non-executive director of MI Energy Holdings (HK stock code: 1555) and China Rundong Auto Group Limited (HK stock code: 1365) in 2010 and 2014 respectively. He was appointed as an independent director of Cultural Investment Holdings Co., Ltd. (SH stock code: 600715) in 2016 and an independent director of Dazzle Fashion Co Ltd (SH stock code: 603587) in 2018.

DING Zu Yu, aged 47, is an independent non-executive Director. Mr. Ding joined the Company as an independent non-executive Director in December 2014. He is currently an executive director and chief executive officer of E-House (China) Enterprise Holdings Limited (HK Stock Code: 2048). Save for the above, he had also held various positions in China Real Estate Information Group Co., Ltd (中國房產信息集團) in the past including as a co-president and an executive director from September 2009 to April 2012. He was an independent director of Sanxiang Co., Ltd (三湘股份有限公司) (SZ stock code: 000863). He is also currently assuming important positions in other professional associations and bodies within the PRC real estate industry. He serves as a vice principal of the E-House Research and Training Institute (易居研究院). He is also an executive committee member of the China Real Estate Association (中國房地產協會), an adviser on the real estate market for the China's Ministry of Housing and Urban-Rural Development (國家住房和城鄉建設部房地產) and a committee member of CPPCC of Shanghai (上海市政協委員). He was named as "Shanghai Outstanding Young Merchant" (上海傑出青年企業家) in 2012 and was named one of the "Top Ten Shanghai Young Merchants" (上海十大傑出青年企業家) for 2011 to 2012. He received his bachelor's degree in real estate economics in 1998 and his Ph.D. in economics in 2013 from the East China Normal University.

SENIOR MANAGEMENT

LIAO Ming Shun, aged 56, is the vice president and the chief financial officer of the Company and manages our financial management centre, fund management centre and asset management centre. Mr. Liao is responsible for the overall capital operation, financing, taxation and integrated financial control of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the director, chief financial controller and general manager of the finance company of the Ministry of Agriculture of Fujian Province and Fujian Great World Enterprises Group Company Limited, the independent director of Fujian Dongbai Enterprise Group Company Limited (SH stock code: 600693), the vice secretary general of private branch of Fujian Accounting Institute, the secretary general of real estate branch of Fujian Taxpayers' Club. He obtained a bachelor's degree in rural finance from Fujian Agriculture and Forestry University, and was awarded a master's degree by the Graduate School of Chinese Academy of Social Sciences. He is also qualified as a Senior Accountant, Senior Economist, International Public Accountant (IPA), Certified Taxation Accountant (CTA), Financial Planner and the Judge Panel of the Committee of China's Corporate Financial Valuation Experts. He was awarded one of the "Top CFOs for 2012 by the Xinlicai Magazine of Ministry of Finance" (財政部新理財CFO2012年度人物獎), "2013 China's Financial Value Leadership Award" (2013年度中國財務價值領軍人物獎), "2014 Huazun Award – Top 10 most Respected Brand Builders who promoted the economic development of the industry" (2014年華尊獎—推動行業經濟發展最受尊敬十大品牌人物), "2015 CFODC – China's Top 10 Capital Operators" (2015年CFO發展中心中國資本運營TOP10人物) and "2017 Asia 10 Brand Innovation Personality Award" (2017亞洲十大創新人物獎) awarded by the Asia Brand Ceremony Committee. He joined the Company in August 2009.

HUA Li Chong, aged 48, is the deputy chief executive officer of the Company. He is responsible for overseeing the operation management centre, the cost control centre and the technology research and development centre. Prior to joining the Company, he served management positions in various large-scale enterprises, where he was the assistant general manager of Shanghai Vanke, the general manager of Nanjing Vanke, a vice president of CFLD Real Estate Group (華夏幸福地產集團) and an executive vice president of China ZhongChong Property Group Co., Ltd. (中崇地產集團有限公司). He obtained a bachelor's degree in civil engineering from Southeast University and a master's degree in business administration from Fudan University. He joined the Company in November 2017.

WANG Yajun, aged 49, is the deputy chief executive officer and general manager of human resources and administration centre of the Company, and is in charge of the office of the president. Prior to joining the Company, he has been senior project manager at McKinsey, chief strategy officer of Longfor Group and the general manager of its strategic development department, and the chief strategic officer of Zhongnan Group and head of its strategic development department. He obtained a bachelor's degree and a master's degree in environmental engineering from Tsing Hua University, a master's degree in public policy from the University of California, Berkeley, and an MBA from the State University of Arizona. He joined the Company in September 2019.

DIRECTORS AND SENIOR MANAGEMENT

HONG Qun Feng, aged 47, is the vice president and the general manager of the Guangdong business division of the Company, being responsible for the overall business as well as operation and management of the Guangdong business division. Prior to joining the Group, Mr. Hong was the property manager of Xiamen Jindu Property Management Co. Ltd. (廈門金都物業管理有限公司), the assistant to the general manager of Xiamen Chengyi Property Development Co. (廈門誠毅房地產開發公司) and the founder and general manager of Xiamen Bairun Property Consulting Co. Ltd. (廈門百潤房地產顧問有限公司). He received an EMBA degree and a master's degree in senior management from SEM of Tongji University. He joined the Company in 2005.

LV Cui Hua, aged 44, is a vice president and the general manager of business division 1 of the Company, being responsible for the overall business as well as operation and management. Ms. Lv was the person-in-charge of the cost control department of Youfu (Shanghai) Company Limited (友富(上海)有限公司) and the person-in-charge of the contract department of CapitalLand China (凱德置地(中國)). Ms. Lv received an EMBA degree from Tongji University. She joined the Company in May 2010.

ZHANG Jun, aged 43, is a vice president and the general manager of Zhejiang business division of the Company and is responsible for overall business as well as operation and management of the division. He served as the chief executive officer of Boee Real Estate Group Co., Ltd. (保億置業集團有限公司) and an assistant to president of Shanghai Forte Land Company Limited (復地(集團)股份有限公司) and a general manager of its subsidiary in Hangzhou company. He obtained a master's degree in business administration from Zhejiang University. He joined the Company in June 2016 and was the vice general manager of Powerlong Land business division, responsible for project development and land acquisition.

Huang Wenzhong, aged 49, is a vice president, general manager of the capital management centre and the general manager of the investment group of the Company. He is primarily responsible for the Company's capital market business and industrial investment. He has over 26 years of experience in the finance industry. Prior to joining the Company, he was the person-in-charge of the office of the board of Xiamen Commercial Bank, person-in-charge of the risk management department of the credit management division of Xiamen Commercial Bank, head of the Jimei sub-branch of Xiamen Bank, head of the Quanzhou branch of Xiamen Bank (and concurrently group head of the Haixi Finance Lease Company Limited Preparatory Group, and group head of the Haixi Finance Lease Company Limited Preparatory Group. He obtained a bachelor's degree from Fudan University and an EMBA degree from Xiamen University. He is also an economist. He joined the Company in June 2016.

HUANG Yao Ming, aged 46, is a vice president and the general manager of the investment development centre of the Company and is responsible for project expansion and acquisition of land reserve of the Company. Prior to joining the Company, he served senior positions of investment, expansion and management in various large-scale enterprises, where he was the general manager of investment department in Huali Property Group (華立地產集團), the chief investment officer of Xianjin Group Korean Company Limited (韓國株式會社現進集團), and the vice president of Shanghai Mingbang Investment Company (上海銘邦投資公司). He obtained a bachelor's degree in real estate operation and management from Shanghai Tongji University, and was awarded a master's degree in technical economics and management by Shanghai Tongji University. He is also qualified as a China Certified Real Estate Appraiser. He joined the Company in March 2010.

SHEN Jian Zheng, aged 51, is a vice president and general manager of the marketing management centre of the Company and is responsible for the overall marketing control of the Company. Prior to joining the Company, he served senior marketing management positions in various large-scale enterprises, where he was the assistant to the general manager of Longyan Lvhengxing Construction (龍岩龍興建設), the sales director of Xiamen Haifa Property (廈門海發房地產) and marketing director of Yuehua New Property Group (悅華新房產集團). He obtained a bachelor's degree in finance from Xiamen University. He joined the Company in August 2007.

XIA Guo Yue, aged 58, is the general manager of the hotel business of the Company and is responsible for overall hotel construction and operation control of the Company. Prior to joining the Company, he served senior management positions in various large-scale enterprises, where he was the general manager of Crown Plaza Hangzhou (杭州皇冠大酒店), the general manager of Longhill Hotel Hangzhou (杭州龍禧大酒店), and the executive president of China Yuanzhou Group Hotel Management Company (中國遠洲集團酒店管理公司). He obtained a bachelor's degree in tourism from Zhejiang University, and was accredited as the Certified Hotel Administrator (CHA) by the American Hotel & Lodging Association (AHLA). He is a lecturer of tourism and management in Zhejiang University School of Management, the executive vice chairman of Hospitality Asset Managers Association China (HAMA), an expert member of Hospitality Culture Professional Committee of China Hospitality Association, and the vice president of the Planning, Design and Decoration Committee of China Hospitality Association. He was awarded the Top 10 Hoteliers of the Year by the 13th China Hotel Starlight Awards, and the Honor Badge of China's Hospitality – Honor of Contributor to China's Hotel Development by China National Tourism Administration. He joined the Company in April 2007.

XIAO Ying Lin, aged 46, is a company secretary of the Company and secretary of the Board. Ms. Xiao is responsible for the listing and compliance management of the Company. She is a fellow member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators of the United Kingdom) and The Hong Kong Institute of Chartered Secretaries as well as a member of The Chinese Institute of Certified Public Accountants. Ms. Xiao also acted as a company secretary and secretary of the board of Lianhua Supermarket Holdings Co., Ltd. (HK stock code: 0980). She has 18 years of extensive experience in company secretarial, capital operation, compliance, information disclosure and investor relations fields. She holds a master's degree in finance from Shanghai Academy of Social Sciences in 2000. She acted as a company secretary of the Company from October 2012 to October 2015 and rejoined the Company in October 2016.

Save as otherwise disclosed, there is no relationship (including financial/business/family or other material/relevant relationship) between any members of the Board, senior management or substantial shareholders or controlling shareholders of the Company, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

CORPORATE GOVERNANCE REPORT

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more values for its shareholders. The Board continuously reviews and improves the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders of the Company. During the year ended 31 December 2019, the Company has applied the principles and complied with all applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”).

BOARD OF DIRECTORS

The Board’s major functions and duties are to oversee the management, businesses, strategic directions and financial performance of the Group as well as to maximize the financial performance of the Group and make decisions in the best interests of the Group. The Board is also fully responsible for the formulation of business plans and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The Board has delegated the authority and responsibilities to the management for the day-to-day operations of the Group. In addition, the Board has also established Board committees and has delegated various responsibilities to these Board committees as set out in their respective terms of reference.

In addition, the Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code. For the year ended 31 December 2019, the Board has reviewed policies and practices of on corporate governance of the Company, monitored the training and continuous professional development of the Directors and senior management of the Company, ensured the Company’s policies and practices are in compliance with legal and regulatory requirements and reviewed the code of conduct applicable to the Directors and employees of the Company. The Board has also reviewed the Company’s compliance with the CG Code for the year ended 31 December 2019 and has made disclosures in this corporate governance report in accordance with the CG Code.

All Directors have separate and independent access to the Company’s senior management to fulfill their duties and, upon reasonable request in appropriate circumstances, all Directors can seek independent professional advice at the Company’s expense. The Board also has access to the company secretary of the Company with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Composition of the Board

The Board currently consists of nine members, with five executive Directors, one non-executive Director and three independent non-executive Directors. During the year ended 31 December 2019, the Company had at all times complied with Rule 3.10 and Rule 3.10A of the Listing Rules. The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making. The Board believes that the non-executive Directors and independent non-executive Directors have brought their independent judgment on issues in connection with the Group’s strategies, performance, conflict of interests and management process so that the interests of all shareholders are considered and safeguarded.

The Company has received from each of the independent non-executive Directors an annual written confirmation on his/her independence pursuant to the requirements of the Listing Rules and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

Save as disclosed in the section headed “Directors and Senior Management” of this annual report, the Board members have no financial, business, family or other material relationships with each other as at 31 December 2019.

Practice and conducts of meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For Board committee meetings, reasonable notice is given. An agenda and accompanying Board papers with complete and reliable information are sent to all Directors at least three days in advance of the Board meetings. Materials for Board committees meetings are sent in accordance with the terms of reference of the relevant Board committees.

The company secretary of the Company is responsible for taking and keeping minutes of all Board and Board committees meetings, which record sufficient details of the matters considered by the Board and Board committees and decisions made, including any proposal raised by the Directors or dissenting views expressed. The minutes are kept by the company secretary and are open for inspection by the Directors.

During the year ended 31 December 2019 and up to the date of this report, the Board consisted of the following Directors and attendance of each Director at four Board meetings and the annual general meeting of the Company held during the year ended 31 December 2019 is set out as follows:

	Attendance/ Number of Board meetings held during the year	Attendance/ Number of general meetings held during the year
Executive Directors		
Mr. Hoi Kin Hong (Chairman of the Board and the Nomination Committee)	4/4	1/1
Mr. Hoi Wa Fong (Chief Executive Officer)	4/4	1/1
Mr. Xiao Qing Ping	4/4	1/1
Ms. Shih Sze Ni	4/4	1/1
Mr. Zhang Hong Feng	4/4	1/1
Non-executive Director		
Ms. Hoi Wa Fan	4/4	1/1
Independent Non-executive Directors		
Mr. Ngai Wai Fung (Chairman of the Audit Committee)	4/4	1/1
Mr. Mei Jian Ping (Chairman of the Remuneration Committee)	4/4	1/1
Mr. Ding Zu Yu	4/4	1/1

Board Diversity Policy

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

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

Appointment and re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are governed by the Company's articles of association (the "**Articles of Association**"), a copy of which has been published on the Stock Exchange's website and the Company's website.

Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni and Mr. Zhang Hong Feng, the executive Directors and Ms. Hoi Wa Fan, a non-executive Director, have entered into service contracts with the Company for a term of three years commencing from 14 October 2018 to 13 October 2021. Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Mr. Ding Zu Yu, the independent non-executive Directors, have entered into letters of appointment with the Company for a term of three years commencing from 14 October 2018 to 13 October 2021.

Under the Articles of Association, the Board is empowered to appoint any person as a director to fill the casual vacancy or as an additional director of the Board. The Board, with the recommendation of the nomination committee of the Company (the "**Nomination Committee**"), considers a candidate's experience, skill and knowledge and competency and ability to fulfill duty of care and diligence and fiduciary duty. All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment, and every Director, including those appointed for a specific term, are subject to retirement by rotation at least once every three years. As such, no Director has a term of appointment longer than three years.

Directors' Responsibilities for the Financial Statements

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Hoi Kin Hong is the chairman of the Board and Mr. Hoi Wa Fong is the chief executive officer of the Company. Responsibilities between the chairman of the Board and the chief executive officer of the Company are clearly divided and segregated to ensure a balance of power and authority and to reinforce their independence and accountability.

Mr. Hoi Kin Hong, being the chairman of the Board, is responsible for providing leadership to the Board and ensuring that the Board functions effectively, that the Directors receive adequate information which is complete and reliable in a timely manner, and that all the Directors are properly briefed on issues to be proposed at Board meetings. The Chairman of the Board also encourages Directors to participate actively and to make a full contribution to the Board so that the Board acts in the best interests of the Group.

Mr. Hoi Wa Fong, being the chief executive officer of the Company, is responsible for the daily operations of the Group, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of the Group.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules and the relevant statutory requirements.

Directors are continually updated on the latest statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continual briefing and professional development trainings for the directors will be arranged by the Company as necessary.

Pursuant to Code A.6.5 of the CG Code, the Company encourages all Directors to participate in continuing professional development in order to develop and refresh their knowledge and skills. During the year ended 31 December 2019, the Company had offered professional training to Directors by way of seminar. The training is summarized as follows:

Title of seminar:	Latest Amendments to Hong Kong Listing Rules and the Continuing Obligations of Directors
Date of seminar:	9 December 2019
Presenter:	Mr. Xiang Tianning, Partner of Clifford Chance
Directors attended:	Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni, Mr. Zhang Hong Feng, Ms. Hoi Wa Fan, Mr. Ngai Wai Fung, Mr. Mei Jian Ping, Mr. Ding Zu Yu

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all Directors and all Directors have confirmed that they had complied with the required standard as set out in the Model Code throughout the year ended 31 December 2019.

To comply with code provision A.6.4 of the CG Code, Relevant Employees (as defined in the Listing Rules), who are likely to be in possession of unpublished inside information of the Group or its securities due to their offices or employment, are also subject to compliance with written guidelines no less exacting than the Model Code.

During the year ended 31 December 2019, no incident of non-compliance with the Model Code and the written guidelines by the Directors and the Relevant Employees was noted by the Company to date. Having made specific enquiry of all the Directors, the Directors confirmed there had not been any non-compliance with the Model Code for the year ended 31 December 2019.

BOARD COMMITTEES

During the year ended 31 December 2019, the Board had three Board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference approved by the Board which set out the Board committees' respective duties. Terms of reference of the Board committees are reviewed from time to time to cope with the latest amendments of the Listing Rules and the needs of the Company, and are available on the Stock Exchange's website and the Company's website.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, may seek independent professional advice in appropriate circumstances at the Company's expense.

AUDIT COMMITTEE

During the year ended 31 December 2019, the Audit Committee comprised all independent non-executive Directors:

Mr. Ngai Wai Fung (**Chairman of the Audit Committee**)

Mr. Mei Jian Ping

Mr. Ding Zu Yu

Terms of reference of the Audit Committee were established pursuant to the requirements under Rule 3.21 of the Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the Audit Committee are to:

- review the financial statements, reports and consider any significant or unusual items raised by the external auditor before submission to the Board;
- review and monitor the relationship with the external auditor of the Company by reference to the work performed by the external auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;
- review the adequacy and effectiveness of the Company's financial controls, internal control system, risk management system and the associated procedures; and
- develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.

The Audit Committee provides supervision over the risk management and internal control systems of the Group and the effectiveness of the internal audit function of the Company, and reports to the Board on any material issues and makes recommendations to the Board.

During the year ended 31 December 2019, the Audit Committee held two meetings to discuss and review the financial results of the Group for the year ended 31 December 2018 and the interim results of the Group for the six months ended 30 June 2019. The chief financial officer of the Company and representatives of the external auditor of the Company attended the meetings. In addition, the Audit Committee has also reviewed the effectiveness of the internal audit function of the Company to make recommendations to improve the Group's risk management and internal control and to review continuing connected transactions of the Group.

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

Audit Committee Members	Attendance/ Number of Audit Committee meetings held during the year
Mr. Ngai Wai Fung	2/2
Mr. Mei Jian Ping	2/2
Mr. Ding Zu Yu	2/2

REMUNERATION COMMITTEE

During the year ended 31 December 2019, the Remuneration Committee comprised three members, the majority of which are independent non-executive Directors:

Mr. Mei Jian Ping (**Chairman of the Remuneration Committee**)
 Mr. Hoi Wa Fong
 Mr. Ding Zu Yu

The Remuneration Committee has adopted written terms of reference prepared by reference to the requirements under code provision B.1.2 of the CG Code. The primary functions of the Remuneration Committee are to (i) make recommendations to the Board in relation to the remuneration policy and structure of all Directors and senior management, and to establish a formal and transparent procedure for assessing performance of the Directors and determining the remuneration policy in respect of the Directors and senior management of the Company; (ii) make recommendations, if any, on the remuneration packages for the Directors and senior management of the Company; and (iii) review and approve management's remuneration proposals with reference to the Group's corporate goal and objectives from time to time.

During the year ended 31 December 2019, the Remuneration Committee held one meeting to review and consider the remuneration packages for the Directors and senior management of the Company.

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

Remuneration Committee members	Attendance/ Number of Remuneration Committee meetings held during the year
Mr. Mei Jian Ping	1/1
Mr. Hoi Wa Fong	1/1
Mr. Ding Zu Yu	1/1

NOMINATION COMMITTEE

During the year ended 31 December 2019, the Nomination Committee comprised three members, the majority of which were independent non-executive Directors:

Mr. Hoi Kin Hong (**Chairman of the Nomination Committee**)
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

The Nomination Committee has adopted written terms of reference prepared by reference to the requirement of code provision A.5.2 of the CG Code. The primary functions of the Nomination Committee are to (i) review the structure, size and composition of the Board; (ii) identify individuals suitably qualified to become members of the Board and make recommendations on selection of individuals nominated for directorships; (iii) make recommendations to the Board on appointment or reappointment of Directors and succession planning for Directors; (iv) assess the independence of independent non-executive Directors; and (v) review the Board Diversity Policy.

The Nomination Committee will assess the candidate based on criteria incumbent for acting as a Director such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities as a Director. The recommendations of the Nomination Committee will then be put to the Board for decision.

During the year ended 31 December 2019, the Nomination Committee held one meeting to approve the nomination of the executive Directors of the Company, review the structure of the Board and confirm the compliance of the composition of the Board with the Board Diversity Policy adopted by the Company.

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

Nomination Committee members	Attendance/ Number of Nomination Committee meetings held during the year
Mr. Hoi Kin Hong	1/1
Mr. Mei Jian Ping	1/1
Mr. Ding Zu Yu	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility in maintaining sound and effective internal control and risk management systems in order to safeguard the Group's assets and shareholders' interests, and reviewing the effectiveness of the Company's internal control and risk management systems at least annually so as to ensure that internal control and risk management systems in place are adequate and cover all material controls, including financial, operational and compliance controls. The internal control and risk management systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable and not absolute assurance against material misstatement of loss.

The Group's internal control and risk management systems include a well-established organizational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Board from time to time. Each department is also required to keep the Board informed of the process used to identify, evaluate and manage significant risks, and of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

At the same time, the Company has established a supervisory department that performs internal audit function of the Company (the "**Supervisory Department**"). The Supervisory Department is particularly responsible for risk management, review and audit of the finance and operations of the Company and its subsidiaries regularly. The purpose of the work of the Supervisory Department is to ensure the adequacy and effectiveness of the internal control and risk management systems of the Group. For shortcomings of the Group's internal controls and accounting procedures which the external auditors has identified and reported to the Company, the Company would pay full attention to the recommendations made by the external auditors and make appropriate improvements.

The Supervisory Department reports to the Audit Committee and the Board annually based on the implementation of the risk management and internal control systems. The Audit Committee monitors the risk management and internal control systems of the Group and reports to the Board for any material matters and makes recommendations to the Board.

The Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2019. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the Audit Committee. The Board believes that the existing internal control and risk management systems are adequate and effective.

DISSEMINATION OF INSIDE INFORMATION

The Group has in place a framework for the disclosure of inside information by reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in an appropriate and timely manner, such as steps to ascertain sufficient details, conduct internal assessment of the matter and its likely impact on the Company, seek professional advice where required and verification of the facts. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

ANNUAL REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Company is determined in accordance with the Company's remuneration policy and structure.

The Remuneration Committee is responsible for reviewing the Group's emolument policy and structure for remuneration for all the Directors and senior management of the Group, which were determined having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2019 is set out as below:

Annual remuneration by band	Number of individuals
RMB800,001 and above	16
RMB600,001 to RMB800,000	0
RMB600,000 and below	1

Details of the remuneration of the Directors for the year ended 31 December 2019 are set out in note 42 to the financial statements. No Director has waived or has agreed to waive any emoluments during the year ended 31 December 2019.

During the years ended 31 December 2019, no director or any of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office. Also, the Group did not pay consideration to any third parties for making available directors' services during the year.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of external auditor of the Company about his reporting responsibilities on the Group's consolidated financial statements for the year ended 31 December 2019 is set out in the section headed "Independent Auditor's Report" in this annual report.

During the year ended 31 December 2019, the total fee paid/payable to the external auditor of the Company in respect of audit services and non-audit services is set out as follows.

Services rendered	(RMB' million)
Audit services:	
Annual audit (including the review of interim results under Hong Kong Standard on Review Engagements 2410)	6.7
Non-audit services:	
Services rendered in respect of bonds issuance by the Group and reporting accountant service rendered in respect of spin off	8.9

SHAREHOLDER RELATIONS

The Company believes that by adopting a policy of disclosing clear and relevant information to shareholders through publication of announcements, notices, circulars, interim and final reports in a timely manner, the Company is able to establish an effective and appropriate relationship with its shareholders. Further, shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post. To enhance the Company's transparency, other information of the Company is also published at the Company's website at <http://www.powerlong.com>. In addition to publication of information, the annual general meeting of the Company provides a forum for communication between shareholders and the Directors. The chairman of the Board personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. In addition to the chairman of the Board, the chairmen of the Board committees, or in their absence, other members of the respective Board committees, are available to answer any queries that shareholders may have. The chairman of the Board will propose separate resolutions for each issue to be considered at the annual general meetings. The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows the 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 proposal 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 Board. Poll results are posted on the Company's website after the conclusion of the general meetings.

PROCEDURES FOR SHAREHOLDERS TO REQUISITION AND CONVENE AN EXTRAORDINARY GENERAL MEETING (INCLUDING PROPOSING A RESOLUTION AT AN EXTRAORDINARY GENERAL MEETING)

Any two or more shareholders 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 "**Eligible Shareholders**") shall at all times have the right, by a written requisition signed by the Eligible Shareholders concerned (the "**Requisition**"), to require the Board to convene an extraordinary general meeting, and/or to put any resolution so requisitioned to vote at such extraordinary general meeting.

Eligible Shareholders who wish to requisition the Board to convene an extraordinary general meeting for the purpose of proposing a resolution at the extraordinary general meeting must deposit the Requisition at the principle place of business of the Company in Hong Kong at Unit 5603, 56th Floor, The Center, 99 Queen's Road Central, Hong Kong, for the attention of the company secretary or via e-mail at the e-mail address of the Company at boardteam@powerlong.com.

The Requisition must state clearly the names of the Eligible Shareholders concerned, specify the objects of the meeting, and be signed by the Eligible Shareholders concerned. The Eligible Shareholders must prove their shareholdings in the Company to the satisfaction of the Company.

The Company will check the Requisition and the identities and the shareholdings of the Eligible Shareholders will be verified with the Company's Hong Kong branch share registrar. If the Requisition is found to be proper and in order and in compliance with the Company's memorandum of association (the "**Memorandum**") and Articles of Association, the Board will within 21 days of the date of deposit of the Requisition, proceed duly to convene an extraordinary general meeting to be held within a further 21 days, for the purpose of putting any resolution(s) proposed by the Eligible Shareholders to vote at such extraordinary general meeting. However, if the Requisition has been verified as not in order and not in compliance with the Memorandum and Articles of Association, the Eligible Shareholders concerned will be advised of this outcome and accordingly, the Board will not convene an extraordinary general meeting and will not put any resolution(s) proposed by the Eligible Shareholders to vote at any such extraordinary general meeting or any other general meeting of the Company.

If within 21 days of the date of deposit of the Requisition, the Board has not advised the Eligible Shareholders that the Requisition is not in order and not in compliance with the Memorandum and Articles of Association, and the Board has failed to proceed to convene an extraordinary general meeting, the Eligible Shareholders themselves (or any one or more of the Eligible Shareholders who hold(s) more than one-half of the total voting rights of all the Eligible Shareholders who signed the Requisition) may proceed to convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Board in accordance with the Memorandum and Articles of Association, provided that the extraordinary general meeting so convened must be held before the expiration of three months from the date of deposit of the Requisition. All reasonable expenses incurred by the Eligible Shareholders concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholders concerned by the Company.



CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, there was no change in the constitutional documents of the Company.

INVESTOR RELATIONS OVERVIEW

As a responsible listed company, the Company is committed to maintaining dynamic communications with its shareholders and investors. The Company regularly updates the investors about its latest operations and financial performance through company website, corporate newsletters, site visits, one-on-one meetings, bank conferences and international roadshows.

In 2019, the Company was invited to participate in 23 Asian forums and conferences held by various investment banks and financial institutions meeting more than 600 investors. Investor relations activities not only are helpful in promoting bilateral communications between the Company and the public and acting as an effective channel for information exchange, but also further enhance transparency of the Company in the capital market, thereby improving investors' relationship of the Group.

The Company participated in the following major investor relations activities in 2019:

January:	19th UBS Greater China Seminar
January:	Guosen Securities 2019 Strategy Meeting
January:	Everbright Securities 2019 Strategy Meeting
April:	Industrial Securities 2019 Listco Exchange Fair
May:	Shenwan Hongyuan 2019 Listco Meeting
May:	Everbright Securities Investment Strategy Meeting
May:	BNP Roadshow Meeting
May:	Essence Securities Investment Strategy Meeting
May:	Huatai Securities Investment Strategy Meeting
June:	Deutsche Bank 23rd European Leverage Finance Annual meeting
June:	Industrial Securities Investment Strategy Meeting
June:	HSBC 3rd Annual Asia Credit Conference
June:	Everbright Securities 2019 Mid-term Strategy Meeting
June:	Citi's Asia Pacific Property Conference 2019
September:	Huachuang Securities Autumn Strategy Meeting
September:	BoA Merrill Lynch 2019 Global Real Estate Meeting
October:	Nomura China Real Estate Corporate Day
November:	14th Citi China Investor Conference
November:	Nomura Asia High Yield Corporate Day
November:	Huachuang Securities 2020 Capital Market Strategy Meeting
November:	China Merchants Securities China Real Estate Corporate Day 2019
December:	Huatai Securities 2020 Strategy Meeting
December:	Guosen Securities 2020 Strategy and Listco Exchange Fair

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	+852-2169 1955
By post:	8/F, Powerlong Tower, 1399 Xinzhen Road, Minhang District, Shanghai, China Unit 5603, 56/F, The Center, 99 Queen's Road Central, Hong Kong
Attention:	Mr. Liu Boyang/Ms. Zhang Shiyu
By email:	ir@powerlong.com

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, property investment, Property Management Services, and other property development related services. Details of the principal activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS

The business review and financial review of the Group for the year ended 31 December 2019 are set out in the sections of "Management Discussion and Analysis" of this annual report.

The results of the Group for the year ended 31 December 2019 are set out on pages 74 to 174 of this annual report.

DIVIDEND

At the Board meeting held on 9 March 2020, the Board recommended the payment of a Final Dividend of HK\$27.0 cents per ordinary share for the year ended 31 December 2019, subject to approval at annual general meeting of the shareholders of the Company. In addition to the Final Dividend, having considered the business, financial and cash flow position of the Group and the market conditions, the Board further declared a Special Dividend of HK\$4.0 cents per ordinary share to mark the 10th anniversary of the Company's listing and to reward the shareholders of the Company for their continued support. The Final Dividend (if approved by the shareholders) together with the Special Dividend, will be paid on or around Wednesday, 5 August 2020 to the shareholders whose names appear on the register of members of the Company on Monday, 22 June 2020.

In order to be qualified for the proposed Final Dividend for the year ended 31 December 2019 and the Special Dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 17 June 2020.

Together with the interim dividend of HK\$9.0 cents per ordinary share for the six months ended 30 June 2019 and paid on 10 December 2019, the total dividend for the year of 2019 amounts to HK\$40.0 cents per ordinary share.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including our earnings and financial conditions, operation requirements, capital requirements and any other conditions that any other Directors may deem or are relevant and will be subject to the approval of our shareholders of the Company. There can be no assurance that dividends of any amount will be declared or distributed in any given year.

RESERVES

Details of movement in the reserves of the Group and the Company for the year ended 31 December 2019 are set out in the consolidated statement of changes in equity and in note 41(a) to the consolidated financial statements, respectively.

As at 31 December 2019, the reserves of the Company available for distribution were approximately RMB372 million (2018: approximately RMB853 million).

SHARE CAPITAL

On 14 October 2019, the Company allotted and issued 146,600,000 new ordinary shares of par value of HK\$0.01 each pursuant to the Placing. For further details, please refer to the section headed “Management Discussion and Analysis” in this annual report.

Details of movements in the share capital of the Group during the year ended 31 December 2019 are set out in note 20 to the consolidated financial statements.

DEBENTURE

Details of the issuance of senior notes of the Company during the year ended 31 December 2019 are set out in the section headed “Management Discussion and Analysis ” in this annual report.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as disclosed under the paragraphs headed “Share Option Scheme” in this section of this annual report, the Company has not entered into any and had no subsisting equity-linked agreement for the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights over shares of the Company under the Company’s Articles of Association or the laws of Cayman Islands where the Company is incorporated.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 175 to 176 of this annual report.

BORROWINGS

Particulars of borrowings of the Company and the Group as at 31 December 2019 are set out in note 23 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of property and equipment of the Group are set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group’s future business development are set out in the Chairman’s Statement on pages 8 to 11 of this annual report. Description of possible risks and uncertainties facing the Company is set out in the Management Discussion and Analysis on pages 29 to 41 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year ended 31 December 2019 are set out in note 43 to the consolidated financial statements.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a property developer and city complex operator in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the year ended 31 December 2019, the Group had complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Mr. Hoi Kin Hong (Chairman)
 Mr. Hoi Wa Fong (Chief executive officer)
 Mr. Xiao Qing Ping
 Ms. Shih Sze Ni
 Mr. Zhang Hong Feng (Deputy chief executive officer)

Non-executive Director

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
 Mr. Mei Jian Ping
 Mr. Ding Zu Yu

In accordance with article 16.18 of the Company's Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Hoi Kin Hong, Mr. Ngai Wai Fung and Mr. Mei Jian Ping will retire from their offices as Directors by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni and Mr. Zhang Hong Feng, the executive Directors and Ms. Hoi Wa Fan, the non-executive Director, have entered into service contracts with the Company for a term of three years commencing from 14 October 2018 to 13 October 2021. Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Mr. Ding Zu Yu, the independent non-executive Directors, have entered into letters of appointment with the Company for a term of three years commencing from 14 October 2018 to 13 October 2021. None of the Directors, including Directors being proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular review by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of Directors' remuneration are set out in note 42 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the note 42 to the consolidated financial statements and in the section headed "Connected Transactions" below, there was no other contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, being the Directors, are interested in certain companies engaged in the hotel operation business, which is ancillary to the Company's core business, namely, commercial property development and operation. The hotels operated by such companies are Xiamen Powerlong Hotel (廈門寶龍大酒店) and Jinjiang Powerlong Hotel (晉江寶龍大酒店). These two hotels are operated independently and in individual mode different from that of the Group, while the hotels included in the Group's development projects are developed as part of the large-scale and multifunctional commercial complexes. As such, there are no actual or potential competition between these two hotels and the hotels to be included in the Group's development project. Details of Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel are set out in the prospectus of the Company dated 25 September 2009 (the "**Prospectus**"). As at 31 December 2019, there were no changes in the above information as disclosed in the Prospectus.

Saved as disclosed above, as at 31 December 2019, none of the Directors or their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

Each of Skylong Holdings Limited, Sky Infinity Holdings Limited, Walong Holdings Limited, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan has undertaken to the Company that, subject to the exceptions mentioned in the Prospectus, they will not engage in, and shall procure that their controlled affiliates (other than members of the Company) will not engage in any property development and hotel operation business in China. Details of the deed of non-competition (the “**Deed of Non-competition**”) in favour of the Company are set out in the Prospectus.

The Company has received from Skylong Holdings Limited, Sky Infinity Holdings Limited, Walong Holdings Limited, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan an annual confirmation that it/he/she had fully complied with its/his/her obligations under the Deed of Non-competition.

INDEMNITY AND INSURANCE PROVISIONS

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. Such provisions were in force during the course of the financial year ended 31 December 2019 and remained in force as of the date of this report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

SHARE OPTION SCHEME

Pursuant to the shareholder’s resolutions of the Company on 16 September 2009, the Company has adopted a share option scheme (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants 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:

Purpose of the Share Option Scheme:

The Share Option Scheme is established to recognize and acknowledge the Eligible Participants (as defined below) for the contributions they 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 a view to achieving the following objectives:

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

Participants of the Share Option Scheme:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of shares of the Company as the Board may determine:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; or
- (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

Total number of shares available for issue under the Share Option Scheme and percentage of the number of issued shares as at the date of this annual report:

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 400,000,000 shares (representing approximately 9.65% of the number of issued shares as at the date of the annual report).

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 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 and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 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, for this respect, such Eligible Participant and his associates (as defined in the Listing Rules) shall abstain from voting at the meeting.

The period within which the options must be exercised under Share Option Scheme to subscribe for shares:

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee but in any event not exceeding 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

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 unless otherwise imposed by the Directors.

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:

Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per grant.

The basis of determining the exercise price:

The exercise price is determined by the Board but shall not be less than the higher of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets on the date (which must be a trading day) of grant of options; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share.

The remaining life of the Share Option Scheme:

The Share Option Scheme will remain in force for a period of 10 years commencing from 16 September 2009. Accordingly, the Share Option Scheme has expired on 16 September 2019.

Since the adoption of the Share Option Scheme and up to 15 September 2019, no options had been granted under the Share Option Scheme.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the interests and short positions of each Director and chief executive of the Company in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in shares and underlying shares of the Company

Name of Directors	Number of ordinary shares			Total	Approximate percentage of interests to the issued share capital of the Company (Note 1)
	Personal interests	Interests of spouse	Interests of a controlled corporation		
Mr. Hoi Kin Hong	28,465,000	2,800,000	1,805,637,000 (Note 2)	1,836,902,000	44.33%
Mr. Hoi Wa Fong	8,988,000	503,400	596,018,000 (Note 3)	605,509,400	14.61%
Mr. Xiao Qing Ping	811,700	–	–	811,700	0.02%
Ms. Shih Sze Ni	503,400	605,006,000	–	605,509,400	14.61%
Mr. Zhang Hong Feng	184,300	–	–	184,300	0.004%
Ms. Hoi Wa Fan	61,470,000	–	203,106,000 (Note 4)	264,576,000	6.38%

Notes:

- These percentages have been compiled based on the total number of issued shares (i.e. 4,143,903,000 shares) as at 31 December 2019.
- These shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong.
- These shares are held by Sky Infinity Holdings Limited, which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited, respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.
- These shares are held by Walong Holdings Limited and Mantong (HK) Trading Co., Ltd, which are wholly and beneficially owned by Ms. Hoi Wa Fan.

Interest in debentures of the Company

The 9.125% senior notes due 2021 in the aggregate principal amount of US\$200,000,000 issued on 14 January 2019:

Director	Capacity in which debentures were held	Amount of debentures of the Company held
Mr. Hoi Wa Fong	Founder of a discretionary trust	US\$26,000,000 (Note 1)

Notes:

- The US\$26,000,000 debentures was held by Sky Infinity Holdings Limited which is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.

Saved as disclosed above, as at 31 December 2019, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2019, the interests or short positions of other persons, other than a director or chief executive officer of the Company, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interests	Total number of ordinary shares and underlying shares (Note 1)	Approximate percentage of interests in the Company (Note 2)
Skylong Holdings Limited (Note 3)	Beneficial owner	1,805,637,000	43.57%
Credit Suisse Trust Limited (Note 4)	Trustee	596,018,000	14.38%
Sky Infinity Family Limited (Note 4)	Interest in controlled corporation	596,018,000	14.38%
Sky Infinity Holdings Limited (Note 4)	Beneficial owner	596,018,000	14.38%

Notes:

- All the interests represent long positions.
- These percentages have been compiled based on the total number of issued shares (i.e. 4,143,903,000 shares) as at 31 December 2019.
- Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.
- Sky Infinity Holdings Limited is wholly-owned by Sky Infinity Family Limited, which is in turn 50% owned by Seletar Limited and 50% owned by Serangoon Limited respectively. Seletar Limited and Serangoon Limited are nominees in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust.

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any persons, other than a director or chief executive officer of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no other contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

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

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

CONNECTED TRANSACTIONS

Certain related party transactions set out in note 39 to the consolidated financial statements also constituted connected transactions of the Company under Chapter 14A of the Listing Rules (including certain transaction which are exempted from the connected transaction requirements under Rule 14A.76(1) of the Listing Rules). The following transactions are the non-exempted connected transactions of the Group during the year ended 31 December 2019, which are required to be disclosed in accordance with Chapter 14A of the Listing Rules and for which the requirements under Chapter 14A have been complied with.

Continuing Connected Transactions

On 1 July 2010, the Company and Fujian Ping An Security Devices and Network Co., Ltd. ("**Fujian Ping An**") entered into a security service agreement (the "**Security Service Agreement**") for a term from 1 July 2010 to 31 December 2012. Pursuant to the Security Service Agreement, Fujian Ping An agreed to provide certain security intelligentization system services (the "**Security Services**") to the Group. Upon expiry of the term of the Security Service Agreement, the parties entered into a renewal agreement on 28 December 2012 for an extension of the term to 31 December 2015 (the "**2013 Security Service Agreement**") and further entered into a renewal agreement on 28 December 2015 for a further extension of the term to 31 December 2018 (the "**2016 Security Service Agreement**"). Details of the Security Service Agreement, 2013 Security Service Agreement and 2016 Security Service Agreement are set out in the announcements of the Company dated 1 July 2010, 28 December 2012 and 28 December 2015 respectively.

Fujian Pingan was owned as to 80% by Mr. Cai Guo Liang. Mr. Cai Guo Liang is a relative of Mr. Hoi Wa Fong, an executive Director and a substantial shareholder of the Company. By virtue of Mr. Cai Guo Liang's interest in Fujian Pingan, Fujian Pingan is therefore an associate of Mr. Hoi Wa Fong and hence a connected person at the listed issuer level of the Company under the Listing Rules.

As the 2016 Security Service Agreement expired on 31 December 2018, the Company and Fujian Pingan entered into a security service agreement on 27 December 2018 to renew the framework for the provision of the Security Services (including but not limited to building automation system and safety monitoring system for the Group) for a term of three years commencing from 1 January 2019 to 31 December 2021 (both days inclusive) (the "**2019 Security Service Agreement**"). Pursuant to 2019 Security Service Agreement, it is expected that the transaction amounts of the Group for each of the three financial years ending 31 December 2021 will not exceed RMB150,000,000, RMB180,000,000 and RMB200,000,000 respectively. Details of the 2019 Security Service Agreement are set out in the announcement of the Company dated 27 December 2018. During the year ended 31 December 2019, under the 2019 Security Service Agreement, the actual total transaction amounts in 2019 were RMB26,297,000, which did not exceed the annual cap for the year ended 31 December 2019.

Pursuant to Rule 14A.55, the independent non-executive Directors confirmed that the aforesaid continuing connected transactions have been entered into: (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing the respective transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, as at 31 December 2019, there were no other related party transactions or continuing related party transactions set out in note 39 to the consolidated financial statements which falls under the definition of “connected transaction” or “continuing connected transaction” and are subject to the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Further, the Company has complied with all applicable disclosure requirements in relation to the aforesaid continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

In accordance with Rule 14A.56 of the Listing Rules, the Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with 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 auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Facility Agreement dated 29 August 2017

On 29 August 2017, the Company as borrower, certain of its subsidiaries as guarantors and Bank of China (Hong Kong) Limited, Wing Lung Bank, Limited, The Bank of East Asia Limited and Tai Fung Bank Limited as lenders entered into a facility agreement (the “**2017 Facility Agreement**”) in relation to a 3-year term loan facility in multiple currencies and tranches of up to US\$200,000,000 equivalent (the “**2017 Facility**”). Pursuant to the 2017 Facility Agreement, it is an event of default if (i) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to hold legally and beneficially and directly or indirectly 40% or more of all classes of the equity interests of the Company carrying any entitlement to vote; and/or (ii) Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, does not, or ceases to directly or indirectly control the Company; and/or (iii) Mr. Hoi Kin Hong or Mr. Hoi Wa Fong is not, or ceases to be, chairman of the board of directors of the Company. Details of the 2017 Facility are set out in the announcement of the Company dated 29 August 2017.

Facility Agreement dated 18 April 2018

On 18 April 2018, the Company as borrower and Tai Fung Bank Limited as lender entered into a facility agreement (the “**Term Loan Facility Agreement**”) in relation to a 3-year term loan facility amounting to HK\$200,000,000 (the “**Term Loan Facility**”). Pursuant to the Term Loan Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, to (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the Term Loan Facility are set out in the announcement of the Company dated 18 April 2018.

Facility Agreement dated 5 July 2018

On 5 July 2018, the Company as borrower, The Hongkong and Shanghai Banking Corporation Limited as the mandated lead arranger, the bookrunner and the agent, The Bank of East Asia Limited and Tai Fung Bank Limited each as the mandated lead arranger entered into a facility agreement (the “**2018 Facility Agreement**”) in relation to a 42-month term loan facility in an amount up to US\$305,000,000 (which includes an accordion feature) or the equivalent amount in other currencies (the “**2018 Facility**”). Pursuant to the 2018 Facility Agreement, it is an event of default, among other things, if the Company does not comply with the undertaking to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the 2018 Facility Agreement are set out in the announcement of the Company dated 5 July 2018.

Facility Agreement dated 8 July 2019

On 8 July 2019, the Company as the borrower, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macau) Limited and Tai Fung Bank Limited, each as the mandated lead arranger and the bookrunner and CMB Wing Lung Bank Limited as the agent, and other parties thereto, entered into a facility agreement in relation to a 42-month term dual currency dual tranche loan facility in an amount of up to US\$200,000,000 (which includes an accordion feature) (the “**2019 Term Loan Facility**”). Pursuant to the 2019 Term Loan Facility, it is an event of default, among other things, if the Company does not comply with the undertakings to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, (i) remain as the single largest shareholder of the Company; (ii) maintain (directly or indirectly) beneficial ownership of not less than 40% of the entire issued share capital of the Company; and (iii) maintain management control of the Company. Details of the 2019 Term Loan Facility are set out in the announcement of the Company dated 8 July 2019.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. During the year ended 31 December 2019, the Company had complied with all applicable code provisions in CG Code. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 48 to 58 of this annual report. The Company will continue to review and monitor its corporate governance practices to ensure compliance with CG Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2019 and up to the date of this annual report, the Company had maintained a sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales, and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

None of the Directors, their close associates (as defined in the Listing Rules) or any shareholder (who to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in any of the five largest suppliers of the Group.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2019 amounted to RMB154 million (2018: approximately RMB240 million).

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers who shall retire at the forthcoming Annual General Meeting. A resolution will be proposed at the forthcoming Annual General Meeting for the re-appointment of PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Hoi Kin Hong
Chairman

Hong Kong, 9 March 2020

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Powerlong Real Estate Holdings Limited

(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 174, which comprise:

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

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

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

Key audit matter identified in our audit is summarised as follows:

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to Notes 4(d) and 7 to the consolidated financial statements</p> <p>The Group's investment properties are stated at fair value. As at 31 December 2019, the Group's investment properties amounted to RMB51.1 billion, which represents 31% of the Group's total assets, and the fair value gains on investment properties for the year ended 31 December 2019 amounted to RMB2.4 billion.</p> <p>Independent external valuations were obtained for certain of the Group's investment properties (including completed and under construction) in order to support management's estimates. The valuations of investment properties are dependent on certain key estimates and assumptions that require significant management judgement, including term yields and reversionary yields, fair market rents and fair market prices. The valuations of investment properties under construction are also dependent upon the estimated costs to complete.</p> <p>We paid significant attention to this area due to the material balance and fair value gain of investment properties to the Group's consolidated financial statements and there is critical judgement involved in determining the critical estimates and assumptions used in the valuations.</p>	<p>Our procedures in relation to management's valuation of investment properties included:</p> <p>(i) We evaluated the competence, capabilities and objectivity of the independent external valuer;</p> <p>(ii) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key estimates and assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We compared the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions;</p> <p>(iii) We checked the accuracy and relevance of the input data used in the valuations;</p> <p>(iv) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date.</p> <p>We found the key estimates and assumptions used in the valuation of investment properties were supported by the available evidences.</p>

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho, Chiu Yin, Ivan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 9 March 2020

CONSOLIDATED BALANCE SHEET

		31 December	
		2019	2018
		RMB'000	RMB'000
	Note		
ASSETS			
Non-current assets			
Property and equipment	2.2, 6	5,225,130	3,370,562
Land use rights	2.2, 6	–	1,181,965
Investment properties	2.2, 7	51,084,641	45,659,136
Investments accounted for using the equity method	16	5,593,928	4,127,443
Deferred income tax assets	25	592,882	499,343
Financial assets at fair value through other comprehensive income	15	382,139	348,461
		62,878,720	55,186,910
Current assets			
Properties under development	9	36,446,920	32,350,267
Completed properties held for sale	10	10,617,428	9,442,602
Contract assets		279,916	6,967
Trade receivables	11	1,986,680	1,519,989
Other receivables	12	16,496,617	14,732,697
Prepayments	13	8,892,891	2,014,617
Prepaid taxes		1,019,461	727,215
Financial assets at fair value through profit or loss	14	207,662	297,565
Restricted cash	18	3,365,115	935,935
Cash and cash equivalents	19	20,305,545	14,839,776
		99,618,235	76,867,630
Total assets		162,496,955	132,054,540
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	719,088	1,164,125
Other reserves	21	1,669,289	681,076
Retained earnings		29,451,835	25,442,263
		31,840,212	27,287,464
Perpetual Capital Instruments	22	820,364	1,552,254
Non-controlling interests		6,246,452	3,965,222
Total equity		38,907,028	32,804,940

CONSOLIDATED BALANCE SHEET

		31 December	
		2019	2018
		RMB'000	RMB'000
		Note	
LIABILITIES			
Non-current liabilities			
Borrowings	23	39,942,307	34,380,408
Lease liabilities	8	197,515	–
Other payables	26	87,617	206,007
Deferred income tax liabilities	25	6,516,251	6,130,190
		46,743,690	40,716,605
Current liabilities			
Borrowings	23	15,320,774	12,977,220
Convertible bonds	24	–	1,743,638
Trade and other payables	26	29,972,583	20,725,848
Contract liabilities	27	22,694,564	16,444,184
Current income tax liabilities	28	8,625,998	6,642,105
Lease liabilities	8	232,318	–
		76,846,237	58,532,995
Total liabilities		123,589,927	99,249,600
Total equity and liabilities		162,496,955	132,054,540

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

The financial statements on pages 74 to 174 were approved by the Board of Directors on 9 March 2020 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December			
	Note	2019 RMB'000	2018 RMB'000
Revenue	5	26,041,632	19,593,790
Cost of sales	29	(16,558,591)	(12,041,179)
Gross profit		9,483,041	7,552,611
Fair value gains on investment properties – net	7	2,394,403	2,500,520
Selling and marketing costs	29	(984,474)	(785,914)
Administrative expenses	29	(1,439,687)	(1,480,700)
Other income and gains – net	31	927,108	216,369
Operating profit		10,380,391	8,002,886
Finance costs – net	32	(899,775)	(1,376,659)
Share of profit of investments accounted for using the equity method	16	375,755	187,234
Profit before income tax		9,856,371	6,813,461
Income tax expense	33	(3,838,474)	(3,165,812)
Profit for the year		6,017,897	3,647,649
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences	21	4,736	15,079
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	21	25,259	158
Total other comprehensive income for the year, net of tax		29,995	15,237
Total comprehensive income for the year		6,047,892	3,662,886
Profit attributable to:			
Owners of the Company		4,041,116	2,837,007
Holders of Perpetual Capital Instruments		69,556	123,045
Non-controlling interests		1,907,225	687,597
		6,017,897	3,647,649
Total comprehensive income attributable to:			
Owners of the Company		4,071,111	2,852,244
Holders of Perpetual Capital Instruments		69,556	123,045
Non-controlling interests		1,907,225	687,597
		6,047,892	3,662,886
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	34		
– Basic		100.4	71.0
– Diluted		99.8	66.4

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 22)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2019							
Balance at 1 January 2019	1,164,125	681,076	25,442,263	27,287,464	1,552,254	3,965,222	32,804,940
Comprehensive income:							
Profit for the year	-	-	4,041,116	4,041,116	69,556	1,907,225	6,017,897
Other comprehensive income for the year							
– Changes in the value of financial assets at fair value through other comprehensive income	-	25,259	-	25,259	-	-	25,259
– Currency translation differences	-	4,736	-	4,736	-	-	4,736
Total comprehensive income for the year	-	29,995	4,041,116	4,071,111	69,556	1,907,225	6,047,892
Transactions with owners:							
Proceeds from share placement (Note 20)	706,362	-	-	706,362	-	-	706,362
Dividends	(1,151,399)	-	-	(1,151,399)	-	(148,880)	(1,300,279)
Issuance of Perpetual Capital Instruments	-	-	-	-	500,000	-	500,000
Redemption of Perpetual Capital Instruments	-	-	-	-	(1,246,000)	-	(1,246,000)
Distribution to holders of Perpetual Capital Instruments	-	-	-	-	(55,446)	-	(55,446)
Capital contribution from non-controlling interests (Note 21(d))	-	926,674	-	926,674	-	522,885	1,449,559
Total transactions with owners	(445,037)	926,674	-	481,637	(801,446)	374,005	54,196
Appropriation to statutory reserves	-	31,544	(31,544)	-	-	-	-
Balance at 31 December 2019	719,088	1,669,289	29,451,835	31,840,212	820,364	6,246,452	38,907,028

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital and share premium	Other reserves	Retained earnings	Total	Perpetual Capital Instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 20)	(Note 21)			(Note 22)		
Year ended 31 December 2018							
Balance at 31 December 2017, as previously reported	2,066,162	656,982	22,614,113	25,337,257	1,722,363	2,414,569	29,474,189
Adjustment on adoption of HKFRS 9, net of tax	–	(30,193)	30,193	–	–	–	–
Balance at 1 January 2018	2,066,162	626,789	22,644,306	25,337,257	1,722,363	2,414,569	29,474,189
Comprehensive income:							
Profit for the year	–	–	2,837,007	2,837,007	123,045	687,597	3,647,649
Other comprehensive income for the year							
– Changes in the value of financial assets at fair value through other comprehensive income	–	158	–	158	–	–	158
– Currency translation differences	–	15,079	–	15,079	–	–	15,079
Total comprehensive income for the year	–	15,237	2,837,007	2,852,244	123,045	687,597	3,662,886
Transactions with owners:							
Dividends	(902,037)	–	–	(902,037)	–	–	(902,037)
Issuance of Perpetual Capital Instruments	–	–	–	–	546,000	–	546,000
Redemption of Perpetual Capital Instruments	–	–	–	–	(690,400)	–	(690,400)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(148,754)	–	(148,754)
Capital contribution from non-controlling interests	–	–	–	–	–	270,607	270,607
Change from joint ventures to subsidiaries	–	–	–	–	–	592,939	592,939
Disposal of a subsidiary	–	–	–	–	–	(490)	(490)
Total transactions with owners	(902,037)	–	–	(902,037)	(293,154)	863,056	(332,135)
Appropriation to statutory reserves	–	39,050	(39,050)	–	–	–	–
Balance at 31 December 2018	1,164,125	681,076	25,442,263	27,287,464	1,552,254	3,965,222	32,804,940

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	7,439,107	4,923,291
PRC corporate income tax paid		(919,143)	(628,469)
PRC land appreciation tax paid		(815,128)	(526,644)
Interest paid		(2,952,061)	(2,682,671)
Cash generated from operating activities – net		2,752,775	1,085,507
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		–	137,705
Net cash outflow in disposal of a subsidiary		–	(370)
Purchases of property and equipment		(656,633)	(286,178)
Payments for investment properties		(2,006,891)	(2,883,003)
Proceeds from disposal of equipment		107,648	2,489
Proceeds from disposal of investment properties		41,313	28,380
Purchases of financial assets at fair value through other comprehensive income		–	(6,000)
Purchase of financial assets at fair value through profit or loss		–	(140,611)
Proceeds from disposal of financial assets at fair value through profit or loss		53,515	–
Dividend received from financial assets at fair value through profit or loss		2,390	1,586
Investments in joint ventures and associates		(1,187,379)	(367,014)
Cash advances made to parties controlled by ultimate controlling shareholder		–	(19,815)
Cash advances made to joint ventures and associates		(5,652,526)	(6,270,868)
Collection of cash advances from joint ventures and associates		6,821,478	899,346
Collection of cash advances from other related parties		–	19,815
Proceeds from disposal of a joint venture		850,435	–
Interest received		273,177	166,947
Cash used in investing activities – net		(1,353,473)	(8,717,591)

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Note	2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Capital contribution from non-controlling interests		1,449,559	270,607
Proceeds from borrowings		20,941,234	19,820,561
Repayments of borrowings		(20,023,631)	(8,912,979)
Proceeds from corporate bonds		3,833,774	994,850
Repayments of corporate bonds		(3,330,613)	(3,327,697)
Proceeds from senior notes		5,403,911	3,774,996
Redemption of senior notes		–	(2,501,839)
Proceeds from convertible bonds		–	1,609,433
Repayments of convertible bonds		(1,701,689)	–
Proceeds from short-term commercial papers		1,599,280	300,000
Repayments of short-term commercial papers		(912,982)	–
Restricted cash pledged for borrowings		(2,131,043)	(212,789)
Cash advances from parties controlled by ultimate controlling shareholders		2,776	251,613
Cash advances from joint ventures and associates		2,506,237	3,011,531
Repayments of cash advances to parties controlled by ultimate controlling shareholders		(101,824)	(241,932)
Repayments of cash advances to joint ventures and associates		(2,149,524)	(564,083)
Proceeds from share placement		706,362	–
Dividends paid to owners of the Company		(1,151,399)	(902,037)
Distribution to holders of Perpetual Capital Instruments		(55,446)	(148,754)
Redemption of Perpetual Capital Instruments		(1,246,000)	(690,400)
Proceeds from issuance of Perpetual Capital Instruments		500,000	546,000
Principal elements of lease payments		(95,244)	–
Cash generated from financing activities – net		4,043,738	13,077,081
Net increase in cash and cash equivalents		5,443,040	5,444,997
Cash and cash equivalents at beginning of the year	19	14,839,776	9,386,757
Effect of foreign exchange rate changes		22,729	8,022
Cash and cash equivalents at end of the year	19	20,305,545	14,839,776

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together, the “Group”) is principally engaged in property development, property investment, provision of commercial operational services, provision of residential property management services and other property development related services in the People’s Republic of China (the “PRC”).

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 14 October 2009.

These financial statements have been approved for issue by the board of directors (the “Board”) of the Company on 9 March 2020.

These financial statements are presented on Renminbi (“RMB”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

- (i) *Compliance with HKFRSs and HKCO*
These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.
- (ii) *Historical cost convention*
The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are carried at fair value.
- (iii) *New and amended standards and interpretation adopted by the Group*
- | | |
|-----------------------------|--|
| HKFRS 16 | Leases |
| HK(IFRIC) Interpretation 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Annual Improvements | Annual Improvements to HKFRS Standards 2015-2017 Cycle |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |

Save for the impact of adoption of HKFRS 16 set out in Note 2.2, the adoption of other new and amended standards and interpretation did not have any material impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) *New standards, amendments and interpretation not yet adopted*

The following new standards and amendments and interpretation to standards have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

These new and amended standards and revised framework are not expected to have a material impact on the consolidated financial statements of the Group.

2.2 Changes in accounting policies

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

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.28.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.46%.

(i) *Practical expedients applied*

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(i) *Practical expedients applied (continued)*

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

(ii) *Measurement of lease liabilities*

The recognised lease liabilities are classified as below:

	1 January 2019 RMB'000
Current lease liabilities	82,335
Non-current lease liabilities	217,541
Total lease liabilities	299,876

(iii) *Measurement of right-of-use assets*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

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

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

At 1 January 2019	Property and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Trade and other payables RMB'000	Lease liabilities RMB'000
Opening balance, as previously reported	3,370,562	45,659,136	1,181,965	(20,725,848)	-
Reclassify from land use rights to right-of-use assets	1,181,965	-	(1,181,965)	-	-
Recognised lease liabilities and right-of-use assets	7,998	132,560	-	159,318	(299,876)
Opening balance, as restated	4,560,525	45,791,696	-	(20,566,530)	(299,876)

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

(v) *Lessor accounting*

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

2.3 Subsidiaries

2.3.1 Consolidation

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

(a) *Business combinations*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) Business combinations (continued)

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

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

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

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

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

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

(c) Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (continued)

2.3.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.4 Associates

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Joint arrangements

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

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

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

2.6 Segment reporting

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

2.7 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'Finance costs – net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other income and gains – net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (continued)

(b) *Transactions and balances (continued)*

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

(c) *Group entities*

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

- assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income of the group entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, and certain leased plants and equipment, the shorter lease term, as follows:

Buildings	20-40 years
Motor vehicles	4-5 years
Furniture, fitting and equipment	3-25 years
Right-of-use assets	2-70 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

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

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2.9 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land and commercial buildings held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment property (continued)

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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

Changes in fair values of investment property are recognised as 'Fair value gains on investment properties – net' in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment property (continued)

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.10 Impairment of non-financial assets

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

2.11 Financial assets

2.11.1 Classification

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group categorises its debt instruments as amortised cost, which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(b) Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognised in profit or loss accounts as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised as 'Other income and gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.3 Impairment

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

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 11 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.3 Impairment (continued)

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 Offsetting financial instruments

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

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

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond a normal operating cycle.

2.14 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Contract assets and liabilities and costs for obtaining contracts

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

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

2.16 Cash and cash equivalents and restricted cash

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

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.17 Share capital

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

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

2.18 Perpetual Capital Instruments

Perpetual Capital Instruments with no contracted obligation to repay its principal or with contractual right to delay the payment of any distribution are classified as part of equity.

2.19 Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowings and borrowing costs

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Convertible bonds

Convertible bonds issued by the Company includes debt, early redemption option and conversion option components.

At the date of issue, the debt, early redemption option and conversion option components are recognised at fair value. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The early redemption option and conversion option components are measured at fair value with changes in fair value recognised in profit or loss.

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

2.22 Current and deferred income tax

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

(a) *Current income tax*

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

(b) *Deferred income tax*

Inside basis differences

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (continued)

(b) *Deferred income tax (continued)*

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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

(c) *Offsetting*

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

2.23 Employee benefits

(a) *Retirement benefits*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits (continued)

(b) *Employee leave entitlements*

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

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

2.24 Provisions and contingent liabilities

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and rendering of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) *Sales of properties*

Revenues are 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; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

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

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

(b) *Investment and operation of commercial properties*

Revenues from investment and operation of commercial properties mainly include property lease income and revenues from hotel operations.

Property lease income

Property lease income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

Hotel operations

Revenues from hotel operations are recognised in the accounting period in which the related services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

(c) *Property management services*

Revenues from rendering of property management services are recognised in the accounting period in which the related services are rendered.

Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.26 Interest income

Interest income from financial assets at FVPL is included in the net fair value (losses)/gains on these assets, see Note 31 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 32 below. Any other interest income is included in other income.

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

2.27 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.28 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

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

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

From 1 January 2019, leases are recognised as a right-of-use asset (included in "Property and equipment"(Note 6) and "Investment properties"(Note 7)) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

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

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

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

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

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

(i) *Variable lease payments*

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

(ii) *Extension and termination options*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

(ii) *Extension and termination options (continued)*

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 7). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.29 Dividend distribution

Dividend distribution to the owners of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the owners of the Company.

2.30 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factor

(a) *Market risk*

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2019, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, FVOCI, FVPL, other payables and borrowings, which are dominated in Hong Kong dollar ("HK\$") or US dollar ("US\$"). Fluctuation of the exchange rate of RMB against HK\$ or US\$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Financial assets		
– HK\$	2,059,063	568,455
– US\$	1,151,223	61,151
	3,210,286	629,606
Financial liabilities		
– HK\$	3,456,264	4,216,332
– US\$	14,330,741	9,454,330
	17,787,005	13,670,662

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Net foreign exchange (gains)/losses included in other income and gains-net	(1,406)	3,305
Exchange losses on foreign currency borrowings included in finance costs-net	167,881	806,627
Total net foreign exchange losses recognised in profit before income tax for the year	166,475	809,932

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) *Market risk (continued)*

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated financial items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in RMB against the relevant currencies, the effect of post tax profit and net asset for the year is as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK\$	69,860	182,394
– US\$	658,976	469,659
	728,836	652,053
5% weakened in RMB against the relevant currencies		
– HK\$	(69,860)	(182,394)
– US\$	(658,976)	(469,659)
	(728,836)	(652,053)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2019, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB22,711,233,000 (2018: RMB19,617,127,000). If interest rates on borrowings at floating rates as at 31 December 2019 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB113,556,000 (2018: RMB98,086,000), most of which would have been capitalised in qualified assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) *Market risk (continued)*

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at FVOCI and financial assets at FVPL held by the Group. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested in had been 5% higher/lower, post tax profit for the year ended 31 December 2019 would increase/decrease by approximately RMB10,383,000 (2018: increase/decrease by approximately RMB14,878,000), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB14,330,000 higher/lower (2018: RMB13,067,000 higher/lower).

(b) *Credit risk*

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

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

For trade receivables and contract assets arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 37.

For trade receivables arisen from lease of properties, the Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Deposits may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The Group also regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk (continued)*

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

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

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

(i) Trade receivables and contract assets

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

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

The expected loss rate of contract assets is assessed to be low and no loss allowance provision is made for contract assets during the period. The loss allowance provision of trade receivables as at 31 December 2019 is set out in Note 11.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk (continued)*

(ii) Other receivables

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

For amounts due from related parties that are receivable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. For other categories of other receivables have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

(c) *Liquidity risk*

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) *Liquidity risk (continued)*

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Borrowings	18,528,039	19,923,878	18,129,928	8,841,723	65,423,568
Trade and other payables (Note (a))	29,294,998	87,617	–	–	29,382,615
Lease liabilities	240,346	120,228	102,323	–	462,897
	48,063,383	20,131,723	18,232,251	8,841,723	95,269,080
At 31 December 2018					
Borrowings	15,813,633	18,450,266	15,172,684	5,029,430	54,466,013
Convertible bonds	1,791,937	–	–	–	1,791,937
Trade and other payables (Note (a))	20,305,016	137,674	68,333	–	20,511,023
	37,910,586	18,587,940	15,241,017	5,029,430	76,768,973

Note:

(a) It represents payables excluding salaries payables and other taxes payables.

The Group also provides guarantees to secure repayment obligations of certain purchasers of the Group's property units and the principal of borrowings of the joint ventures and associates, which will have contractual cash flows only if the guaranteed purchasers, joint ventures or associates default the repayment (Note 37).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and convertible bonds less cash and cash equivalents (Note 19) and less guarantee deposits for bank borrowings included in restricted cash (Note 18(c)). Total borrowings comprise senior notes, corporate bonds, short-term commercial papers, bank borrowings and other borrowings (Note 23). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

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

	31 December	
	2019 RMB'000	2018 RMB'000
Total borrowings (Note 23)	55,263,081	47,357,628
Add: convertible bonds (Note 24)	–	1,743,638
Less: cash and cash equivalents (Note 19)	(20,305,545)	(14,839,776)
Less: guarantee deposits for bank borrowings (Note 18(c))	(2,655,832)	(524,789)
Net debt	32,301,704	33,736,701
Total equity	38,907,028	32,804,940
Total capital	71,208,732	66,541,641
Gearing ratio	45.4%	50.7%

The decrease in the gearing ratio during 2019 is primarily due to the increase in the Group's total equity as a result of the profit for the current year and the capital injection by non-controlling interest.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2019 and 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2019				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	52,310	155,352	–	207,662
Financial assets at fair value through other comprehensive income (Note 15)	–	–	382,139	382,139
Total	52,310	155,352	382,139	589,801
At 31 December 2018				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	155,189	142,376	–	297,565
Financial assets at fair value through other comprehensive income (Note 15)	–	–	348,461	348,461
Total	155,189	142,376	348,461	646,026

There were no transfers between levels during the year.

(a) *Financial instruments in level 1*

As at 31 December 2019, the Group's financial assets at fair value through profit or loss which are listed securities in Hong Kong, their fair value is based on their quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(c) *Financial instruments in level 3*

The fair value of financial instruments included in level 3 is disclosed in Note 15.

The judgements and estimates made in determining the fair value of the Group's non-financial assets that are recognised and measured at fair value (representing the investment properties) have been disclosed in Notes 4(d) and 7.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

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

(b) PRC land appreciation taxes

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Recoverability of contract assets and trade and other receivables

The management assesses the recoverability of contract assets and trade and other receivables individually with reference to the past repayment history as well as subsequent settlement status. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of contract assets and trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(d) Fair value of investment properties

The Group assesses the fair value of its completed investment properties and investment properties under construction based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.9.

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2019 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2019 were measured at fair value.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 7.

5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers (“CODM”) of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, commercial operation and residential property management, and other property development related businesses. Other property development related businesses are mainly operations of hotels. As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income from provision of commercial operational services and residential property management services and other property development related businesses. Revenue of the year consists of the following:

	Year ended 31 December	
	2019 RMB’000	2018 RMB’000
Sales of properties	22,477,631	16,667,415
Rental income of investment properties	1,419,940	1,123,555
Income from provision of commercial operational services and residential property management services	1,392,768	1,125,083
Income of other property development related businesses	751,293	677,737
	26,041,632	19,593,790

5 SEGMENT INFORMATION (CONTINUED)

- (a) Segment results represent the profit earned by each segment without fair value gains/losses on financial assets, gains/losses on disposal of financial assets, dividend income of financial assets, unallocated operating costs, finance costs-net and income tax expense. The segment results and other segment items for the year ended 31 December 2019 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	22,477,631	1,513,619	1,620,457	751,293	-	26,363,000
Inter-segment revenue	-	(93,679)	(227,689)	-	-	(321,368)
Revenue	22,477,631	1,419,940	1,392,768	751,293	-	26,041,632
Share of post-tax profits of joint ventures	225,003	-	-	-	-	225,003
Share of post-tax profits/ (losses) of associates	150,973	-	-	(221)	-	150,752
Segment results	8,308,362	3,367,105	153,633	(107,659)	-	11,721,441
Fair value losses on financial assets at fair value through profit or loss						(32,395)
Losses on disposal of financial assets at fair value through profit or loss						(3,993)
Dividend income of financial assets						2,390
Unallocated operating costs						(931,297)
Finance costs – net						(899,775)
Profit before income tax						9,856,371
Income tax expense						(3,838,474)
Profit for the year						6,017,897
Depreciation and amortisation recognised as expenses (Note 6)	80,115	-	3,872	189,019	-	273,006
Fair value gains/(losses) on investment properties – net (Note 7)	-	2,461,812	(67,409)	-	-	2,394,403

5 SEGMENT INFORMATION (CONTINUED)

(a) (continued)

The segment results and other segment items included in the profit for the year ended 31 December 2018 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	16,667,415	1,123,555	1,277,365	677,737	-	19,746,072
Inter-segment revenue	-	-	(152,282)	-	-	(152,282)
Revenue	16,667,415	1,123,555	1,125,083	677,737	-	19,593,790
Share of post-tax profits of joint ventures	102,767	-	-	-	-	102,767
Share of post-tax profits/ (losses) of associates	85,323	-	-	(856)	-	84,467
Segment results	5,653,640	3,122,393	122,515	(112,944)	-	8,785,604
Other income and gains-net						216,369
Unallocated operating costs						(811,853)
Finance costs – net						(1,376,659)
Profit before income tax						6,813,461
Income tax expense						(3,165,812)
Profit for the year						3,647,649
Depreciation (Note 6)	60,825	-	6,091	133,433	-	200,349
Amortisation of land use rights recognised as expenses (Note 6)	-	-	-	33,117	-	33,117
Fair value gains on investment properties – net (Note 7)	-	2,500,520	-	-	-	2,500,520

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

5 SEGMENT INFORMATION (CONTINUED)

(b) Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2019 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	90,943,400	53,632,823	3,039,962	6,192,617	(5,695,015)	148,113,787
Other assets						14,383,168
Total assets						162,496,955
Segment assets include:						
Interests in joint ventures	3,862,523	-	4,700	-	-	3,867,223
Interests in associates	1,681,040	-	-	45,665	-	1,726,705
Segment liabilities	43,203,510	3,002,928	1,463,645	4,614,762	(5,695,015)	46,589,830
Other liabilities						77,000,097
Total liabilities						123,589,927
Capital expenditure	393,945	2,786,741	155,065	323,690	-	3,659,441

Segment assets, liabilities and interests in joint ventures and an associate as at 31 December 2018 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	69,471,350	47,870,178	1,752,372	4,814,650	(5,325,247)	118,583,303
Other assets						13,471,237
Total assets						132,054,540
Segment assets include:						
Interests in joint ventures	3,151,990	-	-	-	-	3,151,990
Interests in associates	929,568	-	-	45,885	-	975,453
Segment liabilities	28,955,446	2,771,337	1,027,149	3,807,519	(5,325,247)	31,236,204
Other liabilities						68,013,396
Total liabilities						99,249,600
Capital expenditure	74,778	4,091,436	2,553	297,151	-	4,465,918

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Segment assets	148,113,787	118,583,303
Other assets		
– Prepaid taxes	1,019,461	727,215
– Deferred income tax assets	592,882	499,343
– Unallocated cash and cash equivalents and restricted cash	4,674,339	3,020,704
– Other receivables from related parties (Note 39(d))	7,408,233	8,456,228
– Unallocated property and equipment	76,940	108,144
– Other corporate assets	21,512	13,577
– Financial assets at fair value through other comprehensive income (Note 15)	382,139	348,461
– Financial assets at fair value through profit or loss (Note 14)	207,662	297,565
Total assets	162,496,955	132,054,540

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Segment liabilities	46,589,830	31,236,204
Other liabilities		
– Current income tax liabilities	8,625,998	6,642,105
– Deferred income tax liabilities	6,516,251	6,130,190
– Current borrowings	15,320,774	12,977,220
– Convertible bonds	–	1,743,638
– Non-current borrowings	39,942,307	34,380,408
– Other payables to related parties (Note 39(d))	5,956,236	5,686,893
– Dividend payables to non-controlling interests	148,880	–
– Other corporate liabilities	489,651	452,942
Total liabilities	123,589,927	99,249,600

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

5 SEGMENT INFORMATION (CONTINUED)

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, contract assets, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 6) and investment properties (Note 7).

(c) Changes in accounting policy

The adoption of the new leasing standard described in Note 2.2 had the following impact on the segment disclosures in the current year.

	Fair value losses on investment properties RMB'000	Increase		
		Depreciation RMB'000	Segment assets RMB'000	Segment liabilities RMB'000
Commercial operation and residential property management	67,409	-	209,045	369,634
Property development	-	6,384	14,039	14,250
	67,409	6,384	223,084	383,884

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year.

6 PROPERTY AND EQUIPMENT AND LAND USE RIGHTS

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Right-of use assets RMB'000	Total RMB'000
Year ended 31 December 2019						
Opening net book amount at 1 January 2019, as previously reported	539,933	2,661,470	28,644	140,515	–	3,370,562
Change in accounting policy (Note 2.2)	–	–	–	–	1,189,963	1,189,963
Opening net book amount as at 1 January 2019, as restated	539,933	2,661,470	28,644	140,515	1,189,963	4,560,525
Additions	360,082	24,401	5,401	14,005	324,917	728,806
Transfer from completed properties held for sale	–	396,773	–	–	–	396,773
Transfer to completed properties held for sale	(62,012)	–	–	–	(28,941)	(90,953)
Transfers	(94,897)	94,897	–	–	–	–
Disposals	–	(85,827)	(8,551)	(2,637)	–	(97,015)
Depreciation	–	(185,820)	(6,808)	(34,816)	(45,562)	(273,006)
Closing net book amount	743,106	2,905,894	18,686	117,067	1,440,377	5,225,130
At 31 December 2019						
Cost	743,106	3,734,225	86,131	375,415	1,641,826	6,580,703
Accumulated depreciation	–	(828,331)	(67,445)	(258,348)	(201,449)	(1,355,573)
Net book amount	743,106	2,905,894	18,686	117,067	1,440,377	5,225,130

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
Year ended 31 December 2018					
Opening net book amount	830,514	2,531,051	17,806	149,174	3,528,545
Additions	120,229	56,163	16,664	25,581	218,637
Consolidations of entities previously held as joint ventures	–	–	1,216	502	1,718
Transfers	(410,810)	410,810	–	–	–
Disposals	–	(175,500)	(212)	(2,277)	(177,989)
Depreciation	–	(161,054)	(6,830)	(32,465)	(200,349)
Closing net book amount	539,933	2,661,470	28,644	140,515	3,370,562
At 31 December 2018					
Cost	539,933	3,322,065	102,330	375,400	4,339,728
Accumulated depreciation	–	(660,595)	(73,686)	(234,885)	(969,166)
Net book amount	539,933	2,661,470	28,644	140,515	3,370,562

6 PROPERTY AND EQUIPMENT AND LAND USE RIGHTS (CONTINUED)

Land use rights:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening net book amount	–	1,059,237
Additions	–	155,845
Amortisation charges	–	(33,117)
Ending net book amount	–	1,181,965

Depreciation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of sales	222,406	180,926
Selling and marketing costs	3,609	2,606
Administrative expenses	46,991	49,934
	273,006	233,466

Right-of-use assets comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

As at 31 December 2019, property and equipment and land use rights with a net book amount of RMB3,345,050,000 (2018: RMB2,660,766,000) were pledged as collateral for the Group's borrowings (Note 23).

Borrowing costs of RMB97,058,000 (2018: RMB85,847,000) have been capitalised in assets under construction for the year ended 31 December 2019.

The capitalisation rate of borrowings for the year ended 31 December 2019 was 6.25% (2018: 6.42%).

7 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2019			
Opening net book amount as at 1 January 2019, as previously reported	39,372,689	6,286,447	45,659,136
Change in accounting policy (Note 2.2)	132,560	–	132,560
Opening net book amount, as at 1 January 2019, as restated	39,505,249	6,286,447	45,791,696
Additions	208,731	2,721,904	2,930,635
Transfers	6,073,400	(6,073,400)	–
Fair value gains – net	822,896	1,571,507	2,394,403
Disposals	(32,093)	–	(32,093)
At 31 December 2019	46,578,183	4,506,458	51,084,641
Year ended 31 December 2018			
At 1 January 2018	34,145,966	5,071,703	39,217,669
Additions	261,103	3,830,333	4,091,436
Transfers	3,898,223	(3,898,223)	–
Fair value gains – net	1,217,886	1,282,634	2,500,520
Transfer to completed properties held for sale – net	(128,205)	–	(128,205)
Disposals	(22,284)	–	(22,284)
At 31 December 2018	39,372,689	6,286,447	45,659,136

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Rental income (Note 5)	1,419,940	1,123,555
Direct operating expenses arising from investment properties that generate rental income	(352,976)	(244,792)
Direct operating expenses arising from investment properties that do not generate rental income	(171,963)	(130,612)

Investment properties as at 31 December 2019 are held in the PRC on leases between 10 to 50 years (2018: 10 to 50 years).

7 INVESTMENT PROPERTIES (CONTINUED)

Borrowing costs of RMB388,575,000 (2018: RMB657,539,000) have been capitalised in investment properties under construction for the year ended 31 December 2019. The capitalisation rate of borrowings for the year ended 31 December 2019 was 6.25% (2018: 6.42%).

As at 31 December 2019, investment properties of RMB28,106,568,000 (2018: RMB31,560,192,000) were pledged as collateral for the Group's borrowings (Note 23).

The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2019. The revaluation gains or losses are included in 'Fair value gains on investment properties – net' in the statement of comprehensive income.

As at 31 December 2019, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers to or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

7 INVESTMENT PROPERTIES (CONTINUED)

(ii) Valuation processes of the Group (continued)

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

(iii) Valuation techniques

Completed investment properties comprise of commercial properties and car parks. For commercial properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For car parks, valuations are determined using the direct comparison methods. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the selling price such as property size, locations.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

Fair values of the right-of-use assets of commercial properties held under leases are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

7 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

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

	Property Category	Fair value at 31 December 2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	42,771,589	Term and reversionary method	Term yields	3.5%-6.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/month)	67-283	The higher the market rents, the higher the fair value
	Car parks	3,806,594	Direct comparison	Market price (RMB/per car park)	29,000-400,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	3,637,254	Residual method	Market rents (RMB/square meter/month)	67-102	The higher the market rents, the higher the fair value
				Reversionary yields	5.0%-6.0%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	629-4,044	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10.0%-20.0%	The higher the developer's profit, the lower the fair value
	Car parks	869,204	Residual method	Market price (RMB/per car park)	75,000-320,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	95-2,134	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	5.0%-15.0%	The higher the developer's profit, the lower the fair value

7 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2018 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	36,444,226	Term and reversionary method	Term yields	3.5%-6.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/month)	62-304	The higher the market rents, the higher the fair value
Investment properties under construction	Car parks	2,928,463	Direct comparison	Market price (RMB/per car park)	29,000-400,000	The higher the market price, the higher the fair value
				Commercial properties	5,665,714	Residual method
	Reversionary yields	5.0%-6.0%	The higher the market yields, the lower the fair value			
	Budgeted construction costs to be incurred (RMB/sq.m)	1,523-3,213	The higher the budgeted construction costs to be incurred, the lower the fair value			
	Developer's profit (%)	10.0%-15.0%	The higher the developer's profit, the lower the fair value			
	Car parks	620,733	Residual method	Market price (RMB/per car park)		
	Budgeted construction costs to be incurred (RMB/sq.m)	368-2,261		The higher the budgeted construction costs to be incurred, the lower the fair value		
Developer's profit (%)	10.0%-15.0%	The higher the developer's profit, the lower the fair value				

8 LEASES

(i) Amounts recognised in the consolidated balance sheet relating to leases

	31 December 2019	1 January 2019 (Note 2.2)
	RMB'000	RMB'000
Right-of-use assets		
Property and equipment	1,440,377	1,189,963
Investment properties	209,045	132,560
	1,649,422	1,322,523
Lease liabilities		
Current	232,318	82,335
Non-current	197,515	217,541
	429,833	299,876

(ii) Amounts recognised in the consolidated statement of comprehensive income relating to leases

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Depreciation and amortisation charge (Note 6)		
Land use rights	(39,178)	(33,117)
Other properties	(6,384)	–
	(45,562)	(33,117)
Fair value losses relating to investment properties	67,409	–
Interest expense (included in finance cost)	21,341	–
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	11,618	–
Expense relating to variable leases payments not included in lease liabilities (included in cost of goods sold)	14,391	–
Cash outflows for lease payments (including principal elements and relevant interest expenses)	95,244	–

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2019 RMB'000	2018 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	11,105,411	7,655,046
– Interests capitalised	4,231,126	3,085,253
– Land use rights	21,110,383	21,609,968
	36,446,920	32,350,267

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 31 December 2019, properties under development of approximately RMB20,668,199,000 (2018: RMB18,288,430,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rate of borrowings for the year ended 31 December 2019 was 6.25% (2018: 6.42%).

10 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 31 December 2019, completed properties held for sale of approximately RMB5,103,603,000 (2018: RMB3,258,498,000) were pledged as collateral for the Group's borrowings (Note 23).

11 TRADE RECEIVABLES

	31 December	
	2019 RMB'000	2018 RMB'000
Trade receivables	2,032,754	1,539,849
– Third parties	2,020,186	1,533,235
– Related parties (Note 39(d))	12,568	6,614
Less: loss allowance	(46,074)	(19,860)
	1,986,680	1,519,989

11 TRADE RECEIVABLES (CONTINUED)

- (a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

The ageing analysis of trade receivables as at the respective balance sheet date is as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Within 90 days	1,522,726	1,330,017
Over 90 days and within 180 days	20,447	63,076
Over 180 days and within 365 days	108,479	91,778
Over 365 days	381,102	54,978
	2,032,754	1,539,849

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB46,074,000 was made against the gross amounts of trade receivables (2018: RMB19,860,000).

The closing loss allowance for trade receivables reconcile to the opening loss allowance as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	19,860	25,474
Provision for impairment	28,554	1,538
Receivables written off during the year as uncollectible	(2,340)	(1,938)
Unused amount reverse	–	(5,214)
At 31 December	46,074	19,860

- (b) As at 31 December 2019 and 2018, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk of the trade receivables at the reporting date was the carrying value of each class of receivables.
- (c) The Group's trade receivables are mainly denominated in RMB.

12 OTHER RECEIVABLES

	31 December	
	2019 RMB'000	2018 RMB'000
Deposits for acquisition of land use rights	667,810	83,000
Other receivables from:	15,828,807	14,649,697
– Related parties (Note 39(d))	7,408,233	8,456,228
– Non-controlling interests (Note (c))	6,183,065	4,261,886
– Other amounts due from third parties (Note (d))	2,237,509	1,931,583
	16,496,617	14,732,697

- (a) The Group's other receivables are mainly denominated in RMB.
- (b) Included in other receivables from related parties, there are amounts due from the joint ventures of approximately RMB2,235,424,000 (2018: RMB1,488,173,000) bearing interest at average rate of 7.38% per annum (2018: 7.76%) and repayable within one year.
- (c) Other receivables from non-controlling interests are unsecured, interest free and repayable on demand.
- (d) Other receivables from third parties mainly consist of deposits for construction projects.
- (e) The carrying amounts of other receivables approximate their fair values. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

13 PREPAYMENTS

	31 December	
	2019 RMB'000	2018 RMB'000
Acquisition of land use rights (Note (a))	8,577,064	1,861,210
Others	315,827	153,407
	8,892,891	2,014,617

- (a) Prepayments for land acquisitions are made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 38(a)).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL comprise: equity investments that are held for trading, and equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening amounts as at 1 January	297,565	28,953
Adjustment on opening balance – reclassified from available-for-sale financial asset	–	120,257
Additions	–	140,611
Fair value (losses)/gains (Note 31)	(32,395)	7,744
Disposals	(57,508)	–
Closing amounts as at 31 December	207,662	297,565

FVPL comprise the following individual investments:

	31 December	
	2019 RMB'000	2018 RMB'000
Hong Kong listed equity securities	52,310	155,189
Investment fund	155,352	142,376
	207,662	297,565

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Analysis of the sensitivity of the assets to foreign exchange and price risk is set out in Note 3.1.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification and measurement

FVOCI comprise: equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening amounts as at 1 January	348,461	–
Adjustment on opening balance upon the adoption of HKFRS9 in the prior year	–	342,250
Additions	–	6,000
Net gains recognised in other comprehensive income	33,678	211
Closing amounts as at 31 December	382,139	348,461

Equity investments at FVOCI comprise the following individual investments:

	31 December	
	2019 RMB'000	2018 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company (Note (i))	367,287	333,528
– Other unlisted equity investments	14,852	14,933
	382,139	348,461

- (i) In 2015, the Group invested a total sum of RMB307,200,000 in an unlisted insurance company in the PRC for its 5% equity interest. As at 31 December 2019, the fair value of this 5% equity interest was derived by using the market approach.

(b) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Analysis of the sensitivity of the assets to foreign exchange and price risk is set out in Note 3.1.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 31 December 2019 which, in the opinion of the executive directors, are material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the consolidated balance sheet and the profit or loss are set out as below:

The amounts recognised in the balance sheet are as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Investments in joint ventures	3,867,223	3,151,990
Investments in associates	1,726,705	975,453
	5,593,928	4,127,443

The profit recognised in the statement of comprehensive income are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Joint ventures (Note (a))	225,003	102,767
Associates (Note (b))	150,752	84,467
	375,755	187,234

(a) Joint ventures

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	3,151,990	3,602,736
Additions	584,461	38,896
Transfer to subsidiaries	–	(597,010)
Disposal	(44,581)	–
Currency translation differences	4,736	15,079
Share of profits – net	225,003	102,767
Elimination of unrealised profits	(54,386)	(10,478)
At 31 December	3,867,223	3,151,990

The contingent liabilities relating to the Group's financial guarantee provided for the joint ventures are disclosed in Note 37. There is no commitment relating to the Group's interests in the joint ventures.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)**(b) Associates**

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	975,453	584,407
Additions	602,918	328,118
Share of profits – net	150,752	84,467
Elimination of unrealised profits	(2,418)	(21,539)
At 31 December	1,726,705	975,453

The contingent liabilities relating to the Group's financial guarantee provided for the associates are disclosed in Note 37. There is no commitment relating to the Group's interests in the associates.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets

	31 December	
	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost:	42,153,957	32,028,397
Trade receivables	1,986,680	1,519,989
Other receivables	16,496,617	14,732,697
Restricted cash	3,365,115	935,935
Cash and cash equivalents	20,305,545	14,839,776
FVOCI	382,139	348,461
FVPL	207,662	297,565
	42,743,758	32,674,423

Financial liabilities

	31 December	
	2019 RMB'000	2018 RMB'000
Financial liabilities at amortised cost:		
Borrowings	55,263,081	47,357,628
Convertible bonds	–	1,743,638
Trade and other payables excluding other taxes and salaries payables	29,382,615	20,511,023
Lease liabilities	429,833	–
	85,075,529	69,612,289

18 RESTRICTED CASH

	31 December	
	2019 RMB'000	2018 RMB'000
Guarantee deposits for construction projects (Note (a))	618,040	382,595
Guarantee deposits for bank acceptance notes (Note (b))	10,417	1,153
Guarantee deposits for bank borrowings (Note (c))	2,655,832	524,789
Others	80,826	27,398
	3,365,115	935,935
Denominated in:		
– RMB	2,667,494	935,935
– US\$	697,621	–
	3,365,115	935,935

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.
- (b) As at 31 December 2019, the Group has placed cash deposits of approximately RMB10,417,000 (2018: RMB1,153,000) with designated banks as guarantee for the issuance of bank acceptance notes.
- (c) As at 31 December 2019, the Group has placed cash deposits of approximately RMB2,655,832,000 (2018: RMB524,789,000) with designated banks as security for bank borrowings (Note 23).

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

19 CASH AND CASH EQUIVALENTS

	31 December	
	2019 RMB'000	2018 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	18,298,660	14,810,786
– Denominated in HK\$	1,607,318	21,669
– Denominated in US\$	399,567	7,321
	20,305,545	14,839,776

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

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
As at 1 January 2018, 31 December 2018 and 31 December 2019	30,000,000,000			
Issued and fully paid:				
As at 1 January 2019	3,997,303,000	35,486	1,128,639	1,164,125
Proceeds from share placement (Note a)	146,600,000	1,323	705,039	706,362
Dividends (Note 35)	–	–	(1,151,399)	(1,151,399)
As at 31 December 2019	4,143,903,000	36,809	682,279	719,088
As at 1 January 2018	3,997,303,000	35,486	2,030,676	2,066,162
Dividends (Note 35)	–	–	(902,037)	(902,037)
As at 31 December 2018	3,997,303,000	35,486	1,128,639	1,164,125

- (a) On 23 October 2019, 146,600,000 shares of the Company were placed to certain independent placees at a price of HK\$5.40 per share.

21 OTHER RESERVES

	Merger reserve	Other reserves	Statutory reserves	Revaluation reserves	Capital injection by non- controlling interests	Transaction with non- controlling interests	Total
	RMB'000 (Note (a))	RMB'000 (Note (c))	RMB'000 (Note (b))	RMB'000 (Note(c))	RMB'000 (Note(d))	RMB'000	RMB'000
Balance at 1 January 2019	337,203	(1,179)	95,746	247,700	-	1,606	681,076
Change in fair value of FVOCI, net of tax	-	-	-	25,259	-	-	25,259
Appropriation to statutory reserves	-	-	31,544	-	-	-	31,544
Currency translation differences	-	4,736	-	-	-	-	4,736
Capital contribution from non-controlling interests	-	-	-	-	926,674	-	926,674
Balance at 31 December 2019	337,203	3,557	127,290	272,959	926,674	1,606	1,669,289
Balance at 31 December 2017, as previously reported	337,203	(16,258)	56,696	277,735	-	1,606	656,982
Adjustment on adoption of HKFRS 9, net of tax	-	-	-	(30,193)	-	-	(30,193)
Balance at 1 January 2018	337,203	(16,258)	56,696	247,542	-	1,606	626,789
Change in fair value of FVOCI, net of tax	-	-	-	158	-	-	158
Appropriation to statutory reserves	-	-	39,050	-	-	-	39,050
Currency translation differences	-	15,079	-	-	-	-	15,079
Balance at 31 December 2018	337,203	(1,179)	95,746	247,700	-	1,606	681,076

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

21 OTHER RESERVES (CONTINUED)**(c) Other comprehensive income**

	Year ended 31 December 2019		
	Other reserves RMB'000	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences (Note 16(a))	4,736	–	4,736
Items that will not be reclassified subsequently to profit or loss:			
Fair value gains on FVOCI – gross (Note 15)	–	33,678	33,678
Tax charge – deferred income tax	–	(8,419)	(8,419)
Total other comprehensive income – net of tax	4,736	25,259	29,995

	Year ended 31 December 2018		
	Other reserves RMB'000	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences (Note 16(a))	15,079	–	15,079
Items that will not be reclassified subsequently to profit or loss:			
Fair value gains on FVOCI – gross (Note 15)	–	211	211
Tax charge – deferred income tax	–	(53)	(53)
Total other comprehensive income – net of tax	15,079	158	15,237

Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 2.11. These changes are accumulated within the FVOCI reserve within equity. The Group will transfer amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(d) Capital injection by non-controlling interests

A subsidiary of the Group, Powerlong Commercial Management Holdings Limited (“Powerlong CM”) issued 150,000,000 H shares at a nominal value of HK\$0.01 per share (“Powerlong CM’s New Issue”). Such shares were offered at HK\$9.5 per share and listed on the Main Board of Hong Kong Stock Exchange on 30 December 2019. Net proceeds from Powerlong CM’s New Issue amounted to RMB1,236,907,000. The Company’s equity interest in Powerlong CM was diluted from 100% to 75% as a result of Powerlong CM’s New Issue and Powerlong CM is still the subsidiary of the Company after its listing. The difference between the net proceeds from Powerlong CM’s New Issue and the carrying amount of the diluted net assets of RMB926,674,000 was recorded as a credit to the other reserves.

22 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Balance as at 1 January 2019	1,546,000	6,254	1,552,254
Issuance of Perpetual Capital Instruments	500,000	–	500,000
Redemption of Perpetual Capital Instruments	(1,246,000)	–	(1,246,000)
Profit attributable to holders of Perpetual Capital Instruments	–	69,556	69,556
Distribution to holders of Perpetual Capital Instruments	–	(55,446)	(55,446)
Balance as at 31 December 2019	800,000	20,364	820,364
Balance as at 1 January 2018	1,690,400	31,963	1,722,363
Issuance of Perpetual Capital Instruments	546,000	–	546,000
Redemption of Perpetual Capital Instruments	(690,400)	–	(690,400)
Profit attributable to holders of Perpetual Capital Instruments	–	123,045	123,045
Distribution to holders of Perpetual Capital Instruments	–	(148,754)	(148,754)
Balance as at 31 December 2018	1,546,000	6,254	1,552,254

The Perpetual Capital Instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

23 BORROWINGS

	31 December	
	2019 RMB'000	2018 RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	13,073,322	7,529,298
Corporate bonds (Note (b))	9,488,475	9,202,345
Bank borrowings (Note (c))	26,049,451	23,836,141
– secured	25,910,556	23,678,425
– unsecured	138,895	157,716
Other borrowings – secured (Note (d))	1,476,200	3,399,400
Less: current portion of non-current borrowings	(10,145,141)	(9,586,776)
	39,942,307	34,380,408
Borrowings included in current liabilities:		
Bank borrowings – secured (Note (c))	3,498,953	2,184,344
Other borrowings – secured (Note (d))	677,400	906,100
Short-term commercial papers	999,280	300,000
Current portion of long-term borrowings	10,145,141	9,586,776
	15,320,774	12,977,220
Total borrowings	55,263,081	47,357,628

23 BORROWINGS (CONTINUED)

(a) Senior notes

On 15 September 2016, the Company issued 4.875%, five years senior notes, with an aggregated principal amount of US\$200,000,000 at 99.018% discount to face value ("2021 Notes I"). The net proceeds, after deducting the issuance costs, amounted to US\$195,006,519 (equivalent to approximately RMB1,304,496,000).

On 19 July 2017, the Company issued 5.95%, three years senior notes, with an aggregated nominal value of US\$200,000,000 at 99.191% discount to face value; on 28 July 2017, the Company issued an additional senior notes in the same terms with an aggregate principal amount of US\$100,000,000 at 99.196% discount of the face value ("Existing Notes"). The net proceeds, after deducting the issuance costs, amounted to US\$294,698,861 (equivalent to approximately RMB1,987,774,000).

On 8 August 2018, the Company issued 5.95%, two years senior notes, with an aggregated nominal value of US\$250,000,000 at 94.702% discount to face value ("New Notes" and together with Existing Notes, "2020 Notes"). The terms and conditions for the New Notes are the same as those for the Existing Notes in all respects except for the issue date and issue price. The net proceeds, after deducting the issuance costs, amounted to US\$234,500,000 (equivalent to approximately RMB1,616,114,000).

On 17 April 2018, the Company issued 6.95%, three years senior notes, with an aggregated nominal value of US\$350,000,000 at 99.204% discount to face value ("2021 Notes II"). The net proceeds, after deducting the issuance costs, amounted to US\$342,300,000 (equivalent to approximately RMB2,158,882,000).

On 14 January 2019, the Company issued 9.125%, two years senior notes, with an aggregated nominal value of US\$200,000,000 at 99.331% discount to face value ("2021 Notes III"). The net proceeds, after deducting the issuance costs, amounted to US\$195,965,000 (equivalent to approximately RMB1,323,573,000).

On 23 July 2019, the Company issued 6.95%, four years senior notes, with an aggregated nominal value of US\$170,000,000 at 98.974% discount to face value ("2023 Notes"). The net proceeds, after deducting the issuance costs, amounted to US\$164,728,000 (equivalent to approximately RMB1,134,316,000).

On 26 July 2019, the Company issued 6.0%, three years senior notes, with an aggregated nominal value of HK\$1,000,000,000 at 100% of the face value ("2022 Notes I"). The net proceeds, after deducting the issuance costs, amounted to HK\$998,250,000 (equivalent to approximately RMB878,710,000).

On 8 November 2019, the Company issued 7.125%, three years senior notes, with an aggregated nominal value of US\$300,000,000 at 99.536% discount to face value ("2022 Notes II"). The net proceeds, after deducting the issuance costs, amounted to US\$295,563,000 (equivalent to approximately RMB2,067,312,000).

The above senior notes are guaranteed and secured by equity interests of certain subsidiaries and non-PRC joint ventures.

23 BORROWINGS (CONTINUED)

(b) Corporate bonds

(i) Panda bonds

On 24 November 2016, the Company issued 5.85% seven-year panda bonds with an aggregated principal amount of RMB3,000,000,000 at 100% of the face value. At the third and fifth anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. The Company redeemed the bonds with the principal amount of RMB2,410,000,000 in 2019 and the remaining RMB590,000,000 bonds are held to maturity with the original interest rate.

(ii) Asset-backed securities ("ABS")

On 11 November 2016, a PRC subsidiary of the Group issued ABS in the principal amount of RMB1,700,000,000, with a term of three years and bearing an interest ranging from 3.90% to 5.50% per annum and the principal was repayable by instalments, amongst which RMB100,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB1,593,125,000. The PRC subsidiary of the Group had redeemed part of the ABS by instalments of RMB300,000,000 and RMB500,000,000 in 2017 and 2018 respectively. On 28 October 2019, the PRC subsidiary of the Group redeemed the rest of ABS with principal amount of RMB800,000,000.

On 6 September 2019, a PRC subsidiary of the Group issued another ABS in the principal amount of RMB900,000,000, with a term of eighteen years and bearing an interest ranging from 6.20% to 6.80% per annum and the principal was repayable by instalments, amongst which RMB50,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB842,985,000.

The ABS was pledged by the rental income of the Group's certain investment properties and revenue arising from the Group's hotel operation.

(iii) PRC Corporate bonds

On 19 January 2016, a PRC subsidiary of the Group issued 6.20% PRC corporate bond with an aggregated principal amount of RMB2,700,000,000 at 100% of the face value. The bond will be matured in five years; at the third anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. On 21 December 2018, the PRC subsidiary redeemed the corporate bonds with the principal amount of RMB144,085,000 and the remaining RMB2,555,915,000 bonds are held to maturity with the interest rate adjusted to 7.50% per annum.

On 8 March 2016, a PRC subsidiary of the Group issued 6.00% PRC corporate bond with an aggregated principal amount of RMB500,000,000 at 100% of the face value. The bond will be matured in five years; at the third anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. On 5 March 2019, the PRC subsidiary redeemed the corporate bonds with the principal amount of RMB27,733,500 and the remaining RMB472,266,500 bonds are held to maturity with the interest rate adjusted to 7% per annum.

23 BORROWINGS (CONTINUED)

(b) Corporate bonds (continued)

(iii) PRC Corporate bonds (continued)

On 25 August 2016, a PRC subsidiary of the Group issued 5.25% PRC corporate bond with an aggregated principal amount of RMB800,000,000 at 100% of the face value. The bond will be matured in four years; at the second anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. On 24 August 2018, the PRC subsidiary redeemed the corporate bonds with the principal amount of RMB767,697,500 and the remaining RMB32,302,500 bonds are held to maturity with the original interest rate.

On 29 August 2017, a PRC subsidiary of the Group issued 6.80%, three-year PRC corporate bonds with aggregated principal amount of RMB1,000,000,000 at 100% of the face value.

On 13 December 2018, a PRC subsidiary of the Group issued 7.50% PRC corporate bond with an aggregated principal amount of RMB1,000,000,000 at 100% of the face value. The bond will be matured in three years; at the second anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods.

On 5 March 2019, a PRC subsidiary of the Group issued 7.20%, two-year PRC corporate bonds with an aggregate principal amount of RMB1,000,000,000 at 100.00% of the face value.

On 1 April 2019, a PRC subsidiary of the Group issued 7.20%, two-year PRC corporate bonds with an aggregate principal amount of RMB300,000,000 at 100.00% of the face value.

On 15 July 2019, a PRC subsidiary of the Group issued 7.4%, three-year PRC corporate bonds with an aggregate principal amount of RMB600,000,000 at 100.00% of the face value.

On 20 November 2019, a PRC subsidiary of the Group issued 7.20% PRC corporate bond with an aggregated principal amount of RMB1,070,000,000 at 100% of the face value. The bond will be matured in five years; at the second and the fourth anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods.

(c) Bank borrowings

As at 31 December 2019, bank borrowings of RMB29,409,509,000 (2018: RMB25,862,769,000) were secured by property and equipment and land use rights (Note 6), investment properties (Note 7), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 18); the secured bank borrowings of RMB3,450,000,000 (2018: RMB3,502,866,000) were additionally guaranteed by certain related parties (Note 39(b)(iii)).

(d) Other borrowings

As at 31 December 2019, borrowings from other financial institutions of RMB2,153,600,000 (2018: RMB4,305,500,000) were secured by property and equipment and land use rights (Note 6), investment properties (Note 7), properties under development (Note 9) and completed properties held for sale (Note 10).

23 BORROWINGS (CONTINUED)

- (e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non – current liabilities:					
At 31 December 2019	11,671,365	6,696,269	13,480,544	8,094,129	39,942,307
At 31 December 2018	3,848,980	7,583,337	21,352,591	1,595,500	34,380,408
Borrowings included in current liabilities:					
At 31 December 2019	14,422,434	898,340	–	–	15,320,774
At 31 December 2018	4,049,056	8,928,164	–	–	12,977,220

- (f) The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2019		31 December 2018	
	Carrying amount RMB'000	Fair Value RMB'000	Carrying amount RMB'000	Fair Value RMB'000
Senior Notes (Note (i))	9,275,357	9,492,301	7,373,847	6,733,924
Corporate bonds (Note (ii))	7,462,572	7,660,000	5,051,961	5,230,378
Bank borrowings (Note (iii))	22,058,078	22,058,078	18,959,520	18,959,520
Other borrowings (Note (iii))	1,146,300	1,146,300	2,995,080	2,995,080
	39,942,307	40,356,679	34,380,408	33,918,902

Notes:

- (i) The fair values were determined directly by reference to the price quotations published by Singapore Stock Exchange Limited on 31 December 2019 and 2018, using the pricing of dealing date and were within level 1 of the fair value hierarchy.
- (ii) The fair values of public bonds were determined by reference to the price quotations published on the last trading day of the year ended 31 December 2019 and were within level 1 of the fair value hierarchy. The fair values of non-public bonds were estimated based on cash flow discounted at the borrowing rate and were within level 2 of the fair value hierarchy.
- (iii) The fair values were estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date and were within level 2 of the fair value hierarchy.

23 BORROWINGS (CONTINUED)

(g) The effective interest rates of borrowings are as follows:

	31 December	
	2019	2018
Senior notes	7.32%	6.84%
Corporate bonds	6.89%	6.60%
Bank and other borrowings	6.10%	6.54%
Short-term commercial papers	5.87%	6.62%

(h) The maturity of the borrowings is as follows:

	Senior notes RMB'000	Corporate bonds and short-term commercial papers RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2019					
Within 1 year	3,797,965	3,025,184	7,490,325	1,007,300	15,320,774
1–2 years	5,164,964	4,903,671	7,280,184	796,300	18,145,119
2–5 years	4,110,393	1,665,286	9,740,095	351,000	15,866,774
Over 5 years	–	893,614	5,036,800	–	5,930,414
	13,073,322	10,487,755	29,547,404	2,154,600	55,263,081
As at 31 December 2018					
Within 1 year	155,451	4,450,385	7,060,964	1,310,420	12,977,220
1–2 years	3,670,615	1,991,837	8,062,639	2,995,080	16,720,171
2–5 years	3,703,232	3,060,123	7,269,342	–	14,032,697
Over 5 years	–	–	3,627,540	–	3,627,540
	7,529,298	9,502,345	26,020,485	4,305,500	47,357,628

(i) As at 31 December 2019 and 2018, the Group had the following undrawn borrowing facilities:

	31 December	
	2019 RMB'000	2018 RMB'000
Floating rate:		
– expiring within 1 year	–	700,000
– expiring beyond 1 year	6,546,991	3,479,133
Fixed rate:		
– expiring within 1 year	891,956	640,000
	7,438,947	4,819,133

24 CONVERTIBLE BONDS

On 13 February 2018, the Company issued convertible bonds with a zero coupon rate with an initial conversion price of HK\$5.4463 each in an aggregate principal amount of HK\$1,990,000,000 (the "Convertible Bonds"). The Convertible Bonds are denominated in HK\$. The estimated net proceeds from the subscription of the Convertible Bonds, after deduction of commission and expenses, amounted to approximately HK\$1,964,000,000 (equivalent to approximately RMB1,589,328,000). These Convertible Bonds have been fully redeemed on 11 February 2019 with an aggregated principal amount of RMB1,701,689,000.

25 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	315,107	327,691
To be realised within 12 months	277,775	171,652
	592,882	499,343
Deferred income tax liabilities:		
To be realised after more than 12 months	(5,626,867)	(5,201,896)
To be realised within 12 months	(889,384)	(928,294)
	(6,516,251)	(6,130,190)
	(5,923,369)	(5,630,847)

The net movements on the deferred income tax are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	(5,630,847)	(4,365,929)
Recognised in income tax expense (Note 33)	(284,103)	(212,247)
Tax charge relating to components of other comprehensive income (Note 21(c))	(8,419)	(53)
Consolidation of entities previously held as joint ventures	–	(1,052,618)
At 31 December	(5,923,369)	(5,630,847)

25 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions	Tax losses	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	243,745	486,986	-	-	730,731
Credited to the income tax expense	94,694	35,082	90,876	15,425	236,077
At 31 December 2019	338,439	522,068	90,876	15,425	966,808
At 1 January 2018	229,690	231,079	-	-	460,769
Credited to the income tax expense	14,055	255,907	-	-	269,962
At 31 December 2018	243,745	486,986	-	-	730,731

Deferred income tax liabilities

	Excess of carrying amount of land use right over the tax bases	Temporary difference on revaluation gains of investment properties	Temporary difference on revaluation of FVOCI	Temporary difference on right-of-use assets	Withholding tax on profit to be distributed in future	Temporary difference on interest capitalization	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	(1,036,218)	(5,037,324)	(16,630)	-	-	(188,384)	(83,022)	(6,361,578)
Tax credited/(charged) to the income tax expense	329,299	(602,099)	-	(55,771)	(100,000)	(97,102)	5,493	(520,180)
Tax charge relating to components of other comprehensive income	-	-	(8,419)	-	-	-	-	(8,419)
At 31 December 2019	(706,919)	(5,639,423)	(25,049)	(55,771)	(100,000)	(285,486)	(77,529)	(6,890,177)
At 1 January 2018	(123,923)	(4,448,305)	(16,577)	-	-	(155,586)	(82,307)	(4,826,698)
Consolidations of entities previously held as joint ventures	(1,052,618)	-	-	-	-	-	-	(1,052,618)
Tax credited/(charged) to the income tax expense	140,323	(589,019)	-	-	-	(32,798)	(715)	(482,209)
Tax charge relating to components of other comprehensive income	-	-	(53)	-	-	-	-	(53)
At 31 December 2018	(1,036,218)	(5,037,324)	(16,630)	-	-	(188,384)	(83,022)	(6,361,578)

25 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB306,553,000 (2018: RMB222,007,000) in respect of losses amounting to RMB1,226,211,000 (2018: RMB888,027,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

Tax losses will expire in the following years:

Year	RMB'000
2020	70,830
2021	222,092
2022	70,185
2023	346,404
2024	516,700
	1,226,211

Deferred income tax liabilities of RMB3,179,647,000 (2018: RMB2,504,389,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB31,796,468,000 as at 31 December 2019 (2018: RMB29,035,890,000), as the Group does not have a plan to distribute these earnings out of the PRC.

26 TRADE AND OTHER PAYABLES

	31 December	
	2019 RMB'000	2018 RMB'000
Trade payables (Note (a))	12,757,169	9,705,474
– Related parties (Note 39(d))	33,945	11,678
– Third parties	12,712,860	9,686,795
– Notes payable – third parties	10,364	7,001
Other payables and accruals	15,451,948	10,205,657
– Related parties (Note 39(d))	5,956,236	5,686,893
– Non-controlling interests	3,373,658	2,028,688
– Third parties (Note (b))	6,122,054	2,490,076
Payables for retention fee	1,105,426	683,152
Payables for acquisition of land use rights	90,401	56,981
Other taxes payable	506,376	280,591
Dividend payables to non-controlling interests	148,880	–
	30,060,200	20,931,855
Less: non-current portion		
Other payables – third parties	(87,617)	(206,007)
Current portion	29,972,583	20,725,848

26 TRADE AND OTHER PAYABLES (CONTINUED)

- (a) The ageing analysis of trade payables as at 31 December 2019 and 2018 based on invoice date is as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Within 90 days	9,184,699	6,317,246
Over 90 days and within 180 days	2,171,344	1,717,541
Over 180 days and within 365 days	1,046,201	866,463
Over 365 days and within 3 years	354,925	804,224
	12,757,169	9,705,474

- (b) Amounts represent mainly the value-added-tax received in advance from customers, interest payable, cash advances from independent third parties for joint development projects and deposits from property purchasers.
- (c) The Group's trade and other payables are mainly denominated in RMB.
- (d) The fair value of trade and other payables approximate their carrying amounts.

27 CONTRACT LIABILITIES

	31 December	
	2019 RMB'000	2018 RMB'000
Contract liabilities	22,694,564	16,444,184

Contract liabilities represent the receipts of the property sales.

(a) Revenue recognised in relation to contract liabilities

The following table set out the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	13,642,565	1,820,287

(b) Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as of 31 December 2019 and 31 December 2018.

28 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	4,493,586	3,490,138
– PRC land appreciation tax payable	4,132,412	3,151,967
	8,625,998	6,642,105

29 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	14,431,134	10,214,258
Staff costs (including directors' emoluments)	1,541,141	1,255,221
Employee benefit expenditure – including directors' emoluments	1,797,418	1,404,913
Less: capitalised in properties under development, investment properties under construction and construction in progress	(256,277)	(149,692)
Taxes and other levies	190,123	218,886
Advertising costs	489,538	385,836
Commercial operation and residential property management fees	391,643	219,282
Hotel operations expenses	374,683	318,260
Depreciation and amortisation (Note 6)	273,006	233,466
– Property and equipment	227,444	200,349
– Right-of-use assets	45,562	–
– Land use rights	–	33,117
Donations	154,385	239,567
Auditor's remuneration	14,025	7,950
– Audit services	6,700	5,600
– Non-audit services	7,325	2,350

30 STAFF COSTS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages and salaries	1,481,721	1,151,527
Pension costs – statutory pension	264,008	202,131
Other staff welfare and benefits	51,689	51,255
	1,797,418	1,404,913
Less: capitalised in properties under development, investment properties under construction and construction in progress	(256,277)	(149,692)
	1,541,141	1,255,221

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2018: four) directors whose emoluments are reflected in the analysis presented in Note 42. The aggregate amounts of emoluments of the other one (2018: one) highest paid individual for the year ended 31 December 2019 and 2018 are set out below:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages and salaries	840	760
Retirement scheme contributions	101	96
Allowance	96	96
	1,037	952

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in HK\$)		
HK\$1,000,000 to HK\$1,500,000	1	1

During the year ended 31 December 2019, no emolument was paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices (2018: nil).

30 STAFF COSTS (CONTINUED)

(b) Pensions – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, with a maximum cap per employee per month.

31 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Gains on disposal of a joint venture (Note (a))	805,854	–
Interest income	120,957	166,947
Fair value (losses)/gains on financial assets at fair value through profit or loss	(32,395)	7,744
Gains on disposal of investment properties	9,220	6,096
Losses on disposal of financial assets at fair value through profit or loss	(3,993)	–
Dividend income of financial assets at fair value through profit or loss	2,390	1,586
Exchange gains/(losses) – net (Note (b))	1,406	(3,305)
Fair value gains on the remeasurement of investments in joint ventures	–	11,846
Others	23,669	25,455
	927,108	216,369

- (a) On 25 September 2019, the Group disposed of a joint venture in the PRC to a third party at an aggregated consideration of approximately RMB850 million and recorded a gain of approximately RMB806 million.
- (b) Amount mainly represents the net losses on translation of foreign currency financial assets and liabilities from foreign currency into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "Finance costs – net" (Note 32).

32 FINANCE COSTS – NET

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Interest expense:		
Borrowings	3,572,605	2,918,861
Convertible Bonds	5,135	39,491
Lease liabilities	21,341	–
	3,599,081	2,958,352
Foreign exchange losses on financing activities – net	167,881	806,627
Less: finance costs capitalised	(2,594,010)	(2,388,320)
Finance costs	1,172,952	1,376,659
Interest income of bank deposits	(273,177)	–
Finance costs – net	899,775	1,376,659

33 INCOME TAX EXPENSE

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current income tax:		
PRC corporate income tax	1,988,146	1,485,982
PRC land appreciation tax	1,566,225	1,467,583
	3,554,371	2,953,565
Deferred income tax:		
PRC corporate income tax	460,132	292,393
PRC land appreciation tax	(176,029)	(80,146)
	284,103	212,247
	3,838,474	3,165,812

The tax charge on other comprehensive income has been disclosed in Note 21(c).

33 INCOME TAX EXPENSE (CONTINUED)

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the respective group entities as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	9,856,371	6,813,461
Calculated at applicable corporate income tax rate	2,601,933	1,798,150
Effect of expenses not deductible for income tax	83,326	304,837
Effect of income not subject to income tax	(7,709)	(9,285)
Share of profits of investments accounted for using the equity method	(93,939)	(46,809)
Tax losses for which no deferred income tax asset was recognised	129,175	106,697
Utilisation of tax losses previously not recognised	(16,959)	(28,356)
PRC land appreciation tax deductible for PRC corporate income tax purposes	(347,549)	(346,859)
	2,348,278	1,778,375
PRC withholding income tax	100,000	–
PRC land appreciation tax	1,390,196	1,387,437
	3,838,474	3,165,812

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in Mainland China is 25%.

PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

33 INCOME TAX EXPENSE (CONTINUED)

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

34 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	4,041,116	2,837,007
Weighted average number of ordinary shares in issue (thousand shares)	4,025,418	3,997,303
Basic earnings per share (RMB cents per share)	100.4	71.0

34 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Convertible bonds have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from convertible bonds.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)		
Used in calculating basic earnings per share	4,041,116	2,837,007
Add: interest expense on Convertible Bonds	5,135	39,491
Used in calculating diluted earnings per share	4,046,251	2,876,498
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)		
Used in calculating basic earnings per share	4,025,418	3,997,303
Adjustments:		
Convertible Bonds	30,449	334,937
Used in calculating diluted earnings per share	4,055,867	4,332,240
Diluted earnings per share (RMB cents per share)	99.8	66.4

Convertible Bonds issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The Convertible Bonds have not been included in the determination of basic earnings.

35 DIVIDENDS

The dividend paid in 2019 consists of (i) the payment of the 2018 final cash dividend of HK\$23.2 cents per ordinary share totalling HK\$927,374,000 (equivalent to RMB816,070,000) (2017 final cash dividend of HK\$19.6 cents per ordinary share totalling HK\$783,471,000), and (ii) 2019 interim dividend of HK\$9.0 cents per ordinary share in form of cash totalling HK\$372,951,000 (equivalent to RMB335,329,000) (2018 interim dividend: HK\$6.8 cents per ordinary share in form of cash totalling HK\$271,817,000).

35 DIVIDENDS (CONTINUED)

The Board recommended the payment of a final dividend of HK\$27.0 cents per ordinary share. Total amount of final dividend would be HK\$1,118,854,000 (equivalent to approximately RMB1,002,247,000) which is calculated according to the ordinary shares in issue as of 31 December 2019. In addition to the final dividend, the Board further declared a special dividend of HK\$4.0 cents per ordinary share. Total amount of special dividend would be HK\$165,756,000 (equivalent to approximately RMB148,481,000). These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Proposed final dividends	1,002,247	812,565
Special dividends	148,481	–

36 CASH FLOW INFORMATION**(a) Cash generated from operations**

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before taxation	9,856,371	6,813,461
Adjustments for:		
Depreciation and amortisation (Note 6)	273,006	233,466
– Property and equipment	227,444	200,349
– Right-of-use assets	45,562	–
– Land use rights	–	33,117
Fair value gains on investment properties – net (Note 7)	(2,394,403)	(2,500,520)
Share of profit of investments accounted for using the equity method (Note 16)	(375,755)	(187,234)
Other income and gains-net (Note 31)	(927,108)	(216,369)
Finance costs – net (Note 32)	899,775	1,376,659
Changes in operating capital:		
Properties under development and completed properties held for sale	(3,313,235)	(13,990,830)
Restricted cash	(298,137)	(147,608)
Trade and other receivables	(3,428,382)	441,263
Contract assets	(272,949)	(6,967)
Prepayments	(6,878,274)	2,141,468
Trade and other payables	8,047,818	(1,658,989)
Contract liabilities	6,250,380	12,625,491
Cash generated from operation	7,439,107	4,923,291

36 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Loan from related parties RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Leases RMB'000	Total RMB'000
Net debt as at 1 January 2019, as previously reported	5,698,571	47,357,628	1,743,638	-	54,799,837
Changes accounting policy (Note 2.2)	-	-	-	299,876	299,876
Net debt as at 1 January 2019, as restated	5,698,571	47,357,628	1,743,638	299,876	55,099,713
Cash flows					
- Inflow from financing activities	2,509,013	31,778,199	-	-	34,287,212
- Outflow from financing activities	(2,251,348)	(24,267,226)	(1,701,689)	(95,244)	(28,315,507)
Acquisition - leases	-	-	-	203,860	203,860
Foreign exchange adjustments	-	209,830	(41,949)	-	167,881
Other changes (i)	-	184,650	-	21,341	205,991
Net debt as at 31 December 2019	5,956,236	55,263,081	-	429,833	61,649,150

	Loan from related parties RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Total RMB'000
Net debt as at 1 January 2018	4,527,438	35,535,868	-	40,063,306
Cash flows				
- Inflow from financing activities	3,263,144	24,890,407	1,609,433	29,762,984
- Outflow from financing activities	(806,015)	(14,742,515)	-	(15,548,530)
Consolidations of entities previously held as joint ventures	-	810,000	-	810,000
Foreign exchange adjustments	-	707,006	134,205	841,211
Other changes (i)	(1,285,996)	156,862	-	(1,129,134)
Net debt as at 31 December 2018	5,698,571	47,357,628	1,743,638	54,799,837

- (i) Other movements mainly comprise: i) the elimination of the loans from joint ventures after the joint ventures become subsidiaries of the Group during the year ended 31 December 2018, ii) amortisation of issuance costs of senior notes and corporate bonds and iii) finance expenses recognised of leases.

37 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	31 December	
	2019 RMB'000	2018 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	23,098,673	15,662,393
Guarantees for borrowings of joint ventures and associates (Note (b))	1,126,615	822,500
	24,225,228	16,484,893

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the fair value of these financial guarantees is immaterial.

- (b) Amounts represent principal amounts of the loans of the joint ventures and associates guaranteed by the Group. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

38 COMMITMENTS

(a) Commitments for property development expenditures

	31 December	
	2019 RMB'000	2018 RMB'000
Contracted but not provided for:		
Properties development activities	9,103,153	7,663,384
Acquisition of land use rights	4,688,797	1,311,565
	13,791,950	8,974,949

(b) Leases commitments

As at 31 December 2019, the Group did not have any material short-term lease commitments.

39 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Company (incorporated in Cayman Islands)
Mr. Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Kin Hong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Controlled by the ultimate Controlling Shareholder
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Controlled by the ultimate Controlling Shareholder
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Controlled by the ultimate Controlling Shareholder
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Controlled by the ultimate Controlling Shareholder
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Controlled by the ultimate Controlling Shareholder
Mantong (HK) Trading Co., Limited 萬通(香港)貿易有限公司	Controlled by the Controlling Shareholder
Shanghai Yueshang Information Technology Co., Ltd. 上海悅商資訊科技有限公司	Controlled by the Controlling Shareholder
Tianjin Powerlong Jinjun Real Estate Co., Ltd. 天津寶龍金駿房地產開發有限公司	Joint venture of the Group
Hangzhou Xiaoshan Powerlong Property Co., Ltd. 杭州蕭山寶龍置業有限公司	Joint venture of the Group
Baohui Real Estate (Hong Kong) Holdings Limited 寶匯地產(香港)控股有限公司	Joint venture of the Group
Shanghai Xuting Property Co., Ltd. 上海旭亭置業有限公司	Joint venture of the Group
Powerlong Golden Wheel Coral Company Limited 寶龍金輪珊瑚有限公司	Joint venture of the Group
Yangzhou Golden Wheel Powerlong Real Estate Co., Ltd. 揚州金輪寶龍置業有限公司	Joint venture of the Group
Tianjin Shunji Real Estate Development Co., Ltd. 天津順集置業有限公司	Joint venture of the Group
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. 寧波寶龍華豐置業發展有限公司	Joint venture of the Group
Shanghai Xiaofeng Enterprise Management Co., Ltd. 上海夏鋒企業管理有限公司	Joint venture of the Group
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	Joint venture of the Group
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	Joint venture of the Group

39 RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Name and relationship with related parties (continued)**

Name	Relationship
Ningbo Youngor Baolong Real Estate Co., Ltd. (formerly named Ningbo Youngor New Longland Real Estate Development Co., Ltd.) 寧波雅戈爾寶龍置業有限公司 (前稱寧波雅戈爾新長島置業有限公司)	Joint venture of the Group
Shanghai Baoshen Digital Technology Co., Ltd. 上海寶申數字科技有限公司	Joint venture of the Group
Shanghai Mijie Property Management Co., Ltd. 上海畢傑企業管理有限公司	Joint venture of the Group
Tianjin Yujing City Real Estate Development Co., Ltd. 天津愉景城置業有限公司	Joint venture of the Group
Tianjin Binhui Real Estate Co., Ltd. 天津濱輝置業有限公司	Joint venture of the Group
Changzhou Chengyuan Real Estate Development Co., Ltd. 常州誠遠置業發展有限公司	Joint venture of the Group
Taizhou Powerlong Real Estate Co., Ltd. 泰州寶龍房地產有限公司	Joint venture of the Group
Taizhou Pengmiao Real Estate Development Co., Ltd. 台州鵬淼房地產開發有限公司	Joint venture of the Group
Qingdao Hailong Yilian Real Estate Co., Ltd. 青島海龍衣聯置業有限公司	Joint venture of the Group
Taizhou Huayi Real Estate Co., Ltd. 台州華懿置業有限公司	Joint venture of the Group
Taizhou Tianqu Real Estate Co., Ltd. 台州天衢置業有限公司	Joint venture of the Group
Pingyang Zhongji Lianye Real Estate Co., Ltd. 平陽中基聯業置業有限公司	Joint venture of the Group
Hangzhou Powerlong Taoyuan Real Estate Development Co., Ltd. 杭州寶龍桃源置業發展有限公司	Joint venture of the Group
Zhoushan Longyu Commercial Investment Co., Ltd. 舟山龍宇商業投資有限公司	Joint venture of the Group
Zhoushan Longyu Hotel Co., Ltd. 舟山龍宇大酒店有限公司	Joint venture of the Group
Shanghai Duxuan Enterprise Management Co., Ltd. 上海都綸企業管理有限公司	Associate of the Group
Quanzhou Shimao New Mileage Real Estate Co., Ltd. 泉州世茂新里程置業有限公司	Associate of the Group
Xuzhou Jinbi Real Estate Development Co., Ltd. 徐州金碧房地產開發有限公司	Associate of the Group
Nanjing Baomao Real Estate Co., Ltd. 南京寶茂置業有限公司	Associate of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驥實業有限公司	Associate of the Group
Tianjin Hongyao Decoration Engineering Co., Ltd. 天津宏耀裝修工程有限公司	Associate of the Group
Changshu Shibao Real Estate Development Co., Ltd. 常熟世寶房地產開發有限公司	Associate of the Group

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Name and relationship with related parties (continued)

Name	Relationship
Quanzhou Shimao Shiyue Real Estate Co., Ltd. 泉州世茂世悅置業有限公司	Associate of the Group
Zhejiang Zhoushan Zhongzhou Real Estate Development Co., Ltd. 浙江舟山中軸置業有限公司	Associate of the Group
Jinhua Ruilin Real Estate Development Co., Ltd. 金華市瑞麟房地產開發有限公司	Associate of the Group
Zhenjiang Hengrun Real Estate Development Co., Ltd. 鎮江恒潤房地產開發有限公司	Associate of the Group
Yiwu Zhongyao Real Estate Development Co., Ltd. 義烏眾耀房地產開發有限公司	Associate of the Group
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate of the Group
Suzhou Macalline Real Estate Co., Ltd. 蘇州紅星美凱龍房地產開發有限公司	Associate of the Group
Shanghai Hukang Property Management Co., Ltd. 上海湖康企業管理有限公司	Associate of the Group
Shanghai Hubang Real Estate Development Co., Ltd. 上海湖邦房地產有限公司	Associate of the Group
Zhejiang Lancheng Hongyi Youdao Construction Management Co., Ltd. 浙江藍城宏逸有道建設管理有限公司	Associate of the Group
Shaoxing Kejiao Juhang Real Estate Development Co., Ltd. 紹興柯橋聚杭房地產開發有限公司	Associate of the Group
Hangzhou Juyou Enterprise Management Co., Ltd. 杭州聚佑企業管理有限責任公司	Associate of the Group
Yiwu Juli Real Estate Development Co., Ltd. 義烏聚厲房地產開發有限公司	Associate of the Group
Zhoushan Juyou Real Estate Development Co., Ltd. 舟山聚佑房地產開發有限公司	Associate of the Group
Shanghai Taoxia Enterprise Management Co., Ltd. 上海濤峽企業管理有限公司	Associate of the Group
Zhejiang Huzhou Baohui Real Estate Development Co., Ltd. 浙江湖州寶輝房地產開發有限公司	Associate of the Group
Hangzhou Jiayi Real Estate Co., Ltd. 杭州嘉怡置業有限公司	Associate of the Group
Tiantai Maolong Real Estate Development Co., Ltd. 天臺茂龍房地產開發有限公司	Associate of the Group

39 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties**

- (i) During the years ended 31 December 2019 and 2018, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Nature of transactions		
The Controlling Shareholders		
Sales of properties	973	14,941
Loan interests (Note 39 (d) (iv))	17,075	–
Controlled by the ultimate controlling shareholder		
Rental income	3,412	3,249
Property management fee income	–	725
Purchase of office equipment and security intelligentisation system services from related parties	46,297	31,531
Hotel accommodation service fee charged by a related party	5,589	2,294
Joint ventures		
Sales of construction materials to joint ventures	15,277	136,357
Interest income from joint ventures	120,957	53,143
Consultation services provided to joint ventures	45,686	7,983
Associates		
Sales of construction materials to associates	1,818	–
Consultation services provided to associates	15	–

Certain close family members of Mr. Hoi Kin Hong who is the ultimate controlling shareholder of the Group, entered into sale and purchase agreements with various PRC subsidiaries of the Group. Of whom are mentioned above, Ms. Hoi Wa Fan is also a non-executive director.

The above transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year.

- (ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB1,126,615,000 as at 31 December 2019 (31 December 2018: RMB822,500,000) (Note 37).
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB3,450,000,000 as at 31 December 2019 (31 December 2018: RMB3,502,866,000) (Note 23).
- (iv) Certain bank deposits of the Group of RMB100,000,000 has been pledged for the commercial properties development of its joint venture (31 December 2018: nil).
- (v) In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

39 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Key management compensation**

Key management compensation is set out below:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Key management compensation		
– Salaries and other employee benefits	20,925	17,673
– Pension costs	1,741	1,536
	22,666	19,209

(d) Balances with related parties

As at 31 December 2019, the Group had the following material balances with related parties:

	31 December	
	2019 RMB'000	2018 RMB'000
Amounts due from related parties included in trade receivables (Note (i)):		
Joint ventures	12,568	6,614
Amounts due from related parties included in other receivables (Note (iii)):		
Controlled by the ultimate controlling shareholder	21,376	21,376
Joint ventures	4,577,821	5,243,081
Associates	2,809,036	3,191,771
	7,408,233	8,456,228
Amounts due to related parties included in trade payables (Note (ii)):		
Controlled by the ultimate controlling shareholder	18,658	11,678
Joint ventures	15,287	–
	33,945	11,678
Amounts due to related parties included in other payables (Note (iii)):		
Controlled by the ultimate controlling shareholder	388,297	495,065
The Controlling Shareholders	7,719	–
Joint ventures	4,127,150	4,245,084
Associates	1,433,070	946,744
	5,956,236	5,686,893
Borrowings (Note (iv)):		
The Controlling Shareholders	179,362	–
Amounts due to related parties included in contract liabilities (Note (v)):		
The Controlling Shareholders	10,840	9,686
Joint ventures	3,633	–
Associates	15,448	–
	29,921	9,686
Prepayments (Note (vi)):		
Joint ventures	3,120	–

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

- (i) Amounts due from joint ventures included in trade receivables are mainly derived from consulting services provided to joint ventures.
- (ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.
- (iii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures are interest bearing (Note 12), others are unsecured, interest-free and receivable/repayable on demand.
- (iv) The balance represented the senior notes purchased by Mr. Hoi Wa Fong.
- (v) Amounts due to related parties included in contract liabilities mainly consist of advances paid by the Controlling Shareholder for purchase of properties from the Group and by the joint ventures and associates for consulting services provided by the Group.
- (vi) The prepayments were in relation to a cooperation in information technology development with a joint venture of the Group.

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2019 are set out below.

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 05 July 2007	Limited liability company	HK\$1	100%	-	Investment holding in Hong Kong
Powerlong Land Development Limited	Hong Kong 03 October 2008	Limited liability company	HK\$100	82%	18%	Investment holding in Hong Kong
上海實龍物業管理有限公司 Shanghai Powerlong Property Management Co., Ltd.	the PRC 05 April, 2007	Limited liability company	RMB5,000,000	100%	-	Property management in the PRC
重慶實龍長潤置業發展有限公司 Chongqing Powerlong Real Estate Development Co., Ltd.	the PRC 28 October 2010	Limited liability company	RMB21,597,000	100%	-	Property development and property investment in the PRC
洛陽實龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 03 March 2006	Limited liability company	RMB100,000,000	100%	-	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	Limited liability company	RMB660,000,000	100%	–	Property development, property investment and hotel operation in the PRC
寶龍星創實業(杭州)有限公司 Powerlong Xingchuang Industrial (Hangzhou) Co., Ltd. (Note (a))	the PRC 21 June 2016	Limited liability company	US\$149,424,383	42%	58%	Property development and property investment in the PRC
寧波寶龍華展置業發展有限公司 Ningbo Baolonghua Real Estate Development Co., Ltd.	the PRC 13 January 2017	Limited liability company	RMB50,000,000	57%	43%	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	Limited liability company	US\$293,833,329	100%	–	Property development and property investment in the PRC
廈門寶龍實業有限公司 Xiamen Powerlong Industrial Development Co., Ltd.	the PRC 25 November 2013	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
上海寶龍展飛房地產開發有限公司 Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd.	the PRC 09 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development, property investment and hotel operation in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
上海康睿房地產發展有限公司 Shanghai Kangrui Real Estate Development Co., Ltd.	the PRC 27 January 2014	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
上海寶龍康駿房地產開發有限公司 Shanghai Powerlong Kangjun Real Estate Development Co., Ltd.	the PRC 30 July 2013	Limited liability company	RMB196,078,431	93%	7%	Property development and property investment in the PRC
阜陽寶龍展耀置業有限公司 Fuyang Powerlong Zhanyao Property Co., Ltd. (Note (a))	the PRC 29 August 2014	Limited liability company	RMB100,000,000	42%	58%	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海賢通置業有限公司 Shanghai Xiantong Real Estate Co. Ltd.	the PRC 21 February, 2012	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
青島寶龍置業發展有限公司 Qingdao Powerlong Real Estate Co. Ltd.	the PRC 24 November, 2009	Limited liability company	RMB139,832,933	100%	–	Property development and property investment in the PRC
安溪寶龍置業發展有限公司 Anxi Powerlong Real Estate Co. Ltd.	the PRC 27 January, 2010	Limited liability company	RMB52,500,000	85%	15%	Property development, property investment and hotel operation in the PRC
溫州寶信房地產開發有限公司 Wenzhou Baoxin Real Estate Co. Ltd.	the PRC 06 July, 2018	Limited liability company	RMB50,000,000	100%	–	Property development and property investment in the PRC
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	Limited liability company	RMB572,141,200	100%	–	Property development and property investment in the PRC
宿遷寶龍置業發展有限公司 Suqian Powerlong Real Estate Co. Ltd.	the PRC 10 December, 2007	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Property Development Co., Ltd.	the PRC 21 February 2006	Limited liability company	RMB10,500,000	100%	–	Property development and property investment in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	Limited liability company	RMB44,000,000	100%	–	Property development and property investment in the PRC
杭州華展房地產開發有限公司 Hangzhou Huazhan Real Estate Development Co., Ltd.	the PRC 04 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
福州寶龍貿易有限公司(前稱福州寶龍房地產發展有限公司) Fuzhou Powerlong Trading Co., Ltd. (formerly named Fuzhou Powerlong Real Estate Development Co., Ltd.)	the PRC 21 October 2003	Limited liability company	RMB66,104,400	100%	–	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海寶龍富閩房地產開發有限公司 Shanghai Powerlong Fumin Real Estate Development Co., Ltd.	the PRC 26 November 2015	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
杭州龍耀實業有限公司 Hangzhou Longyao Industrial Co., Ltd.	the PRC 03 August 2017	Limited liability company	US\$103,950,000	82%	18%	Property development and property investment in the PRC
寧波寶龍華隅置業發展有限公司 Ningbo Baolong Huayu Real Estate Development Co., Ltd.	the PRC 13 June 2018	Limited liability company	RMB500,000,000	82%	18%	Property development and property investment in the PRC
紹興豪湖房地產開發有限公司 Shaoxing Haohu Real Estate Development Co., Ltd. (Note (a))	the PRC 25 October 2017	Limited liability company	RMB20,000,000	42%	58%	Property development and property investment in the PRC
無錫嘉樂置業有限公司 Wuxi Jiayu Real Estate Co., Ltd.	the PRC 01 November 2017	Limited liability company	RMB200,000,000	67%	33%	Property development and property investment in the PRC
南通星龍房地產開發有限公司 Nantong Xinglong Real Estate Development Co., Ltd. (Note (b))	the PRC 15 December 2017	Limited liability company	RMB850,000,000	41%	59%	Property development and property investment in the PRC
長影長流(海南)房地產開發有限公司 Changying Changliu (Hainan) Real Estate Development Co., Ltd. (Note (a))	the PRC 03 April 2014	Limited liability company	RMB1,000,000	32%	68%	Property development and property investment in the PRC
杭州東輝置業有限公司 Hangzhou Donghui Real Estate Co. Ltd. (Note (b))	the PRC 19 February 2016	Limited liability company	RMB30,000,000	41%	59%	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC 13 May 2008	Limited liability company	RMB204,924,000	100%	–	Property development and property investment in the PRC
上海寶龍英聚企業發展有限公司 Shanghai Powerlong Yingju Enterprise Development Co., Ltd.	the PRC 25 June 2012	Limited liability company	US\$87,500,000	82%	18%	Investment holding in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海商盛投資管理諮詢有限公司 Shanghai Shangsheng Management Consulting Co., Ltd.	the PRC 15 December 2010	Limited liability company	US\$3,000,000	100%	–	Investment holding in the PRC
上海龍潛實業發展有限公司 Shanghai Longqian Industrial Development Co., Ltd.	the PRC 13 November 2013	Limited liability company	RMB10,000,000	82%	18%	Investment holding in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC 29 August 2006	Limited liability company	RMB80,000,000	100%	–	Hotel operation in the PRC
上海寶龍實業發展(集團)有限公司 Shanghai Powerlong Industrial Development (Group) Co., Ltd.	the PRC 22 February 2010	Limited liability company	RMB4,183,562,245	100%	–	Investment holding in the PRC
寧波遠大實業投資有限公司 Ningbo Yuanda Industrial Investment Co., Ltd.	the PRC 23 August, 2011	Limited liability company	RMB200,000,000	90%	10%	Property development and property investment in the PRC
寧波湯仕瑪置業有限公司 Ningbo Tangshima Real Estate Co. Ltd.	the PRC 31 October, 2008	Limited liability company	US\$61,643,836	90%	10%	Property development and property investment in the PRC
上海瑞龍投資管理有限公司 Shanghai Ruilong Investment Management Co., Ltd.	the PRC 08 June 2010	Limited liability company	RMB105,000,000	100%	–	Investment holding in the PRC
上海寶龍商業地產管理有限公司 Shanghai Powerlong Commercial Real Estate Management Co., Ltd.	the PRC 29 June, 2007	Limited liability company	RMB5,000,000	100%	–	Property management in the PRC
杭州寶晉置業有限公司 Hangzhou Baojin Property Co., Ltd.	the PRC 01 November 2016	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
長影椰海(海南)房地產開發有限公司 Changying Yehai (Hainan) Real Estate Development Co., Ltd. (Note (a))	the PRC 02 April 2014	Limited liability company	RMB1,000,000	32%	68%	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
南京寶龍康浚置業發展有限公司 Nanjing Powerlong Kangjun Real Estate Development Co., Ltd.	the PRC 07 November 2017	Limited liability company	US\$50,000,000	82%	18%	Property development and property investment in the PRC
鹽城禦龍置業有限公司 Yancheng Yulong Real Estate Co., Ltd.	the PRC 21 May 2018	Limited liability company	RMB50,000,000	65%	35%	Property development and property investment in the PRC
常熟寶龍房地產開發有限公司 Changshu Powerlong Real Estate Development Co., Ltd.	the PRC 27 July 2018	Limited liability company	RMB50,000,000	95%	5%	Property development and property investment in the PRC
寧波奉化寶龍華和置業有限公司 Ningbo Fenghua Powerlong Huahe Real Estate Co., Ltd.	the PRC 10 August 2018	Limited liability company	RMB50,000,000	78%	22%	Property development and property investment in the PRC
漳州寶龍英聚房地產有限公司 Zhangzhou Powerlong Yingju Real Estate Co., Ltd.	the PRC 16 July 2018	Limited liability company	RMB1,000,000	66%	34%	Property development and property investment in the PRC
永康中梁寶龍置業有限公司 Yongkang Zhongliang Property Co., Ltd. (Note (b))	the PRC 19 March 2018	Limited liability company	RMB50,000,000	29%	71%	Property development and property investment in the PRC
上海寶龍展飛房地產開發有限公司寶龍艾美酒店 Powerlong Le Méridien Hotel	the PRC 14 April 2016	Limited liability company	-	100%	-	Hotel operation in the PRC

Notes:

- (a) The Group indirectly hold the equity interest in these companies through layers of holding structures and the Group has control over the board of directors of these companies who can make majority votes to decide the key financial and operating decisions of these companies. The proportion of equity interests as disclosed above represent the effective equity interests attributable to the Group.
- (b) The Group has controlled these entities through agreements entered into with certain minority shareholders pursuant to which the minority shareholders confirmed to act in accordance with the Group in decisions on key business and financing policies of these entities.
- (c) The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (d) The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available. The subsidiaries established in the PRC in the above list are limited liability companies.

41 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY**Balance sheet of the Company**

	Note	31 December	
		2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		6,306,863	6,306,863
Current assets			
Amounts due from subsidiaries		15,118,449	15,228,209
Financial assets at fair value through profit or loss		–	26,928
Restricted cash		1,051,123	–
Cash and cash equivalents		1,886,188	234,772
		18,055,760	15,489,909
Total assets		24,362,623	21,796,772
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		719,088	1,164,125
Accumulated losses	(a)	(309,977)	(275,269)
Total equity		409,111	888,856
LIABILITIES			
Non-current liabilities			
Borrowings		12,751,485	11,097,129
Current liabilities			
Borrowings		6,713,161	5,677,076
Convertible bonds		–	1,743,638
Other payables and accruals		949,957	320,923
Amounts due to subsidiaries		3,538,909	2,069,150
		11,202,027	9,810,787
Total liabilities		23,953,512	20,907,916
Total equity and liabilities		24,362,623	21,796,772

The balance sheet of the Company was approved by the Board of Directors on 9 March 2020 and was signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

41 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(a) Reserve movements of the Company

	Accumulated losses RMB'000
At 1 January 2018	(213,281)
Loss for the year	(61,988)
As at 31 December 2018	(275,269)
At 1 January 2019	(275,269)
Loss for the year	(34,708)
As at 31 December 2019	(309,977)

42 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2019 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Total RMB'000
Executive directors					
Mr. Hoi Kin Hong	1,080	–	290	–	1,370
Mr. Hoi Wa Fong	860	16	290	–	1,166
Mr. Xiao Qing Ping	720	29	290	114	1,153
Ms. Shih Sze Ni	610	16	290	–	916
Mr. Zhang Hong Feng	720	101	290	40	1,151
Non-executive directors					
Ms. Hoi Wa Fan	–	–	160	–	160
Independent non- executive directors					
Mr. Ngai Wai Fung	–	–	270	–	270
Mr. Mei Jian Ping	–	–	270	–	270
Mr. Ding Zu Yu	–	–	270	–	270
	3,990	162	2,420	154	6,726

42 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each director for the year ended 31 December 2018 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Total RMB'000
Executive directors					
Mr. Hoi Kin Hong	1,000	–	240	–	1,240
Mr. Hoi Wa Fong	770	16	240	–	1,026
Mr. Xiao Qing Ping	640	26	240	114	1,020
Ms. Shih Sze Ni	520	16	240	–	776
Mr. Zhang Hong Feng	640	96	240	40	1,016
Non-executive directors					
Ms. Hoi Wa Fan	–	–	160	–	160
Independent non-executive directors					
Mr. Ngai Wai Fung	–	–	260	–	260
Mr. Mei Jian Ping	–	–	260	–	260
Mr. Ding Zu Yu	–	–	260	–	260
	3,570	154	2,140	154	6,018

Notes:

- i) Emoluments above include estimated money value of non-cash benefits: car, insurance premium and club membership.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2019 (2018: nil).

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2019, the Group did not pay consideration to any third parties for making available directors' services (2018: nil).

42 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of certain connected entities of Mr. Hoi Kin Hong, a director of the Company, is as follows:

Name of the borrower	Nature of connection	Total amount payable RMB'000	Outstanding/ aggregate outstanding amounts	Outstanding/ aggregate amounts	Maximum outstanding during the year RMB'000	Amounts/ aggregate amounts fallen due but not been paid RMB'000	Provisions/ aggregate provisions for doubtful/ bad debts made RMB'000	Term	Interest rate
			at the beginning of the year RMB'000	at the end of the year RMB'000					
At 31 December 2019									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	-	-	Unsecured, interest - free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	-	-		
At 31 December 2018									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	-	-	Unsecured, interest - free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	-	-		

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

43 EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 20 January 2020, Shanghai Powerlong Industrial Development Co. Ltd., a wholly-owned subsidiary of the Company issued 6.67%, five-year corporate bonds with an aggregate principal amount of RMB930,000,000 at 100.00% of the face value.
- (b) On 22 January 2020, 22,500,000 shares of Powerlong CM were issued upon the exercise of the over-allotment option (the “over-allotment option”) in connection with the global offering of its offer shares at a price of HK\$9.50 per offer share. Gross proceeds of the over-allotment option was approximately HK\$213,700,000.
- (c) On 31 January 2020, the Company repurchased an aggregate of 500,000 of its own shares through the Stock Exchange, at a consideration of HK\$2.15 million (equivalent to approximately RMB1.92 million). The shares have not been cancelled after the repurchase.
- (d) Since early 2020, the epidemic of Coronavirus Disease 2019 (the “COVID-19 outbreak”) has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The directors of the Company have assessed that the COVID-19 outbreak may have the following potential impact to the Group:

- The Group’s rental income in 2020 could possibly be affected by the temporary no more than one month waivers of rentals, property management or certain miscellaneous fees offered to tenants, tenant’s requests in adjustments of existing lease contract terms and the short term economic slowdown due to COVID-19 outbreak as certain of the Group’s rental and management fee income will be varied based on the actual business volume of tenants.
- The Group applies the fair value model to measure its investment properties (Notes 4(d) and 7). In 2020, the fair value of the Group’s investment properties may be subject to fluctuation due to the COVID-19 outbreak.

The overall financial effect of the above cannot be reliably estimated as of the date of these consolidated financial statements.

The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the leasing market, the financial position and operating results of the Group.

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED BALANCE SHEET

	31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Assets					
Non-current assets	62,878,720	55,186,910	50,030,078	42,305,100	34,403,062
Current assets	99,618,235	76,867,630	45,460,670	36,822,419	32,259,152
Total assets	162,496,955	132,054,540	95,490,748	79,127,519	66,662,214
EQUITY AND LIABILITIES					
Total equity	38,907,028	32,804,940	29,474,189	25,940,249	22,758,529
Liabilities					
Non-current liabilities	46,743,690	40,716,605	30,513,779	26,531,616	20,491,772
Current liabilities	76,846,237	58,532,995	35,502,780	26,655,654	23,411,913
Total liabilities	123,589,927	99,249,600	66,016,559	53,187,270	43,903,685
Total equity and liabilities	162,496,955	132,054,540	95,490,748	79,127,519	66,662,214

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	26,041,632	19,593,790	15,592,641	14,295,617	11,907,300
Cost of sales	(16,558,591)	(12,041,179)	(10,367,557)	(9,517,476)	(7,985,447)
Gross profit	9,483,041	7,552,611	5,225,084	4,778,141	3,921,853
Fair value gains on investment properties – net	2,394,403	2,500,520	2,135,356	1,519,884	1,503,628
Selling and marketing costs	(984,474)	(785,914)	(500,091)	(480,839)	(486,118)
Administrative expenses	(1,439,687)	(1,480,700)	(895,081)	(756,913)	(735,212)
Other income and gains/(losses) – net	927,108	216,369	558,174	12,200	(149,764)
Operating profit	10,380,391	8,002,886	6,523,442	5,072,473	4,054,387
Finance (costs)/income – net	(899,775)	(1,376,659)	(572,618)	(678,968)	(364,189)
Share of profit/(loss) of investments accounted for using the equity method	375,755	187,234	197,359	314,295	157,659
Profit before income tax	9,856,371	6,813,461	6,148,183	4,707,800	3,847,857
Income tax expenses	(3,838,474)	(3,165,812)	(2,280,440)	(1,958,596)	(1,512,768)
Profit for the year	6,017,897	3,647,649	3,867,743	2,749,204	2,335,089
Other comprehensive income					
<i>Items that may be reclassified to profit or loss:</i>					
Change in fair value of available-for-sale financial assets, net of tax	–	–	30,193	11,180	8,549
Currency translation differences	4,736	15,079	(16,258)	–	–
<i>Items that will not be reclassified to profit or loss:</i>					
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	25,259	158	–	–	–
Total other comprehensive income for the year, net of tax	29,995	15,237	13,935	11,180	8,549
Total comprehensive income for the year	6,047,892	3,662,886	3,881,678	2,760,384	2,343,638
Profit/(loss) attributable to:					
Owners of the Company	4,041,116	2,837,007	3,336,752	2,464,682	2,071,110
Holders of Perpetual Capital Instruments	69,556	123,045	117,017	145,765	153,100
Non-controlling interests	1,907,225	687,597	413,974	138,757	110,879
	6,017,897	3,647,649	3,867,743	2,749,204	2,335,089
Total comprehensive income attributable to:					
Owners of the Company	4,071,111	2,852,244	3,350,687	2,475,862	2,079,659
Holders of Perpetual Capital Instruments	69,556	123,045	117,017	145,765	153,100
Non-controlling interests	1,907,225	687,597	413,974	138,757	110,879
	6,047,892	3,662,886	3,881,678	2,760,384	2,343,638
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)					
– Basic	100.40	70.97	84.11	62.32	52.41
– Diluted	99.80	66.40	84.06	62.22	52.32

31 December

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Proposal final dividends	1,002,247	812,565	654,911	572,014	301,397

Certain figures have been reclassified to conform to the current presentation.



ANNUAL REPORT

POWERLONG 2019

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