中國恒大集團
CHINA EVERGRANDE GROUP

China Evergrande Group
中國恒大集團
(incorporated in the Cayman Islands with limited liability)
Stock Code: 3333

# ANNUAL REPORT 2020

The Group has transformed from a real estate developer to a conglomerate featuring "diversified business & digital technology" and will gradually spin off its high-quality assets for listing, building a concentric and diversified ecosystem centered around fixed and mobile spaces, while connecting the eight major businesses through closed-loop data sharing to serve hundreds of millions of customers

**798** PROJECTS

**234** CITIES

**231** MILLION SQUARE METRES OF LAND RESERVE


# NATIONAL LAYOUT MAP

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# BOARD OF DIRECTORS AND COMMITTEES

## CHAIRMAN OF THE BOARD OF DIRECTORS

Professor Hui Ka Yan

## EXECUTIVE DIRECTORS

Professor Hui Ka Yan
Dr. Xia Haijun
Mr. Shi Junping
Mr. Pan Darong
Mr. Huang Xiangui
Mr. Lai Lixin

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUTHORISED REPRESENTATIVES

Professor Hui Ka Yan
Mr. Fong Kar Chun, Jimmy

# CORPORATE AND SHAREHOLDER INFORMATION

## HEAD OFFICE

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

## PLACE OF BUSINESS IN HONG KONG

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

## WEBSITE

www.evergrande.com

## COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy
Hong Kong solicitor

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKERS

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

## SHAREHOLDER INFORMATION

### Listing Information

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

The bonds of the Company and one of its subsidiaries are quoted on Singapore Stock Exchange Limited (“Singapore Stock Exchange”)

# CORPORATE AND SHAREHOLDER INFORMATION

## SECURITIES CODES

### Stock

HKEX: 3333

### Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# CORPORATE AND SHAREHOLDER INFORMATION

## INVESTOR RELATIONS

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

# REAL ESTATE INDUSTRY

中國恒大集團
CHINA EVERGRANDE GROUP

# REPORT OF CHAIRMAN


**Dear Shareholders,**

**I am pleased to present the reports of China Evergrande Group ("Evergrande" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2020.**

**The Group's turnover and gross profit for the year amounted to RMB507.2 billion and RMB122.6 billion respectively. Net profit was RMB31.4 billion. Core business profit[1] was RMB30.13 billion. In order to repay the trust and support of shareholders, the Board recommended the payment of a final dividend of RMB0.152 per share for the year 2020, which will be distributed upon approval at the general meeting of the Group.**

1 Core business profit represents net profit excluding exchange gains or losses, fair value gains on investment properties, fair value gains or losses on financial instruments, donations and certain non-property development businesses losses.

# REPORT OF CHAIRMAN

## BUSINESS REVIEW

2020 was a challenging year. Due to the unprecedented COVID-19 pandemic, the global economy suffered a severe recession. International trade greatly shrunk. The financial market faced immense volatilities. In its latest forecast, the International Monetary Fund predicted that the global economy would shrink by 3.5% in 2020, which would be the worst economic downturn since the Great Depression in 1930s. Facing the severe and complex domestic and international environment, especially under the severe impact of the pandemic, China was the first to break away from the COVID-19 doom and gloom while also taking a heavy toll: in 2020, according to the preliminarily figures, China's GDP increased by 2.3% year on year, and surpassed RMB100 trillion for the first time, which makes China the only major economy in the world that saw positive economic growth.

Faced with the impact of the pandemic and the general decline in industry sales, the Board persisted in the development strategy of "Growing Sales, Controlled Scale & Reduced Leverage" proposed at the beginning of the year, and remarkable achievements have been made:

In respect of growing sales, contracted sales increased by 20% from RMB601.1 billion in 2019 to RMB723.2 billion in 2020. Cash collection rate rose by 12 percentage points from 78% in 2019 to 90% in 2020. Unaudited contracted sales amounted to RMB151 billion during the first quarter of 2021, up by 2% from RMB147.4 billion in the first quarter of 2020. Cash collection amounted to RMB133 billion during the first quarter of 2021, up by 17% from RMB113.3 billion in the first quarter of 2020[1].

In respect of controlled scale, in the second half of 2020, the land reserves of the Group decreased by approximately 10 million square meters from 240 million square meters to 231 million square meters.

In respect of reduced leverage, since the introduction of the "big strategy" in late March 2020, interest-bearing liabilities as at the end of March 2021 significantly decreased by RMB200 billion from RMB874.3 billion to RMB674.0 billion. Since March 2020, without issuing a new overseas debt, the Group repaid the principle and interest of overseas debts of RMB59.1 billion using its self-owned funds. The Group intended to repay all overseas debts due during the year using its self-owned funds.

Since March 2020, the equity financing of the Group amounted to HK$88.8 billion, mainly include: HK$23.5 billion from the introduction of strategic investors by Evergrande Property Services and HK$14.08 billion from its listing proceeds; HK$30.0 billion from two rounds of placing conducted by Evergrande Auto; HK$4.3 billion from placing conducted by China Evergrande; HK$600 million from disposal of shares by HengTen Networks; and HK$16.35 billion from the introduction of strategic investors by Fangchebao.

### Continuously maintaining huge high-quality land reserves for saleable residential property, thus consolidating the foundation for high-quality development

In 2020, the real estate segment continued to reaffirm its foundational status within the Group's structure. The Group maintained stable land reserves for saleable residential property and further optimized its structure, thereby laying a solid foundation for its further high growth.

The Group seized the opportunities arising during the pandemic and acquired an aggregate of 140 pieces of land as reserves, as well as further acquiring the land surrounding 42 existing projects. The newly acquired land reserves had a total gross floor area ("GFA") of 68.92 million square meters at an average cost of RMB1,992 per square meter. New projects were mainly distributed among first-tier, second-tier and third-tier cities such as Beijing, Guangzhou, Shenzhen, Wuhan, Chengdu, Taiyuan, Hefei, Harbin, Chongqing, Chengzhou, Hohhot, Shijiazhuang, Lanzhou, Urumqi, Zhongshan and Wuxi.

[1] Data for March 2021 is up to 16:00, 31 March 2021.

# REPORT OF CHAIRMAN

As at 31 December 2020, the Group's total land reserves covered 798 projects located in 234 cities across China, covering almost all first-tier cities, municipalities and provincial capitals, as well as a majority of economically developed prefecture-level cities with high growth potential. The land reserves of the Group had a total planned GFA of 231 million square meters with an original value of RMB490.1 billion. In particular, the original value of land reserves in first-tier and second-tier cities amounted to RMB328.7 billion, representing 67% of the total value with an average land cost of RMB2,638 per square meter. The original value of land reserves in third-tier cities amounted to RMB161.4 billion, representing 33% of the total value with an average cost of RMB1,515 per square meter.

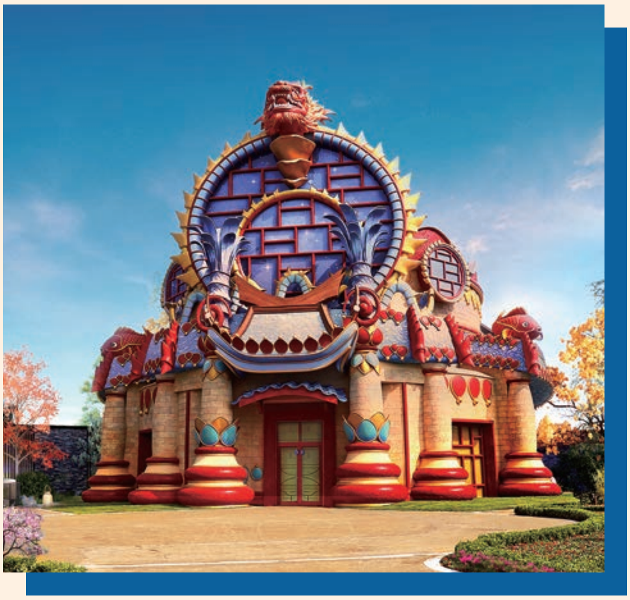
The Group also had 100 urban redevelopment projects, including 78 in the Greater Bay Area (55 in Shenzhen), 8 in Taiyuan, 2 in Shijiazhuang, 2 in Zhengzhou and 10 in other cities.

## Strong growth in contracted sales and cash collection and tremendous results from the high growth strategy

In 2020, the Group achieved contracted sales of RMB723.25 billion, a year-on-year increase of 20.3%, which fulfilled 111% of the contracted sales target of the year; and GFA of contracted sales of 80.856 million square meters, a year-on-year increase of 38.3%. Cash collection amounted to RMB653.16 billion. Cash collection ratio for the year reached 90.3%, representing a year-on-year increase of 12 percentage points.

During the year, the Group launched 149 new projects in several dozens of cities including Shenzhen, Guangzhou, Tianjin, Nanjing, Chongqing, Chengdu, Zhengzhou, Hefei, Wuhan, Kunming, Guiyang, Shijiazhuang, Shenyang, Zhuhai and Foshan. There were a total of 1,171 projects for sale which were at different stages ranging from being completed to under construction.

# REPORT OF CHAIRMAN



Faced with the impact of the pandemic and the general decline in industry sales, the Group met market demand by creating high-quality and affordable products. In particular, its pioneering online sales since February in the last year facilitated strong growth in sales, demonstrating strong execution and risk resilience. The Group is confident in continuously meeting all operation targets.

## Carefully planning new construction start and completion to assure the results under the premise of pandemic prevention and control

In 2020, the Group overcame the effect of the pandemic and began scientific planning of new construction start and completion to assure normal project development and sales with sufficient supply and normal completion of projects for delivery on schedule.

New construction start GFA for the year was 82.37 million square meters, a year-on-year increase of 29.7%. As at 31 December 2020, the Group had 787 projects under construction with GFA of 132 million square meters, a year-on-year increase of 6.9%. Completed GFA was 73.92 million square meters.

During the year, the Group had a total of 948 delivered projects with total revenue of RMB494.55 billion. The Board believes that, with its strong execution ability, the Group will be able to further seize the market with high-quality and affordable products and respond to any possible changes in the market.

## Evergrande whole industry chain intelligent ecosystem

Evergrande has completed the transformation from real estate to "diversified industries + digital technology", gradually initiated the spin-off and listing of the Group's quality assets, created a diversified industry ecosystem focusing on fixed space and mobile space, and formed closed-loop data that can serve millions of users by linking the eight major industry platforms.

**Evergrande Auto:** Through the closed loop of technology and data, Evergrande Auto will create an intelligently connected mobile space of "car and home integration". The development goal of Evergrande Auto is achieving world-class core technology and proprietary intellectual property rights, as well as achieving world-class product quality. It is aimed to establish Evergrande Auto as the world's largest and most powerful new energy vehicle enterprise.

# REPORT OF CHAIRMAN

Evergrande Auto simultaneously develops 14 vehicle models, thus achieving full coverage of different vehicle class, model and grade. Leveraging on its eight major competitive edges in talent, capital, core technology, quality, cost, sale, after-sale service, corporate management and strong execution capability, Evergrande Auto takes a leading position in technology through blazing a new trail. Evergrande Auto developed the H-SMART OS (Hengchi smart vehicle operating system), and its vehicle models are equipped with aerospace-class smart cockpits. Evergrande possessed a strong platform in the industry, and established a smart ecosystem. This not only offers users with top class driving experience but also achieves genuine vehicle-to-everything, thus creating an intelligently connected mobile space of "car and home integration".

The specific development strategy is planned and operated by Evergrande Auto (00708.HK), a listed company.

**Evergrande Property Services:** Leveraging on standardized operation and intelligent management, Evergrande Property Services aims to develop itself as the world's largest intelligent urban service provider. As at 28 February 2021, Evergrande Property Services has a contracted area of approximately 679 million square meters, with area under management of approximately 413 million square meters. It is aimed to achieve contracted area of over 800 million square meters and area under management of over 600 million square meters in 2021. It is aimed to establish a technical team that comprises of thousands personnel, and cooperate with technology leaders including Tencent, Alibaba and SenseTime to create a full ecology smart urban management system. Evergrande Property Services conducted in-depth research on multitudinous resident data, and integrated the diversified resources of China Evergrande, thus offering comprehensive services for property owners.

The specific development strategy is planned and operated by Evergrande Property Services (06666.HK), a listed company.

**HengTen Networks:** Deploying the online streaming media operation, and through its high-quality original content and big data analysis technology, HengTen Networks offers users an ultimate personalized viewing experience without any advertisement, so as to establish itself into a world class online streaming media platform. In January 2021, HengTen Networks announced to completed the acquisition of all equity interest in Pumpkin Film and Ruyi Films. Pumpkin Film has developed its core competitiveness with data-driven innovation from the three dimensions consisting of digitization of user behavior, film labeling and customization of content production. With the viewing data of millions of users, the diversified industry operation of China Evergrande has further empowered, thus offering more potential value-added services.

Evergrande smart technology ecosystem provided a driving force for Pumpkin Film by creating multi-dimensional application scenarios such as smart home, vehicle screen, theme park and cinema, as well as offering millions of user traffic. Tencent, which treats Pumpkin Film as its only platform in the field of vertical streaming media, offers Pumpkin Film with multi-channel online resources via opening of its traffic access, content and IP sharing and co-procurement of copyright. By integrating shareholder ecosystem resources, HengTen Networks achieved an exponential growth in members. As at the end of February 2021, there were a total of 38.61 million registered users, with accumulated paid subscribers of 8.41 million.

The specific development strategy is planned and operated by HengTen Networks (00136.HK), a listed company.

**Fangchebao Group:** Through the huge database created by Evergrande ecosystem, it is aimed to establish Fangchebao Group as the largest online and offline transaction and comprehensive service platform of properties and automobiles in the world.

In 2017, Fangchebao Group launched the "Heng Fang Tong (恒房通)" APP for turning everyone into brokers. After five years of development, Heng Fang Tong became one of the largest online and offline transaction platforms for real estates and automobiles. The operation of Heng Fang Tong covered 229 cities, with 21.29 million of broker users, 387,000 professional brokers and 43,000 stores. It is expected the transaction value will exceed RMB2 trillion in 2021. Looking forward, Fangchebao Group will continue to expand its physical store network, aiming to create a large-scale and balanced network across China, an offline service terminal for frequent online transaction, as well as an integrated service platform for online and offline comprehensive transaction.

Through the unified underlying big data platform, Fangchebao Group explores the in-depth value of data and match demands using intelligent technology, thus enhancing efficiency. In March 2021, Fangchebao Group introduced several strategic investors, making capital contribution of HK$16.35 billion.

**Evergrande Fairyland:** Evergrande Fairyland launched the innovative model of "physical amusement + online entertainment", aiming to establish itself as the most influential and competitive interactive cultural and entertainment platform in the world.

Evergrande Fairyland is the only large-scale fairyland that is completely indoor and offers entertainment facilities under all weather conditions throughout the year. It is designed for children and teenagers aged 2–15. Under the main theme of Chinese culture, Evergrande Fairyland integrates the essence of world civilization using the most advanced, popular and high-tech entertainment equipment and technology, aiming to establish itself as the largest, high class and world-leading myth-themed fairyland amusement park.

The first phase of Ocean Flower Island commenced trial commercial operation since the New Year's Day in 2021, receiving more than 1.45 million tourists in aggregate, and its 28 major facilities will be fully opened at the end of 2021. Evergrande Fairyland innovates the model of "physical amusement + online entertainment", establishes the interactive entertainment ecosystem of "reality + virtual", and introduces a membership scheme that has attracted millions of members, aiming to provide all-rounded cultural and entertainment services.

**Healthcare Segment:** Focusing on developing its health management segment, Evergrande Health offers all-aged and all-rounded healthcare services for millions of users under Evergrande ecosystem. By integrating the world-class medical, health management, wellness living, elderly care and other resources, Evergrande Health developed Evergrande Elderly Care Valley that meets the unmet demands in China. At present, there were 30 healthcare projects. It is aimed to develop 70 healthcare projects across China in the coming three years.

Evergrande Health invented the "Evergrande Member Healthcare Ecosystem". Through the Evergrande health big data platform, it offers members with customized medical and healthcare solution. Through integrating with insurance, all-aged health protection and precise positioning can be achieved, thus offering members with all-aged and all-rounded healthcare services.

The specific development strategy is planned and operated by Evergrande Auto (00708.HK), a listed company.

**Evergrande Spring:** By accurately understanding customers' demands, Evergrande Spring continues to offer healthy food products that are in line with the market trend, aiming to establish a new shopping platform empowered by technology.

At present, the Group held 49% equity interest in Evergrande Spring. Evergrande Spring offers over 50 products under its 14 major series under the four major business segments, namely mineral water, grocery, dairy and fresh food. Its operation covers over 30 provinces and cities across China, as well as over 10 countries and regions along the "Belt and Road Initiative". Evergrande Spring has established partnership with over 1,000 quality distributors in China, with over 500,000 sale outlets across China. It strives to offer quality, healthy food for families around the world, and aims to become the "top natural mineral water brand" and "top healthy grocery brand" in China.

## BUSINESS OUTLOOK

Looking forward, the Board believes that the unprecedented pandemic has become a major historical event that will reshape the political, economic and social landscape across the world. Under such big changes, the global economy will enter a long period of recovery. With the pandemic prevention and control in China achieving periodic success, the Chinese government made specific emphasis on promoting the "six guarantees" and implementing the "six stabilities" so as to promote the establishment of a new development pattern centering on internal circulation with the domestic and international markets promoting each other. The International Monetary Fund further predicts that, with the support from effective pandemic control measures, strong public investments and central bank liquidity, China's economy is expected to grow by 8.1% in 2021.

# REPORT OF CHAIRMAN

In respect of industry policy, the central government will continue to adhere to its stance of "housing is for living, not for speculation" and adjust policies based on different markets, in order to promote the stable and healthy development of the real estate market. It will promote new energy vehicles and the construction of new infrastructures by adding charging piles, battery swapping stations and other facilities, stimulating new consumer demand and facilitating industry upgrade. It will develop a platform economy and a sharing economy, and establish a national information-based development strategy for a network collaborative innovation system, in order to form innovation and entrepreneurship pattern featuring online and offline integration, industry-university collaboration on research and application, and integration of large and medium-sized enterprises. It will promote the construction of new urban infrastructure based on informatization, digitization and intelligence, connect with the construction of new infrastructure, accelerate the construction of the smart property management service platform, complement the shortcomings of residential community services, and promote the integrated development of online and offline property services. In addition, the central government will implement strategies to expand domestic demand, reduce tax burden and support the recovery and development of cultural, tourism and other industries to the extent of regular pandemic prevention and control, in order to effectively combine the promotion of consumption and investment into a reciprocal relationship.

Looking back at history, human and society development is full of constant disasters and challenges, as well as full of constant rebuilding of confidence and glory. The Board is confident in the continued growth of the economy in PRC. Based on the systematic analysis of the global economy and national industrial policies, we will continue to unswervingly implement the development strategy of "Growing Sales, Controlled Scale & Reduced Leverage". It is planned to reduce interest-bearing debts by RMB150 billion throughout 2021, and interest-bearing debts to be reduced from RMB716.5 billion to RMB560.0 billion by the end of 2021. During January to March 2021, interest-bearing debts reduced by RMB42.5 billion, which already outperformed the quarterly debt reduction target. Therefore, the Group is confident that the annual goal can be achieved. In the next two years, it is planned to reduce the total land reserve for saleable residential property by an average of 15 million square meters per year. It is aimed to control the total land reserve for saleable residential property at the level of around 200 million square meters, which is at a reasonable level.

The targets on reduction of inter-bearing debts will be: reduce to RMB590 billion or below by 30 June 2021; reduce to RMB450 billion or below by 30 June 2022; and reduce to RMB350 billion or below by 30 June 2023.

Our targets to meet the government requirements of "three red lines" are set out as follows: net debt/equity ratio below 100% by 30 June 2021; cash/short-term debt above 1x by 31 December 2021 and liability/asset ratio below 70% by 31 December 2022. By that time, we could reach "three green lines".

## CORPORATE SOCIAL RESPONSIBILITY

While maintaining focus on its steady and rapid growth, the Group was proactive in fulfilling corporate social responsibility and continued to commit itself to charity and public welfare work relating to people's livelihood, poverty alleviation, combating COVID-19, sports and others, in order to make contributions to promoting harmony and progression of the society.

With respect to people's livelihood, the Group adhered to its philosophy of properties for the people, and provided high quality and affordable homes to the public. The Group implemented "delivery of fully decorated properties", "online sales", "return with no reason required" and others to protect homebuyers' interests, aiming to help more than 12 million property owners realize their dream of livability.

With respect to combating COVID-19, the Group donated RMB200 million and 5,000 tonnes of fresh vegetables to Wuhan, donating RMB100 million to the Chinese Academy of Medical Sciences to support the development of innovative drug, as well as donating RMB100 million to Red Cross Society of China in support of international anti-epidemic humanitarian aid. The Group also collaborated with the research team led by Zhong Nanshan and Harvard University, providing RMB800 million to support scientific research, contributing to the battle against the pandemic with real action.

With regard to poverty alleviation, the Group collectively made a donation of RMB17.29 billion and built 891 key projects, helping 75 counties in 9 provinces, including Guizhou, Shaanxi, Xinjiang and Gansu, to win the battle against poverty. Among them, the Group has initiated its comprehensive poverty alleviation plan for Bijie City, Guizhou Province since December 2015 under the support and

# REPORT OF CHAIRMAN

encouragement of the National Committee of CPPCC. It had committed a total donation of RMB11 billion and assigned a poverty alleviation team of 2,108 persons to station in Wumeng mountainous areas for five years. Through a comprehensive package of poverty alleviation measures including industry, relocation, education, and employment, the Group helped all poverty-stricken counties in Bijie to complete poverty alleviation tasks and helped lift the 1.03 million people out of poverty.

As for promoting employment, the Group recruited talents from major universities and the whole society in 2020, and provided a good employment and development platform for different professionals, solving employment involving more than 3.3 million personnel annually and set an example for the work of "stabilizing and guaranteeing employment".

As for sports, the Group continued to make contributions to China's sports development. Guangzhou Evergrande Taobao Football Club continued to implement the youth-oriented strategy. In 2020, half of the top 50 players in Chinese Super League were trained by Evergrande Football School. Eight U19 players were promoted to the first team and played in the AFC Champions League and the Chinese Super League. Evergrande Football School consolidated downward in 2020 and joined forces with 30 prestigious schools in 15 provinces, autonomous regions and municipalities across China to build youth training centers in various provinces; developed upward to establish the U18 Champions League, filling the gap in high-level competitions for this age group in China. During the Year, Evergrande Football School won 24 championships in various competitions, and 43 students were selected into national teams at various ages.

## AWARDS

In 2020, the Group won 99 various honorary awards, including 52 national awards. They mainly include: included on the list of the Fortune Global 500 for the fifth consecutive year, ranking 152th among the Global 500 and 20th among the China Top 500; ranked 80th in the Brand Finance Global 500 and 16th on the Chinese Listed Companies Brand Value List; ranked first among the Top 500 China Real Estate Developers and the Top 100 China Real Estate Developers for the fourth consecutive year. It also won first place among the Top 10 Companies with Comprehensive Strength and Top 10 Responsible Real Estate Companies.

With respect to social responsibility, the Group was awarded the title of an "Honorable Enterprise for China's fight against the COVID-19 epidemic", Outstanding Contribution Award of China Foundation for Poverty Alleviation, and Annual Model Chinese Real Estate Company on Poverty Alleviation. Mr. Hui Ka Yan, the chairman of the Board, was commented as China's First Philanthropist for the fifth time by Forbes.

## FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.152 per Share for the year ended 31 December 2020. The payment of the final dividend is subject to approval by the shareholders at the forthcoming annual general meeting of the Company. Further details about the final dividend payment, including the record date, expected payment date of the final dividend and exchange rate, will be set out in the circular of the Company to be despatched to the shareholders.

## ACKNOWLEDGEMENT

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

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

Hong Kong, 31 March 2021

恒大童世界

# CULTURAL TOURISM INDUSTRY

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERALL PERFORMANCE

For the year ended 31 December 2020 (the Year), the revenue was RMB507.25 billion (2019: RMB477.56 billion), representing a year-on-year growth of 6.2%. Gross profit was RMB122.61 billion (2019: RMB132.94 billion).

Core business profit for the Year was RMB30.13 billion, which is based on the net profit excluding exchange gains or losses, fair value gains on investment properties, fair value gains or losses on financial instruments, donations and certain non-property development business losses.

## REVENUE

Revenue of the Group was RMB507.25 billion for the Year, representing an increase of 6.2% as compared with 2019. Revenue generated from the property development segment increased by 6.5% to RMB494.55 billion. The increase was mainly due to the 11.6% increase in delivered area for the Year as compared to 2019. Revenue generated from property management amounted to RMB6.56 billion, an increase of 49.8% from 2019, which was mainly due to the increase in area under the Group's management service for the Year. Revenue generated from investment properties amounted to RMB1.28 billion, down by 6.5%, which was mainly due to the preferential measures for rent reduction and exemption provided by the Group during the first half of 2020 in order to help tenants tide over the pandemic. Rental income significantly decreased during the first half of the Year. However, the rental income for the second half of the Year increased by 51.2% as compared to the second half of 2019.

## GROSS PROFIT

Gross profit of the Group was RMB122.61 billion for the Year. Gross profit for the Year decreased mainly due to a decrease in the average selling prices caused by the nationwide sales promotion activities and sales price concessions of the Group as a result of COVID-19. In addition, the average delivery costs per square meter during the Year increased by 0.8% as compared to 2019. Therefore, the revenue for the Year grew but the gross profit margin decreased. Gross profit margin during the Year was 24.2%.

## FAIR VALUE GAIN ON INVESTMENT PROPERTIES, NET

Fair value gain on investment properties of the Group for the Year was RMB1.28 billion, which decreased by 15.8% as compared with RMB1.52 billion in 2019. Investment properties of the Group mainly include commercial podiums in living communities and office buildings with total gross floor area of about 9.22 million square meters, and approximately 356,000 car parking spaces.

## OTHER INCOME

Other income of the Group for the Year was RMB10.25 billion, which was mainly attributable to the interest income, forfeited customer deposits and management and consulting service income.

## OTHER (LOSSES)/GAINS, NET

Other net losses for the year were RMB5.1 billion mainly due to the losses in relation to the restructures of investors' equity interests in a subsidiary and foreign exchange losses. Other net gains for the last year were RMB1.73 billion which mainly represented net gains from disposal of subsidiaries, joint ventures and associates.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SELLING AND MARKETING COSTS

During the Year, selling and marketing costs of the Group increased from RMB23.29 billion in 2019 to RMB31.96 billion, up by 37.2%. The 4.4% ratio of selling and marketing expenses to contracted sales was mainly because the Group, in response to the market environment, increased the sales commissions, investment in marketing campaigns to promote sales growth.

## ADMINISTRATIVE EXPENSES

During the Year, administrative expenses of the Group increased by 6.3% to RMB21.06 billion from RMB19.81 billion in 2019, which was mainly attributable to the increase of research and development expenditure on new energy vehicles during the year.

## BORROWINGS

As at 31 December 2020, the borrowings of the Group amounted to RMB716.5 billion, with the following maturities:

| | **31 December 2020 (RMB billion)** | **As percentage of total borrowings** | 31 December 2019 (RMB billion) | As percentage of total borrowings |
|---|---|---|---|---|
| Less than 1 year | **335.5** | **46.8%** | 372.1 | 46.5% |
| 1–2 years | **166.6** | **23.3%** | 206.5 | 25.8% |
| 2–5 years | **203.5** | **28.4%** | 183.5 | 23.0% |
| More than 5 years | **10.9** | **1.5%** | 37.8 | 4.7% |
| | **716.5** | **100.0%** | 799.9 | 100.0% |

A portion of the borrowings were secured by a pledge of properties and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash at bank and the equity interests of certain subsidiaries of the Group. As at 31 December 2020, the average interest rate of borrowings was 9.49% per annum (31 December 2019: 8.99%).

## FOREIGN EXCHANGE EXPOSURE

The Group's business is principally conducted in Renminbi. A significant portion of residential and investment properties are located in Mainland China. There are 24.1% of borrowings denominated in US dollar and HK dollar.

# MANAGEMENT DISCUSSION AND ANALYSIS

We estimate the Renminbi exchange rate to continue its two-way volatility as the Renminbi exchange mechanism becomes more market-oriented. The Group recorded exchange gains of RMB8.62 billion during the Year due to the appreciation of RMB to US dollar and HK dollar. However, there is still uncertainty on the actual exchange losses or gains relating to the above borrowings in foreign currencies, when they were repaid on due dates.

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

## LIQUIDITY

As at 31 December 2020, the total balance of cash and cash equivalents and restricted cash of the Group was RMB180.74 billion. The abundant working capital ensured normal operation of the Group, while providing adequate support for the Group as it explores best business opportunities.

## CONTRACTED SALES

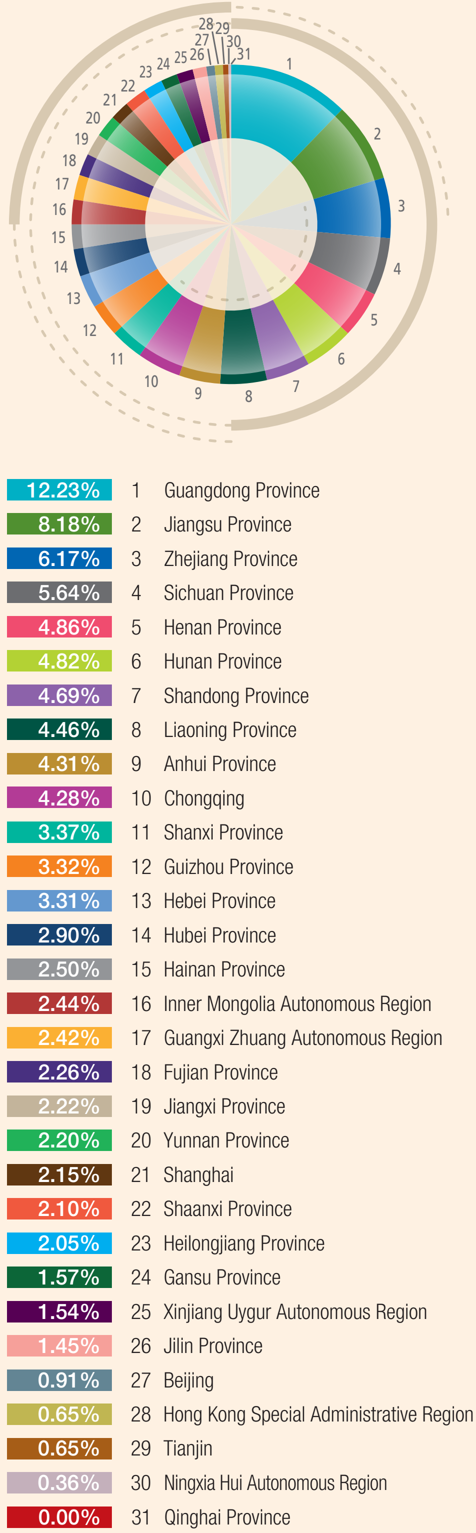
In 2020, the Group's contracted sales increased by 20.3% year on year to RMB723.25 billion, which fulfilled 111.3% of the annual contracted sales target; contracted sales GFA reached 80.856 million square meters, representing a year-on-year increase of 38.3%. During the year, accumulated cash collection increased to RMB653.16 billion, with an annual cash collection rate of 90.3%, representing a year-on-year increase of 12 percentage points. The above contracted sales and accumulated cash collection hit historic high of the Group for the corresponding period.

During the year, the Group launched 149 new projects for sale in several dozens of cities including Shenzhen, Guangzhou, Tianjin, Nanjing, Chongqing, Chengdu, Zhengzhou, Hefei, Wuhan, Kunming, Guiyang, Shijiazhuang, Shenyang, Zhuhai and Foshan. There were a total of 1,171 projects for sale which were at different stages ranging from being completed to under construction distributed in 31 provinces, districts and cities in China.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the geographical distribution of contracted sales amount of the Group in 2020.

| No. | Provinces, districts and cities | Sales amount (RMB million) | Percentage of contracted sales amount |
|---|---|---|---|
| 1 | Guangdong Province | 88,468.39 | 12.23% |
| 2 | Jiangsu Province | 59,151.74 | 8.18% |
| 3 | Zhejiang Province | 44,657.02 | 6.17% |
| 4 | Sichuan Province | 40,825.46 | 5.64% |
| 5 | Henan Province | 35,132.77 | 4.86% |
| 6 | Hunan Province | 34,825.73 | 4.82% |
| 7 | Shandong Province | 33,899.18 | 4.69% |
| 8 | Liaoning Province | 32,276.44 | 4.46% |
| 9 | Anhui Province | 31,140.01 | 4.31% |
| 10 | Chongqing | 30,959.76 | 4.28% |
| 11 | Shanxi Province | 24,373.80 | 3.37% |
| 12 | Guizhou Province | 24,011.43 | 3.32% |
| 13 | Hebei Province | 23,963.07 | 3.31% |
| 14 | Hubei Province | 20,984.12 | 2.90% |
| 15 | Hainan Province | 18,066.39 | 2.50% |
| 16 | Inner Mongolia Autonomous Region | 17,652.48 | 2.44% |
| 17 | Guangxi Zhuang Autonomous Region | 17,477.21 | 2.42% |
| 18 | Fujian Province | 16,361.89 | 2.26% |
| 19 | Jiangxi Province | 16,033.26 | 2.22% |
| 20 | Yunnan Province | 15,902.23 | 2.20% |
| 21 | Shanghai | 15,559.59 | 2.15% |
| 22 | Shaanxi Province | 15,169.94 | 2.10% |
| 23 | Heilongjiang Province | 14,803.74 | 2.05% |
| 24 | Gansu Province | 11,370.73 | 1.57% |
| 25 | Xinjiang Uygur Autonomous Region | 11,158.18 | 1.54% |
| 26 | Jilin Province | 10,473.94 | 1.45% |
| 27 | Beijing | 6,550.96 | 0.91% |
| 28 | Hong Kong Special Administrative Region | 4,724.77 | 0.65% |
| 29 | Tianjin | 4,682.96 | 0.65% |
| 30 | Ningxia Hui Autonomous Region | 2,584.74 | 0.36% |
| 31 | Qinghai Province | 3.75 | 0.00% |
| **Total** | | **723,245.67** | **100.00%** |




In 2021, the total saleable area of the Group is estimated to be approximately 137 million square meters, and the annual contract sales target is RMB750 billion. During the first quarter of 2021, unaudited contracted sales of RMB153.2 billion in total was realized, representing an increase of 4% from the first quarter of 2020. Cash collection amounted to RMB134.3 billion, representing an increase of 18% from the first quarter of 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

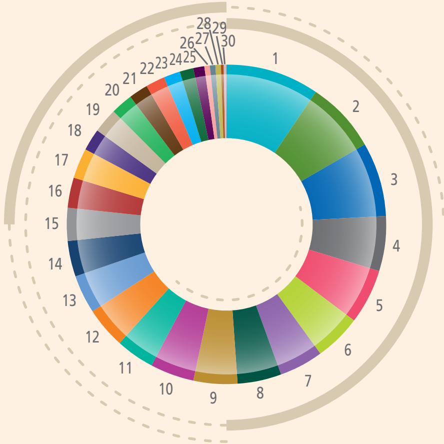
## PROPERTY DEVELOPMENT

As at 31 December 2020, the Group had a total of 751 projects under construction, with a total area of 132 million square meters.

During the Year, the Group had a total of 787 projects completed or partially completed with a total completed GFA of 73.92 million square meters.

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

| Province | Annual newly completed area in 2020 (Unit: ’000 m$^2$) | Percentage |
|---|---|---|
| Guangdong Province | 7,020.15 | 9.50% |
| Sichuan Province | 5,529.83 | 7.48% |
| Jiangsu Province | 5,428.93 | 7.34% |
| Chongqing | 4,212.07 | 5.70% |
| Anhui Province | 4,031.39 | 5.45% |
| Henan Province | 3,551.49 | 4.80% |
| Hebei Province | 3,397.24 | 4.60% |
| Hunan Province | 3,352.52 | 4.54% |
| Zhejiang Province | 3,305.22 | 4.47% |
| Guizhou Province | 3,114.15 | 4.21% |
| Liaoning Province | 3,025.02 | 4.09% |
| Shanxi Province | 3,024.72 | 4.09% |
| Hubei Province | 2,935.47 | 3.97% |
| Inner Mongolia Autonomous Region | 2,653.03 | 3.59% |
| Shaanxi Province | 2,486.61 | 3.36% |
| Shandong Province | 2,325.39 | 3.15% |
| Yunnan Province | 2,172.77 | 2.94% |
| Jiangxi Province | 1,771.74 | 2.40% |
| Guangxi Province | 1,710.36 | 2.31% |
| Fujian Province | 1,634.37 | 2.21% |
| Gansu Province | 1,511.90 | 2.05% |
| Jilin Province | 1,440.37 | 1.95% |
| Hainan Province | 1,200.91 | 1.62% |
| Heilongjiang Province | 1,057.78 | 1.43% |
| Xinjiang Uygur Autonomous Region | 806.82 | 1.09% |
| Beijing | 533.28 | 0.72% |
| Tianjin | 417.37 | 0.56% |
| Shanghai | 128.57 | 0.17% |
| Ningxia Hui Autonomous Region | 128.07 | 0.17% |
| Qinghai Province | 9.98 | 0.01% |
| **Total** | **73,917.54** | **100.00%** |




9.50% 1 Guangdong Province
7.48% 2 Sichuan Province
7.34% 3 Jiangsu Province
5.70% 4 Chongqing
5.45% 5 Anhui Province
4.80% 6 Henan Province
4.60% 7 Hebei Province
4.54% 8 Hunan Province
4.47% 9 Zhejiang Province
4.21% 10 Guizhou Province
4.09% 11 Liaoning Province
4.09% 12 Shanxi Province
3.97% 13 Hubei Province
3.59% 14 Inner Mongolia Autonomous Region
3.36% 15 Shaanxi Province
3.15% 16 Shandong Province
2.94% 17 Yunnan Province
2.40% 18 Jiangxi Province
2.31% 19 Guangxi Province
2.21% 20 Fujian Province
2.05% 21 Gansu Province
1.95% 22 Jilin Province
1.62% 23 Hainan Province
1.43% 24 Heilongjiang Province
1.09% 25 Xinjiang Uygur Autonomous Region
0.72% 26 Beijing
0.56% 27 Tianjin
0.17% 28 Shanghai
0.17% 29 Ningxia Hui Autonomous Region
0.01% 30 Qinghai Province

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the Group achieved total delivery of 948 projects, with a delivery amount of RMB494.55 billion, up by 6.5% year on year.

## HUMAN RESOURCES

As at 31 December 2020, the Group had a total of 123,276 employees, of whom approximately 90% were graduates with bachelor's degree or above in property development or construction, forming a team of young, highly educated and high-quality personnel. During the whole year of 2020, the Group recruited 36,752 experts recruited who reported duty.

In 2020, the Group organized approximately 104,916 training sessions and professional seminars for staff and trained approximately 2,084,881 staff in aggregate. The total training hours amounted to approximately 169,627 hours with approximately 1.62 hours per session.

The Group firmly believes that talent is the most important corporate resource and always adheres to a people-oriented human resources development strategy, creating a sound working environment featuring harmonious development and positive interaction between the Group and its staff. For the year ended 31 December 2020, total staff costs (including directors' emoluments) of the Group were approximately RMB29.02 billion (for the year ended 31 December 2019: approximately RMB27.24 billion).

# DIRECTORS AND ADMINISTRATIVE STRUCTURE

## HUI KA YAN (許家印)

aged 62, Chairman of the Board of the Group, Chairman of the real estate group. Professor Hui is responsible for organizing the overall development strategies of the Group. He has over 36 years of experience in real estate investment, property development and corporate management. Professor Hui is a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of the standing committee of the 12th and 13th National Committee, vice-chairmen of B20 China Business Council, vice president of APEC China Business Council and also the vice-chairman of the China Enterprise Confederation, China Enterprise Directors Association and China Real Estate Association. He won "Top 100 Private Entrepreneurs in the 40th Anniversary of China's Reform and Opening-up", "China National Award for Fighting against Poverty", "China National Model Worker", "Excellent Builder for the Socialist Cause with Chinese Characteristics", and other national honors. He graduated from Wuhan University of Science and Technology in 1982, and was awarded an honorary doctorate degree in commerce by the University of West Alabama in 2008. Professor Hui has been a professor in management in Wuhan University of Science and Technology since 2003 and was appointed as doctoral tutor of that university in 2010.

## XIA HAIJUN (夏海鈞)

aged 57, Vice president of the Board and Chief Executive Officer of the Group. Dr. Xia has over 32 years of experience in property development and corporate management. Dr. Xia takes full charge of our daily operations, including financial and capital operation and management of the Group and overseas affairs and public affairs management, etc. Dr. Xia graduated from Jinan University with a master's degree in business administration in 1998 and a doctor's degree in industrial economy in 2001, and is a senior economist in China.

## SHI JUNPING (史俊平)

aged 37, our executive Director and the chairman of Evergrande Bao Group (恒大寶集團). Mr. Shi takes full charge of the management of the Evergrande Bao Group. He has over 14 years of experience in marketing and management for property development and brand image strategic operations for multiple industries, including real estate and finance. Mr. Shi joined the Group in 2006, and has a bachelor of arts degree and a bachelor of laws degree, and a master's degree in engineering management.

# DIRECTORS AND ADMINISTRATIVE STRUCTURE

## PAN DARONG (潘大榮)

aged 48, our executive Director and chief financial officer. Mr. Pan takes full charge of financial management of the Group. Mr. Pan has over 26 years of experience in auditing, accounting and finance. Mr. Pan graduated from the investment and economic faculty of Zhongnan University of Economics (中南財經大學). He is an economist as approved in China.

## HUANG XIANGUI (黃賢貴)

aged 50, our executive Director and vice president. Mr. Huang joined us in 2004. He graduated from Harbin Engineering University and University of Stirling, and obtained a bachelor degree in chemical engineering and a master degree of science in banking and finance respectively. Mr. Huang is currently responsible for the international capital operation and investment management of the Group, and has over 24 years of experience in marketing, human resource management, foreign capital and funds operation and management. Mr. Huang is also currently an executive director of HengTen Networks Group Limited (Stock Code: 136).

## LAI LIXIN (賴立新)

aged 41, our executive Director and vice president. Mr. Lai is responsible for our investment management, project development and legal affairs management. He has over 27 years of experience in the operation and management of real estate projects, and holds a master's degree in engineering management.

# DIRECTORS AND ADMINISTRATIVE STRUCTURE

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Chau Shing Yim, David** ("Mr. Chau"), aged 57 has over 20 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms in Greater China, holding the position as their Head of Merger and Acquisition and Corporate Advisory. Mr. Chau is a member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW. He is also a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a Fellow member as well as director of the Hong Kong Securities Institute, the Chairman of Corporate Outreach Committee and China Strategy Committee. Mr. Chau is a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("PYNEH") and the Trustee of the PYNEH Charitable Trust. He is also a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference.

Mr. Chau is currently an independent non-executive director of BC Technology Group Limited (Stock Code: 863), China Evergrande Group (Stock Code: 3333), China Evergrande New Energy Vehicle Group Limited (formerly known as Evergrande Health Industry Group Limited) (Stock Code: 708), HengTen Networks Group Limited (Stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650), Lee & Man Paper Manufacturing Limited (Stock Code: 2314) and Man Wah Holdings Limited (Stock Code: 1999). All the aforesaid companies are listed on the Stock Exchange.

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

**He Qi (何琦)**, aged 65, is our independent non-executive director. Mr. He was elected an independent non-executive director on 14 October 2009. Mr. He is the secretary of Circulation and Leasing Committee of China Real Estate Association. He worked in the State Infrastructure Commission of the State City Construction General Bureau from 1981 to 1994. He was an executive of the Development Center of the China Real Estate Association from 1995 to 1999, and an executive deputy mayor of Ji'an City of Jiangxi Province from 1999 to 2001. Mr. He is an independent non-executive director of China Merchants Land Limited and Orient Victory Travel Group Company Limited. Both companies are listed on the Stock Exchange of Hong Kong.

**Xie Hongxi (謝紅希)**, aged 62, is our independent non-executive director. Ms. Xie is currently the deputy director, senior engineer and master degree instructor at the Engineering Training and National Experiment, Education and Demonstration Center of South China University of Technology. From 1982 to 2002, she worked at the Guangzhou Non-ferrous Metal Research Institute, chaired or participated in a number of major research projects, and was previously awarded the National Science and Technology Progress Award and the Science and Technology Achievement Award. Since 2002, she has been teaching at the South China University of Technology, engaging in operations management, teaching experimental studies at the undergraduate level and conducting research in the direction of metal surface technology. She has won provincial level awards, the university teaching achievement award and the outstanding teaching award.

# DIRECTORS AND ADMINISTRATIVE STRUCTURE

## SENIOR MANAGEMENT OF THE GROUP

**Zhen Litao (甄立濤)**, aged 52, is our executive president and chairman of the property group, and is responsible for the daily management of the property group. Mr. Zhen has over 29 years of experience in the development, operation and management of real estate projects. Mr. Zhen joined the Company in 2009. He holds a master's degree in business administration and is a registered PRC constructor and senior engineer.

**Ke Peng (柯鵬)**, aged 41, is our executive president and is responsible for the daily management of our real estate group. Mr. Ke joined the Company in 2008. He has a bachelor's degree in international economic laws and a master's degree in project management from Tsinghua University.

**Liang Weikang (梁偉康)**, aged 51, is our executive vice president and is responsible for the management of the real estate group with respect to construction, supervision, tender and bidding and contract management. Mr. Liang has over 28 years of experience in engineering project management and holds a bachelor's degree in civil engineering structure and a master's degree in project management.

**Zhu Jialin (朱加麟)**, aged 56, is our executive vice president and is responsible for the domestic capital market and investment as well as financing management of the Group. Mr. Zhu has over 34 years of experience in finance, investment and financing management and corporate management. He holds a master's degree in finance.

**Tan Zhaohui (談朝暉)**, aged 53, is our executive vice president and is responsible for the management of capital operations and investor relations of the Group. Ms. Tan has more than 31 years of experience in capital operations, project development and operations management. She holds a bachelor's degree in civil engineering.

**Chen Min (陳敏)**, aged 47, is our vice president and is responsible for the management of overseas affairs and overseas capital operations of the Group. Ms. Chen has over 24 years of experience in the investment banking industry and capital operations. She holds a master's degree in business administration from Harvard Business School.

**Chen Zhaohua (陳朝華)**, aged 51, is our vice president and is responsible for brand building and management of the Group. Mr. Chen has over 28 years of experience in the media sector and brand management. He holds a bachelor's degree from East China University of Political Science and Law.

**Liu Xuefei (劉雪飛)**, aged 45, is our vice president and is responsible for marketing management and after-sales service management of the Group's real estate projects. Ms. Liu has over 23 years of experience in marketing planning and management. She holds a master's degree in business administration from Sun Yat-sen University.

# DIRECTORS AND ADMINISTRATIVE STRUCTURE

## SENIOR MANAGEMENT OF INDUSTRY GROUPS

**Siu Shawn (肖恩)**, aged 50, is chairman of Evergrande New Energy Vehicle Group and is responsible for the overall business management of the group. Mr. Siu joined us in November 2013, and has more than 19 years of business management project operation experience. He received a master's degree in economic law from Southwest University of Political Science and Law.

**Duan Shengli (段勝利)**, aged 38, is chairman of our Fairyland group. He is responsible for the overall business management of the group. Mr. Duan has over 15 years of business management and project management experience. He holds a bachelor's degree in English from Tsinghua University.

**Liu Yongzhuo (劉永灼)**, aged 40, is president of Evergrande New Energy Vehicle Group and chairman of new energy technology group. He is responsible for the daily management of our new energy technology businesses and global R&D management and product planning. He has over 17 years of experience in human resources management, investment and operation of real estate projects, and operation and management of multi-industry companies. He holds a master's degree in engineering management.

# INVESTOR RELATIONS REPORT FOR 2020

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

In 2020, through different means and channels such as regular publication of results announcements, timely information disclosure in compliance with relevant regulations, launching global roadshows, participation in annual conferences of investment banks, hosting site visits and meetings for investors, and releasing news through emails and on the website, the Group maintained a close connection with the capital market, deepening the understanding of shareholders and investors of the Company towards the development strategies, business performance and operations of the Company.

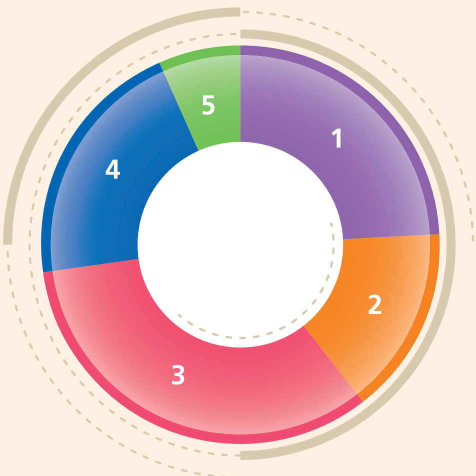
In 2020, the Group managed its daily compliance work in strict accordance with the Hong Kong Listing Rules and relevant regulations. The Group organized in aggregate 6 general meetings, 6 audit committee meetings, 6 remuneration committee meetings, and issued 130 announcements of all sorts.

The Group is dedicated to maintaining good communication with investors. During the year, the Group interacted with 2,342 investors, of which over 782 investors and guests were received in annual results and interim results press conferences, 569 investors were met online and offline in annual results and interim results road shows, approximately 356 investors were met in 12 annual conferences for investors held by investment banks, a total of 485 investors were communicated and interacted through, among others, reverse road shows, project researches, non-deal road shows, talks and exchanges, and over 150 shareholders were communicated and interacted at general meetings.

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

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

## NUMBER OF PARTICIPANTS MET IN 2020




TYPE OF ACTIVITIES

| | | |
|---|---|---|
| 569 | 1 | Results road shows |
| 356 | 2 | Annual conferences of investment banks |
| 782 | 3 | Results press conferences |
| 485 | 4 | Reverse road shows, project researches, non-deal road shows, talks and exchanges |
| 150 | 5 | General meetings |

恒大健康产业集团
EVERGRANDE HEALTH INDUSTRY GROUP

# HEALTH CARE INDUSTRY

# 2020 MAJOR AWARDS AND PRIZES

1. 2020 Best 10 of China Real Estate Developers
2. 2020 Best 10 of Comprehensive Strength of China Real Estate Developers
3. 2020 China Top 100 Real Estate Developers
4. Top 10 Comprehensive Strength of Chinese Real Estate Companies Listed in Hong Kong for 2020
5. Top 10 Developers in Terms of Financing Capability among the 2020 China Top 100 Real Estate Developers
6. Top 10 Investment Value of Chinese Real Estate Companies Listed in Hong Kong for 2020
7. 2020 Best 10 of Social Responsibility of China Real Estate Developers
8. 2020 Best 10 of Efficiency of China Real Estate Developers
9. Top 10 Corporate Governance of Chinese Listed Real Estate Companies for 2020
10. The first place for Real Estate Companies Worth Attention in Capital Market for 2020

## 2020 MAJOR AWARDS AND PRIZES

11. Honorable Enterprise for China's Fight against the COVID-19 Epidemic
12. Guangdong Province Private Enterprises with Major Contribution to the Fight against the COVID-19 Epidemic
13. 2019 Outstanding Contribution Award of China Foundation for Poverty Alleviation
14. 2019-2020 China Real Estate Poverty Alleviation Benchmarking Developers
15. Caring Enterprise with Outstanding Contribution for the 10th Anniversary of Guangdong Poverty Alleviation Day
16. 2019 Gold Cup of Hongmian Cup for Poverty Alleviation in Guangdong
17. Guangdong Provincial Real Estate Social Responsibility Advanced Enterprise for 2019
18. Real Estate Targeted Poverty Alleviation Outstanding Contribution Enterprise (2020)
19. Certificate of Enterprise Credit Grade AAA
20. Top 100 Chinese Private Enterprises Credit for 2019

# 2020 MILESTONES

1
JAN

On 24 January, RMB200 million was donated to the Wuhan municipal headquarters for COVID-19 Epidemic Prevention and Control.


武汉新闻广播
1月24日 16:39 来自 HUAWEI Mate30 Pro 5G 已编辑
#武汉加油##884快讯# 恒大集团向武汉市新型肺炎防控指挥部捐赠2亿元
自从疫情发生以来，社会各界非常关心和支持，体现了社会大爱和守望相助的精神。24日16时，武汉市慈善总会收到了2亿元的捐赠款。
武汉市慈善总会是武汉市新型肺炎防控指挥部指定的接受捐赠的指定账户，此笔捐款是来自恒大集团。
武汉市新型肺炎防控指挥部接受捐赠相关负责人表示，捐赠的款物原则上由武汉市新型肺炎防控指挥部统一调配使用。武汉市慈善总会、武汉市红十字会将依法依规公布捐赠接收和使用情况，接受社会监督。
感谢恒大集团！我们一直都在❤❤❤❤ 收起全文

2
FEB

On 1 February, 5,000 tons of fresh vegetables were donated to Wuhan.


On 4 February, Evergrande provided scientific research funding of RMB800 million for scientific research on COVID-19 in cooperation with Zhong Nanshan's team and Harvard University.

On 10 February, RMB100 million was donated to the Chinese Academy of Medical Sciences to support the research and development of innovative antiviral drugs.


捐赠证书
Certificate of Donation

恒大集团有限公司：
我们非常荣幸地收到您捐赠的捐赠款人民币壹亿元整（￥100,000,000）。同舟共济，大爱无疆。衷心感谢您们对新型冠状病毒肺炎疫情防控工作的无私奉献，谨此致以诚挚敬意！

北京协和医学院教育基金会
二〇二〇年二月

# 2020 MILESTONES

## 2 FEB

On 13 February, the Group took the lead in implementing the marketing initiative of “Selling Homes Online”.


## 3 MAR

On 17 March, the Top 100 Chinese Real Estate Firms for 2020 — Top 10 Comprehensive Strength was released, in which Evergrande ranked first in the industry in terms of comprehensive strength for four consecutive years.

On 23 March, RMB100 million was donated to the Red Cross Society of China to support the development of international humanitarian assistance in the fight against the epidemic.


On 31 March, Evergrande held its 2019 annual results conference. Hui Ka Yan, chairman of the Board, announced the full implementation of the development strategy of “growing sales, controlled scale and reduced leverage”.

# 2020 MILESTONES

4
APR

On 16 April, the construction of the Guangzhou Evergrande Football Stadium officially commenced. With a total investment of RMB12 billion and a capacity of 100,000 people, the stadium will become the international top-class professional football stadium and sports culture commercial complex with the largest scale, highest class, most complete supporting facilities, highest technological content and largest number of seats.

7
JUL

FORBES CHINA 福布斯中国

2020中国慈善榜

CHINA PHILANTHROPY LIST

| 排名 | 姓名 | 企业简称 | 现金捐赠总额（万元） |
|---|---|---|---|
| 1 | 许家印 | 恒大集团 | 301,204 |
| 2 | 杨国强家族 | 碧桂园 | 152,000 |
| 3 | 孙宏斌 | 融创中国 | 139,008 |
| 4 | 朱孟依 | 珠江投资 | 120,000 |
| 5 | 马云 | 阿里巴巴 | 111,751 |
| 6 | 马化腾 | 腾讯 | 85,000 |
| 7 | 郁亮 | 万科集团 | 43,900 |
| 8 | 黄如论、黄涛父 | 世纪金源集团 | 40,333 |
| 9 | 党彦宝 | 宝丰集团 | 40,176 |
| 10 | 许应裘 | 凯源地产 | 40,000 |

On 23 July, Forbes released the 2020 China Philanthropy List. With a total donation of RMB3.01 billion, Hui Ka Yan was commented as China's First Philanthropist for the fifth time subsequent to 2012, 2013, 2018 and 2019.

8
AUG

On 3 August, Evergrande held a global launch for 6 models of Hengchi, from Hengchi 1 to Hengchi 6, covering all levels and grades including A0, A, B, C, D, etc., realising the full coverage of cars, coupes, SUVs, MPVs, crossover vehicles and other models.


On 7 August, the Shanghai and Guangzhou production bases of Evergrande Auto reached trial production conditions. Both bases were constructed in accordance with Industry 4.0 standards, adopting the world's most advanced equipment and the world's most advanced technology to realise the world's most advanced intelligent manufacturing.

## 2020 MILESTONES

**8 AUG**

On 10 August, Evergrande was ranked by Fortune Global 500 among the global top 500 for five consecutive years, ranking 152nd in 2020.


**9 SEP**


**10 OCT**

On 26 October, HengTen Networks (stock code: 136) published an announcement in relation to the acquisition of Ruyi Films through the issuance of additional shares.

# 2020 MILESTONES

## 11 NOV

On 3 November, China Evergrande (stock code: 3333) published its results announcement. It achieved a total of RMB632.59 billion in sales in the first 10 months, exceeding the total sales of RMB601.06 billion in 2019.

On 10 November, Evergrande Auto officially released the Hengchi car logo, which implies "protecting the blue sky and victory in the red sea, the oriental lion standing proudly over the world".

On 22 November, China Evergrande (stock code: 3333) published an announcement in relation to the signing of a supplementary agreement to convert strategic investment of RMB125.7 billion out of RMB130 billion into ordinary shares, and the remaining principal of strategic investors of RMB4.3 billion was repurchased by Evergrande with cash payment.

On 23 November, the Guizhou Provincial Government officially announced that 9 counties, including Nayong County, Weining County and Hezhang County, were delisted from the poverty-stricken counties. Evergrande assisted all poverty-stricken counties and poverty-stricken villages in Bijie City to come off the list of poverty-stricken areas, and helped 1.03 million poor population lift themselves out of poverty.

## 12 DEC

On 2 December, Evergrande Property (stock code: 6666) was listed on the Hong Kong Stock Exchange.

## 2020 MILESTONES


12
DEC

On 7 December, Hengchi 1 road testing video was released, and mass production of Hengchi entered the countdown stage. On the same day, Hui Ka Yan inspected Evergrande's global battery research institute in Shenzhen. Currently, the battery research institute has more than 800 scientific research experts as well as 40 R&D and testing laboratories. It is expected to mass-produce world-leading power batteries in the second half of 2021.

On 8 December, Hui Ka Yan inspected Evergrande's global automotive research institute in Shanghai. Currently, the global automotive research institute has an international high-level R&D team of more than 3,200 people as well as 13 subordinate professional research institutes to accelerate the enhancement of independent scientific research capabilities.

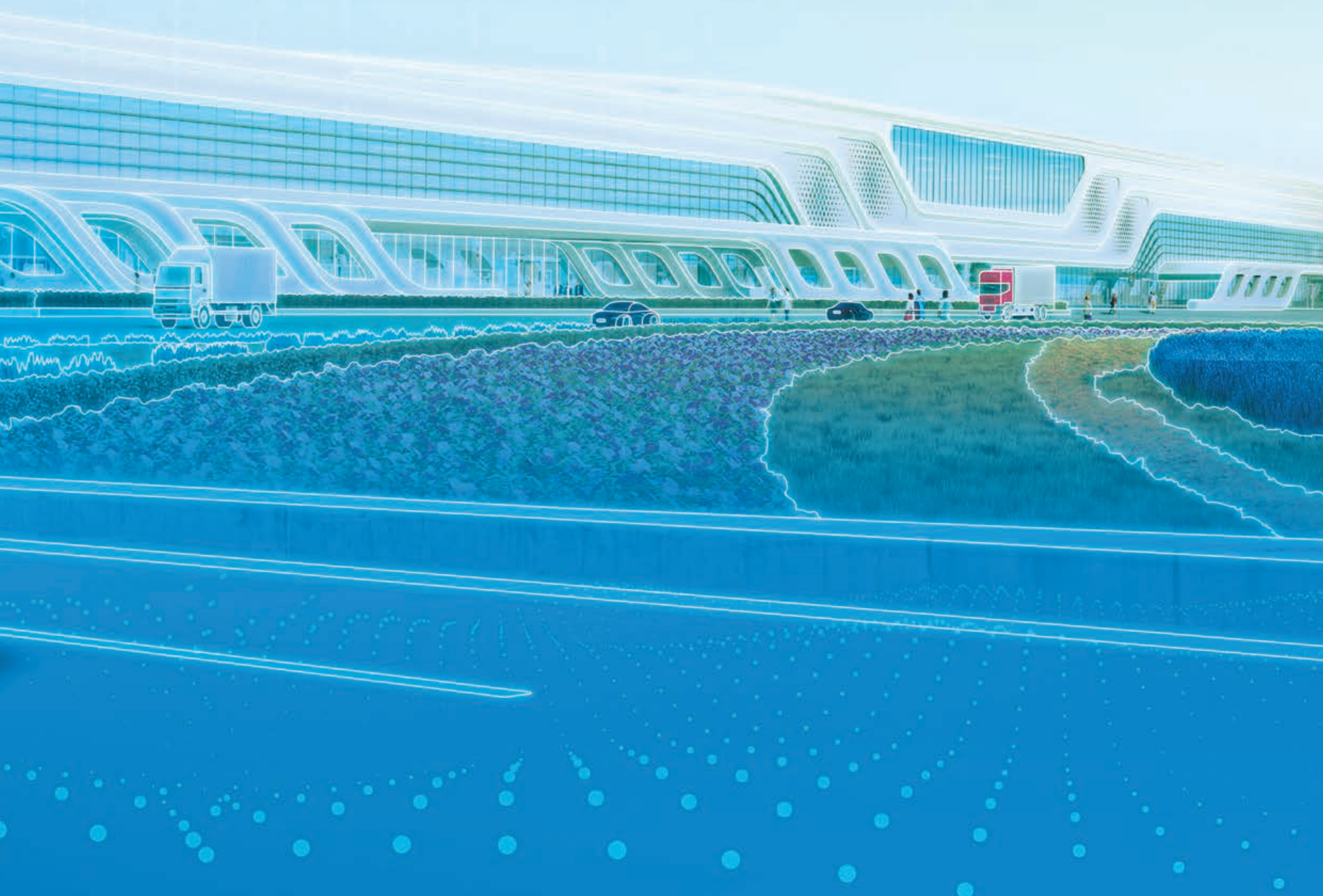
On 22 December, Evergrande Group was commented as the "Honorable Enterprise for China's Fight against the COVID-19 Epidemic" by the All-China Federation of Industry and Commerce.

On 30 December, Fangchebao Group, together with its three major technology platforms, namely FCB National Brokerage Platform, FCB Platform and FCB SaaS Management Platform, were officially unveiled. It will build an online and offline full-channel real estate and automobile transaction platform, and aims to become the world's largest and most powerful Internet technology service group.


EVERGRANDE
D7

HENGCHI
恒驰

# NEW ENERGY VEHICLE INDUSTRY



# CORPORATE GOVERNANCE REPORT

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

According to Code Provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting of the Company. Professor Hui Ka Yan, the chairman of the Board, did not attend the annual general meeting held on 6 July 2020 due to his other business commitment. Mr. Huang Xiangui, an Executive Director, acted as the Chairman of the annual general meeting.

Save for the above deviation, the Directors are of the view that the Company has been conducting its business according to the principles of the Corporate Governance Code ("Corporate Governance Code") set out in Appendix 14 to the Listing Rules, and has complied with all the code provisions of the Corporate Governance Code during the year ended 31 December 2020.

For the year ended 31 December 2020, the Board has reviewed the effectiveness of the risk management and internal control systems of the Company and considers them effective and adequate.

## BOARD OF DIRECTORS

### Composition of the Board

During the year ended 31 December 2020 and up to the date of issue of this annual report, the Board of the Company comprises the following executive Directors and independent non-executive Directors.

Professor Hui Ka Yan *(Chairman)*
Dr. Xia Haijun *(Vice Chairman and Chief Executive Officer)*
Ms. He Miaoling *(Executive Director) (resigned on 7 July 2020)*
Mr. Shi Junping *(Executive Director)*
Mr. Pan Darong *(Executive Director and Chief Financial Officer)*
Mr. Huang Xiangui *(Executive Director)*
Mr. Lai Lixin *(Executive Director) (appointed on 7 July 2020)*
Mr. Chau Shing Yim, David *(Independent Non-executive Director)*
Mr. He Qi *(Independent Non-executive Director)*
Ms. Xie Hongxi *(Independent Non-executive Director)*

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

During the year ended 31 December 2020, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

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

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

## Roles and Duties

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

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

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. The Company has procedures in place for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or publications and the compliance with applicable laws and regulations. For the year ended 31 December 2020, the Directors reviewed the overall effectiveness of the internal control and risk management systems of the Group. An internal audit department has been established to perform regular financial and operational reviews and conduct audit and risk management assessment on the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls and risk management systems are in place and function properly as planned.

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

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

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

8 Board meetings were convened by the Company during the year ended 31 December 2020. At least 14 days' notice before the date of the meeting is given for a regular Board meeting to allow all Directors to make arrangements to attend. For all other Board meetings, reasonable notices were also given.

# CORPORATE GOVERNANCE REPORT

The attendance of individual Directors at the Board meetings and general meetings held during the year ended 31 December 2020 is set out below:

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

Note: Ms. He Miaoling resigned as Executive Director on 7 July 2020, and Mr. Lai Lixin was appointed Executive Director on 7 July 2020.

### Committees of the Board

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

### Directors' Training

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

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

## AUDIT COMMITTEE

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

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

# CORPORATE GOVERNANCE REPORT

- to monitor the integrity of the financial statements, the annual reports and accounts and the interim reports of the Company, and review the material financial reporting judgements therein;

- to review the financial control, internal control and risk management systems of the Company;

- to discuss the internal control and risk management systems with the management and to ensure that the management has discharged its duties of setting up an effective internal control and risk management system;

- to review the financial and accounting policies and practices of the Group; and

- to review the external auditors' letter to the management, any material queries that the auditors made to the management in respect of the accounting records, financial accounts or systems of control as well as the management's response.

Two meetings of the audit committee were held during the year, to review the Group's 2019 annual results and 2020 interim results and all the committee members attended those two meetings. The audit committee has recommended the Board in relation to the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2021 at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2020, the emolument of the external auditor of the Company for the annual audit and review of interim financial statements amounted to RMB45 million. For the year ended 31 December 2020, the emolument of the external auditor of the company for non-audit services amounted to RMB9 million.

Pursuant to the Articles, the tenure of the auditor of the Company will expire upon the conclusion of the 2020 annual general meeting. The audit committee recommended the Board to propose the re-appointment of PricewaterhouseCoopers as the auditor of the Company at the 2020 annual general meeting.

## REMUNERATION COMMITTEE

The remuneration committee's terms of reference were basically the same as those set forth in code provision B.1.2 of the Corporate Governance Code. The majority of the members of the remuneration committee were independent non-executive Directors. For the year ended 31 December 2020, the members of the remuneration committee included Professor Hui Ka Yan, Mr. He Qi (chairman of the remuneration committee) and Ms. Xie Hongxi.

The remuneration committee is principally responsible for the following duties:

- to make recommendations and suggestions to the Board in respect of the remuneration policy and structure of the Directors and senior management of the Company and the establishment of formal and transparent procedures for developing such remuneration policy;

- to determine the specific remuneration packages of all executive Directors and senior management;

- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

- to review and approve payments to the executive Directors regarding compensation for their loss or termination of office or appointment, to ensure relevant terms of the contracts, and that the compensation is fair and not excessive for the Company;

- to review and approve the compensation arrangements involved in the termination or dismissal of Directors due to misconduct, to ensure that those arrangements are determined according to the relevant terms of the contracts, and that the compensation is reasonable and appropriate; and

- to ensure that no Director or any of his associates is involved in deciding his/her own remuneration.

One meeting was convened by the remuneration committee for the year ended 31 December 2020 to review the remuneration of the directors.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

### Duties of the Board and the Management

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

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

### Risk Management

1. *Enhancement in risk management system and structure*

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

- **Refined and standardized the work flow for risk management work** — Based on the business operations, the Group continuously monitors and manages risk exposures through the risk management procedures (for details, please refer to Figure 1: Risk Management Procedures set out below), with major steps including identification, evaluation, response, operating goals of the Group and different business segments, the Group identifies risk factors affecting the achievement of such operating goals. The Group also evaluates possible and potential impacts of each specific risk, adopts specific measures in response to identified risk exposures, and continuously supervises and evaluates changes in risk exposure and timely adjusting response measures. During the Year, the Group reviewed, adjusted and improved the risk management procedures to improve the efficiency and standardization of its operations.

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


(Figure 1: Risk Management Procedures)

# CORPORATE GOVERNANCE REPORT

2. *Risk Evaluation Conducted by Various Segments of China Evergrande Group in 2020*

In addition to the above risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance and improvement of the risk management system of two major segments, namely real estate segment and insurance segment, in 2020, details of which include the following:

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

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


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

- **Conduct a comprehensive review of risk management system of various important segments in 2020**

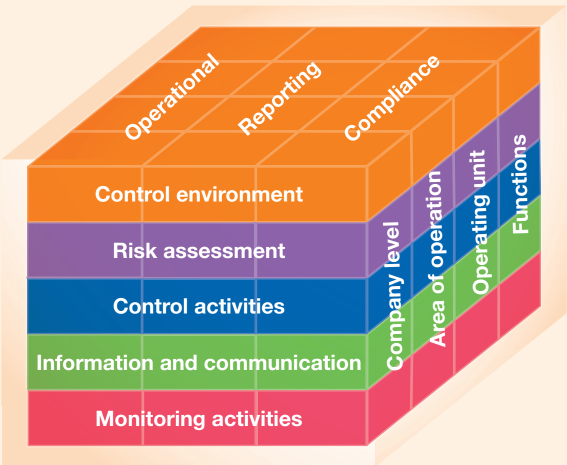
  The management of various segments updated the risk assessment standards and risk database based on the external market environment, changes in the internal operation environment, business development and risk preferences. In addition, it adopted a systematic risk assessment method to review the changes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

# CORPORATE GOVERNANCE REPORT

## Internal Control

1. *Enhancement of the Internal Control Framework*

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




(Figure 3: COSO Internal Control — Integrated Framework)

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

2. *Internal Audit*

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

## Review of Risk Management and Internal Control System

During the Year, the Board of China Evergrande Group had conducted a comprehensive review of the risk management and internal control system of the Group through the Audit Committee. Major works included the continuous implementation of the results of risk evaluation and internal control review in the prior year, as well as the commencement of various material risk evaluations for the Year and internal control review of key operating procedures. The period under review covered the accounting year of 2020. The scope of review covered the Group and major business segments, primarily focuses on review of controls over all major aspects, including financial control, operating control and compliance control. Such review had considered the changes in the nature and severity level of material risks and the capability of the Group in handling business and external environment changes. The Board considers that the relevant systems are effective and sufficient.

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

## FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

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

## NOMINATION COMMITTEE

The nomination committee's terms of reference were basically the same as those set forth in code provision A.5.2 of the Corporate Governance Code. The majority of the members of the nomination committee were independent non-executive Directors. For the year ended 31 December 2020, the members of the nomination committee included Professor Hui Ka Yan, chairman of the committee, Mr. He Qi and Mr. Chau Shing Yim, David.

The nomination committee is principally responsible for the following duties:

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

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

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

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

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

During the year ended 31 December 2020, one meeting was convened by the nomination committee to consider the composition of the Board.

# CORPORATE GOVERNANCE REPORT

## SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the Directors. The Company, having made detailed and cautious enquiries, confirmed that all Directors have abided by the Model Code for the year ended 31 December 2020.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

## DIVIDEND POLICY

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

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Company has received, from each of Xin Xin (BVI) Limited and Professor Hui Ka Yan, an annual declaration on the compliance with the deed of non-competition (the "Deed") entered into by each of them in favour of the Company pursuant to which each of Xin Xin (BVI) Limited and Professor Hui Ka Yan has unconditionally undertaken to the Company that it/he will not directly or indirectly participate in, hold any right or interest, or otherwise be involved in any business which may compete with that of the Group. The independent non-executive Directors have reviewed and were satisfied that each of Xin Xin (BVI) Limited and Professor Hui Ka Yan has complied with the Deed for the year ended 31 December 2020.

## AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2020, the Company has not amended its memorandum of association or its articles of association.

## SHAREHOLDERS' RIGHTS

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

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

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

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

## RIGHT TO NOMINATE DIRECTORS FOR ELECTION AT GENERAL MEETINGS

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

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

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

## DISCLAIMERS

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

## INVESTOR RELATIONS

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

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

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

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

# REPORT OF THE BOARD OF DIRECTORS

The Directors of the Company are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2020 of the Group.

## MAJOR BUSINESS

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

## BUSINESS REVIEW

A review of the business of the Group during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2020 are provided in the section headed "Chairman's Statement" and the section headed "Management Discussion and Analysis" of this annual report.

A analysis of the Group's performance during the year ended 31 December 2020 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" of this annual report.

## FINANCIAL STATEMENTS

The results of the Group during the year are set out in the consolidated statement of comprehensive income. The financial position of the Group as at 31 December 2020 is set out in the consolidated balance sheet. The cash flow position of the Group during the year is set out in the consolidated statement of cash flows.

## CAPITAL

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

## FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.152 per Share for the year ended 31 December 2020 (the "Proposed Dividend Payment").

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

## RESERVE

The Company's reserves available for distribution represent the share premium, other reserves and retained earnings. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of the Memorandum and Articles of Association of the Company and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

Reserves of the Company available for distribution to Shareholders as at 31 December 2020 amounted to RMB10,784 million.

## PROPERTY, PLANT AND EQUIPMENT

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

## MAJOR CUSTOMERS AND SUPPLIERS

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

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

## RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

## DONATION

During the year, the charitable contributions and other donations made in Hong Kong and China by the Group totalled RMB3,276 million.

## DIRECTORS

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

### Executive Directors

Professor Hui Ka Yan
Dr. Xia Haijun
Ms. He Miaoling (resigned on 7 July 2020)
Mr. Shi Junping
Mr. Pan Darong
Mr. Huang Xiangui
Mr. Lai Lixin (appointed on 7 July 2020)

### Independent Non-Executive Directors

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

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

Pursuant to Article 16.18 of the Articles, Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi will retire in the forthcoming AGM, and being eligible, will offer themselves for re-election.

Pursuant to Article 16.2 of the Articles, Mr. Lai Lixin, who was appointed as an Executive Director on 7 July 2020 to fill the casual vacancy left by the resignation of Ms. He Miaoling, will only hold office until the next following annual general meeting of the Company. Accordingly, Mr. Lai will also retire in the forthcoming AGM, and being eligible, will offer himself for re-election.

# REPORT OF THE BOARD OF DIRECTORS

## SERVICE CONTRACTS OF DIRECTORS

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

## DIRECTORS' INTERESTS IN CONTRACTS

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

## DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

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

## SHARE OPTION SCHEMES

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

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

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

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

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

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

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

# REPORT OF THE BOARD OF DIRECTORS

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

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

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

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

Based on 13,127,834,900 Shares in issue as at the date of the annual general meeting, the maximum number of Shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 1,312,783,490 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the Share Option Scheme.

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

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

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

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

On 24 April 2020, the Company granted options to certain participants to subscribe for an aggregate of 623,000,000 Shares, representing approximately 4.70% of the total number of Shares in issue as at the date of grant.

# REPORT OF THE BOARD OF DIRECTORS

The details of movement in the options granted under the Share option schemes of the Company for the year ended 31 December 2020 are as follows:

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| Grantees | Date of grant | Exercise price (HK$) | Exercise period | Outstanding as at 1 January 2020 | Granted during the period | Exercised during the period | Cancelled and Lapsed during the period | Outstanding as at 31 December 2020 |
| Xia Haijun | 9 October 2014 | 3.05 | Note 1 | 4,391,000 | N/A | N/A | N/A | 4,391,000 |
| | 6 October 2017 | 30.20 | Note 2 | 600,000 | N/A | N/A | N/A | 600,000 |
| | 24 April 2020 | 13.112 | Note 3 | N/A | 30,000,000 | N/A | N/A | 30,000,000 |
| He Miaoling | 9 October 2014 | 3.05 | Note 1 | 6,000,000 | N/A | 6,000,000 | N/A | N/A |
| | 6 October 2017 | 30.20 | Note 2 | 600,000 | N/A | N/A | N/A | 600,000 |
| | 24 April 2020 | 13.112 | Note 3 | N/A | 6,000,000 | N/A | N/A | 6,000,000 |
| Shi Junping | 9 October 2014 | 3.05 | Note 1 | 3,600,000 | N/A | N/A | N/A | 3,600,000 |
| | 6 October 2017 | 30.20 | Note 2 | 500,000 | N/A | N/A | N/A | 500,000 |
| | 24 April 2020 | 13.112 | Note 3 | N/A | 6,000,000 | N/A | N/A | 6,000,000 |
| Huang Xiangui | 9 October 2014 | 3.05 | Note 1 | 3,000,000 | N/A | N/A | N/A | 3,000,000 |
| | 6 October 2017 | 30.20 | Note 2 | 300,000 | N/A | N/A | N/A | 300,000 |
| | 24 April 2020 | 13.112 | Note 3 | N/A | 2,000,000 | N/A | N/A | 2,000,000 |
| Pan Darong | 6 October 2017 | 30.20 | Note 2 | 3,000,000 | N/A | N/A | N/A | 3,000,000 |
| | 24 April 2020 | 13.112 | Note 3 | N/A | 5,000,000 | N/A | N/A | 5,000,000 |
| Lai Lixin | 6 October 2017 | 30.20 | Note 2 | 600,000 | N/A | N/A | N/A | 600,000 |
| | 24 April 2020 | 13.112 | Note 3 | N/A | 5,000,000 | N/A | N/A | 5,000,000 |
| Chau Shing Yim, David | 9 October 2014 | 3.05 | Note 1 | 200,000 | N/A | 200,000 | N/A | N/A |
| He Qi | 9 October 2014 | 3.05 | Note 1 | 400,000 | N/A | 400,000 | N/A | N/A |
| Xie Hongxi | 9 October 2014 | 3.05 | Note 1 | 600,000 | N/A | 600,000 | N/A | N/A |
| Other employees of the Group (in aggregate) | 9 October 2014 | 3.05 | Note 1 | 27,312,000 | N/A | 21,412,000 | 200,000 | 5,700,000 |
| | 6 October 2017 | 30.20 | Note 2 | 535,830,000 | N/A | N/A | 77,898,000 | 457,932,000 |
| | 24 April 2020 | 13.112 | Note 3 | N/A | 569,000,000 | N/A | 96,100,000 | 472,900,000 |

Notes:

1. The options granted on 9 October 2014 with respect to a Participant will be exercisable in 5 tranches in the following manners:
   (i) the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2015 and ending on 8 October 2020;
   (ii) the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2016 and ending on 8 October 2021;
   (iii) the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2017 and ending on 8 October 2022;
   (iv) the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2018 and ending on 8 October 2023; and
   (v) the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 9 October 2019 to 8 October 2024.

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

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

3. On 24 April 2020, an aggregate of 623,000,000 options were granted to 5 Directors and 198 employees of the Group. The exercise price of the options is HK$13.112 and the closing price of the Shares on 23 April 2020, the date immediately before the date on which the options were granted, was HK$12.90. The options will be exercisable in 5 tranches in the following manners:

   (i) the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2021 and ending on 23 April 2026;
   (ii) the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2022 and ending on 23 April 2027;
   (iii) the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2023 and ending on 23 April 2028;
   (iv) the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 24 April 2024 and ending on 23 April 2029;
   (v) the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 24 April 2025 and ending on 23 April 2030.

## SUBSIDIARIES' SHARE OPTION SCHEMES

### China Evergrande New Energy Vehicle Group Limited

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

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

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

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

# REPORT OF THE BOARD OF DIRECTORS

The Evergrande Auto Scheme shall be valid and effect for a period of 10 years commencing on 6 June 2018.

On 6 November 2020, Evergrande Auto granted options under the Evergrande Auto Scheme to certain participants to subscribe for an aggregate of 298,820,000 Shares, representing approximately 3.39% of the total number of shares of Evergrande Auto in issue as at the date of grant. Such options are exercisable in five tranches from 6 November 2021.

## Hengten Networks Group Limited

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

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

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

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

The Hengten Networks Scheme shall be valid and effect for a period of 10 years from its adoption. There were no outstanding share options under the Hengten Networks at the end of 2019 and no share options have been granted by Hengten Networks during 2020.

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

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

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

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

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

## REPORT OF THE BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# REPORT OF THE BOARD OF DIRECTORS

## DEBENTURE

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

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

As at 31 December 2020, the interest and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

### (i) Interest in the Shares of the Company

| Names of Director | Nature of interest | Number of Shares | Approximate Percentage of shareholding |
|---|---|---|---|
| Hui Kai Yan *(Note 1)* | Interest of controlled corporation | 10,162,119,735(L) | 76.76% |
| Chau Shing Yim, David | Beneficial Owner | 1,000,000(L) | 0.00% |

Note:

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

# REPORT OF THE BOARD OF DIRECTORS

## (ii) Interest in the underlying shares of the Company

| Name of Director | Nature of interest | Number of Shares outstanding involved in the options granted under the Share Option Scheme | Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme based on the existing issued share capital of the Company |
|---|---|---|---|
| Xia Haijun | Beneficial owner | 34,991,000 | 0.26% |
| Shi Junping | Beneficial owner | 10,100,000 | 0.07% |
| Huang Xiangui | Beneficial owner | 5,300,000 | 0.04% |
| Pan Darong | Beneficial owner | 8,000,000 | 0.06% |
| Lai Lixin | Beneficial owner | 5,600,000 | 0.04% |
| He Qi | Beneficial owner | 400,000 | 0.00% |
| Xie Hongxi | Beneficial owner | 600,000 | 0.00% |

## (iii) Interest in associated corporation of the Company

| Name of Director | Name of associated corporation | Number of securities | Approximate percentage of shareholding |
|---|---|---|---|
| Hui Kai Yan | Xin Xin (BVI) Limited | 100 shares | 100% |
| | Even Honour Holdings Limited (Note) | 1 share | 100% |
| Xia Haijun | Evergrande Property Services Group Limited | 65,675,000 shares | 0.61% |
| Shi Junping | Evergrande Property Services Group Limited | 318,500 shares | 0.00% |
| | China Evergrande New Energy Vehicle Group Limited | 700,000 shares | 0.00% |
| Lai Lixin | Evergrande Property Services Group Limited | 2,121,000 shares | 0.02% |
| Chau Shing Yim, David | Evergrande Property Services Group Limited | 2,121,000 shares | 0.02% |

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

# REPORT OF THE BOARD OF DIRECTORS

## (iv) Interest in debentures of the Company

| Name of Director | Currency of debentures | Amount of debenture held | Amount of debenture in same class in issue | Type of debenture |
|---|---|---|---|---|
| Hui Ka Yan | US$ | 50,000,000 | 1,000,000,000 | 12% senior notes due 2024 |
| Xia Haijun | US$ | 28,000,000 | 2,300,000,000 | 8.75% senior notes due 2025 |
| | US$ | 50,000,000 | 1,000,000,000 | 11.5% senior notes due 2023 |
| Lai Lixin | US$ | 200,000 | 4,680,476,000 | 8.75% senior notes due 2025 |
| | US$ | 300,000 | 1,450,000,000 | 9.5% senior notes due 2022 |
| | US$ | 300,000 | 600,000,000 | 9.0% senior notes due 2021 |
| | US$ | 300,000 | 1,000,000,000 | 11.5% senior notes due 2023 |
| | US$ | 900,000 | 2,000,000,000 | 11.5% senior notes due 2022 |
| | US$ | 1,000,000 | 1,344,921,000 | 7.5% senior notes due 2023 |
| | US$ | 200,000 | 598,181,000 | 6.25% senior notes due 2021 |
| | US$ | 900,000 | 1,000,000,000 | 8.25% senior notes due 2022 |

Save as disclosed above, as at 31 December 2020, none of the Directors, executives of the Company or their respective associates had any other interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# REPORT OF THE BOARD OF DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As far as the Directors or executives of the Company are aware, as at 31 December 2020, other than the Directors or chief executives of the Company as disclosed above, the following persons had interest or short positions in the Shares or underlying shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required pursuant to Section 336 of the SFO to be entered in the register to be kept therein or to be notified to the Company and the Stock Exchange:

| Name of shareholder | Nature of interest held | Interest in the shares | Approximate percentage of shareholding |
|---|---|---|---|
| Mrs. Hui | Interest of controlled corporation | 10,162,119,735(L) (Note 1) | 76.76% |
| Xin Xin (BVI) Limited | Beneficial owner | 9,370,871,497(L) (Note 2) | 70.78% |
| Even Honour Holdings Limited | Beneficial owner | 791,248,238(L) (Note 3) | 5.98% |
| Yaohua Limited | Interest of controlled corporation | 791,248,238(L) (Note 3) | 5.98% |
| Chan Hoi Wan | Interest in controlled corporation, beneficial owner and trustee | 1,173,383,000 (Note 4) | 8.86% |
| Lau Luen Hung | Interest of spouse and interest of children under 18 years of age | 1,173,383,000 (Note 5) | 8.86% |
| Chinese Estates Holdings Limited | Interest in controlled corporation | 788,689,000 (Note 6) | 5.96% |
| Sino Omen Holdings Limited | Interest in controlled corporation | 788,689,000 (Note 6) | 5.96% |
| Solar Bright Ltd. | Interest in controlled corporation | 788,689,000 (Note 6) | 5.96% |

Notes:

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

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

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

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

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

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

# REPORT OF THE BOARD OF DIRECTORS

## SUBSIDIARIES

Details of the major subsidiaries of the Company as at 31 December 2020 are set out in Note 45 to the financial statements.

## MANAGEMENT CONTRACTS

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

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had an aggregate of 123,276 employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to individual performance and current market rate.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### Environmental Protection

Environmental protection is a key focus for the Group. The conscientious use of resources and adoption of related best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection by promoting awareness of the issue amongst its employees. It also complies with relevant environmental legislation. An ever-improving management system, enhanced monitoring of activities and procedures, energy conservation and environmental protection are strongly promoted.

### Compliance with Laws and Regulations

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

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

### Workplace Quality

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

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

# REPORT OF THE BOARD OF DIRECTORS

## Health and Safety

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

## Training and Development

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

## Commitment to Quality

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

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

## Management of Supply Chain

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

## Community Investment

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

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

# REPORT OF THE BOARD OF DIRECTORS

## CORPORATE GOVERNANCE

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

## PERMITTED INDEMNITY PROVISIONS

The Articles provide that every Director is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Group has taken out and maintained directors' liability insurance for the year ended 31 December 2020, which provides appropriate cover for the Directors. The permitted indemnity provision was in force during the year ended 31 December 2020 and remained in force as at the date of this report for the benefit of the Directors.

## FOREIGN EXCHANGE RISKS

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

### Notes issue

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

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

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

### Placing of Shares

On 13 October 2020, the Company conducted a top-up placing of shares under which an aggregate of 260,650,000 new Shares (the "Placing Shares") were placed by the Company to more than six professional investors at the placing price of HK$16.50 per share.

The Placing Shares have a nominal value of US$2,606,500 and a market value of HK$5,041 million, based on the closing price of HK$19.34 per Share on 12 October 2020, being the last trading day prior to the signing of the Placing Agreement. The net price per Placing Share was approximately HK$16.328.

The proceeds from the Placing was approximately HK$4,256 million and has been fully utilized by the for refinancing of the existing indebtedness and general working capital purposes of the Group.

### Share repurchases

During 2020, the Company repurchased from the market a total of 276,165,000 shares. All the repurchased shares have been cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Set out below are the details of the repurchases:

| Month | Number of shares repurchased | Average repurchase price HK$ | Total consideration HK$ |
|---|---|---|---|
| May 2020 | 105,220,000 | 15.654 | 1,647,115,880 |
| June 2020 | 82,935,000 | 18.765 | 1,556,253,590 |
| October 2020 | 5,085,000 | 15.274 | 77,665,800 |
| November 2020 | 78,325,000 | 16.590 | 1,299,383,180 |
| December 2020 | 4,600,000 | 16.678 | 76,260,240 |
| **Total** | 276,165,000 | 16.892 | 4,656,678,690 |

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

## MATERIAL ACQUISITIONS AND DISPOSALS

On 13 August 2020, CEG Holdings (BVI) Limited ("CEG Holdings"), a wholly-owned subsidiary of the Company, entered into investment agreements with certain Pre-IPO investors, under which CEG Holdings sold 28.061% interests in Evergrande Property Services Group Limited (then known as Mangrove 3, Ltd.) to the Pre-IPO investors for HK$23.5 billion. The shares of Evergrande Property Services Group Limited were listed on the main board of the Stock Exchange on 2 December 2020 and it remains a subsidiary of the Group.

Save as disclosed, the Company has no other material acquisitions or disposals during the year ended 31 December 2020.

## DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

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

## FIVE YEARS FINANCIAL SUMMARY

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

## PRE-EMPTIVE RIGHTS

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

# REPORT OF THE BOARD OF DIRECTORS

## ADEQUATE PUBLIC FLOAT

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

The Company has maintained adequate public float during the year.

## AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2020. The audit and reporting responsibilities of the Company 's auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" in this annual report. The Company will propose a resolution at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

For and on behalf of the Board
**Hui Ka Yan**
*Chairman*
Hong Kong, 31 March 2021

# INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

## OPINION

### What we have audited

The consolidated financial statements of China Evergrande Group (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 216, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

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

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# INDEPENDENT AUDITOR'S REPORT

## Independence

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

## KEY AUDIT MATTERS

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

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

- Assessment of net realisable value of properties under development and completed properties held for sale
- Fair value of investment properties
- Impairment assessment on goodwill and intangible assets of new energy vehicle business

# INDEPENDENT AUDITOR'S REPORT

| Key Audit Matters | How our audit addressed the Key Audit Matters |
|---|---|

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

Refer to note 3(n) and note 3(o) accounting policies of properties under development and completed properties held for sale, note 5(a) critical accounting estimates and judgements, note 12 properties under development and completed properties held for sale to the consolidated financial statements.

At 31 December 2020, properties under development ("PUD") and completed properties held for sale ("PHS") totalled RMB1,406,381 million and accounted for approximately 61% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value, write-down of carrying amounts of PUD and PHS to their net realisable value amounted to RMB3,224 million as at 31 December 2020.

Significant judgements were involved in the determination of net realisable values of PUD and PHS which were subject to high degree of estimation uncertainty. Key assumptions, such as estimated selling price, estimated variable selling expenses and estimated costs to completion for PUD are used by management to estimate the net realisable values which were subjective.

The inherent risk in relation to the determination of net realisable values of PUD and PHS is considered significant. Therefore, we identified the determination of net realisable values of PUD and PHS is a key audit matter.

We have performed the following procedures to address this key audit matter:

(i) We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;

(ii) We understood, evaluated and validated the internal control over the Group's process in determining the net realisable values of PUD and PHS based on prevailing market conditions;

(iii) We compared the relevant PUD and PHS balances against the result of management's net realisable value assessment made in the prior years to consider, with hindsight, whether management's assessment had been subject to management bias;

(iv) We then challenged the reasonableness of management's key estimates for:

- Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price to the recent market transactions, such as the Group's selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location;

- Estimated variable selling expenses as a percentage of the related estimated selling price of the properties, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in the current year; and

- Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the construction contracts or compared to the actual costs of similar completed properties of the Group.

Based on the work performed, we considered that management's estimates on the net realisable value of the Group's PUD and PHS were supported by the available evidence.

# INDEPENDENT AUDITOR'S REPORT

| Key Audit Matters | How our audit addressed the Key Audit Matters |
|---|---|
| **Fair value of investment properties** | |
| Refer to note 3(h) accounting policy of investment properties, note 5(b) critical accounting estimates and judgements and note 9 of investment properties to the consolidated financial statements.<br><br>The Group's investment properties were measured at fair value of RMB165,850 million as at 31 December 2020, with net revaluation gains of RMB1,278 million recorded in the consolidated statement of comprehensive income for the year then ended. Independent external valuations were obtained for the whole investment property portfolio in order to support management's estimates.<br><br>The valuations of completed investment properties prepared under income capitalisation approach and direct comparison approach were dependent on certain key assumptions that required significant management judgement, including capitalisation rates, market rent and market price. The valuations of investment properties under construction prepared under residual approach were also dependent upon the estimated costs to completion and anticipated developer's profit margin.<br><br>The inherent risk in relation to the determination of fair value of investment properties is considered significant. Therefore, we identified the determination of fair value of investment properties is a key audit matter. | We have performed the following procedures to address this key audit matter:<br><br>(i) We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;<br><br>(ii) We understood, evaluated and validated the internal control over the Group's process in determining the fair value of investment properties;<br><br>(iii) We evaluated the independent external valuers' competence, capabilities and objectivity;<br><br>(iv) We involved our in-house valuation experts to assess the appropriateness of the income capitalisation approach, direct comparison approach and residual approach used by the external valuers based on our knowledge of the property industry; and<br><br>(v) We checked, on a sample basis, the accuracy and relevance of the input data used, including the capitalisation rates, market rent and market price, to the recent renewal of lease or sale transactions of the Group and of the market. For the estimated costs to completion and anticipated developer's profit margin, we checked to the construction budget and historical information of similar properties of the Group.<br><br>Based on the work performed, we considered that the key assumptions used in the valuations were supported by the available evidence. |

# INDEPENDENT AUDITOR'S REPORT

| Key Audit Matters | How our audit addressed the Key Audit Matters |
|---|---|

**Impairment assessment on goodwill and intangible assets of new energy vehicle business**

Refer to note 3(i) accounting policy of intangible assets, note 5(c) critical accounting estimates and judgements and note 10 goodwill and note 11 intangible assets to the consolidated financial statements.

The Group recorded goodwill of RMB6,244 million and intangible assets of RMB10,244 million of the new energy vehicle business as at 31 December 2020. Management assessed whether there were any indicators of impairment for intangible assets at 31 December 2020 and performed an impairment test for goodwill and intangible assets with impairment indicators. As at 31 December 2020, the impairment provision for goodwill and intangible assets of the new energy vehicle business were RMB232 million and RMB808 million, respectively.

The management engaged an independent external valuer to assist in determining the recoverable amounts of cash-generating units (CGUs), which is the higher of the fair value less costs of disposal and the value in use in the impairment test. Significant judgements were involved in assessing the recoverable amounts of CGUs and were subject to high degree of estimation uncertainty. Key assumptions, such as revenue growth rates, terminal growth rates and discount rates are used by management to estimate the recoverable amounts and were subjective.

The inherent risk in relation to the impairment assessment of goodwill and intangible assets is considered significant as the impairment assessment involves significant estimates and assumptions which were subjective. Therefore, we identified the impairment assessment of goodwill and intangible assets is a key audit matter.

We have performed the following procedures to address this key audit matter:

(i) We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;

(ii) We understood, evaluated and tested, on a sample basis, key internal control over the Group's impairment assessment of goodwill and intangible assets;

(iii) We evaluated the outcome of prior period assessment of the impairment assessment on goodwill and intangible assets to assess the effectiveness of management's estimation process;

(iv) We evaluated the independent external valuer's competence, capabilities and objectivity;

(v) We assessed the appropriateness of the identification of CGUs with the involvement of our in house valuation experts;

(vi) We evaluated the impairment testing methodologies based on our understanding of the industry and business practices; and

(vii) We challenged the key assumptions used with the involvement of our in house valuation experts, such as the revenue growth rates, discount rates and terminal growth rates, by comparing these assumptions against approved budget, historical performance, relevant market data and industry research.

Based on the work performed, we considered that the key assumptions adopted by management in the impairment assessment on goodwill and intangible assets were supportable by the evidence obtained.

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

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

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND 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.

# INDEPENDENT AUDITOR'S REPORT

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, actions taken to eliminate threats or safeguards applied.

# INDEPENDENT AUDITOR'S REPORT

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 31 March 2021

# CONSOLIDATED BALANCE SHEET

| | Note | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 75,731 | 55,798 |
| Right-of-use assets | 8 | 18,561 | 13,553 |
| Investment properties | 9 | 165,850 | 162,556 |
| Goodwill | 10 | 7,822 | 7,788 |
| Intangible assets | 11 | 10,696 | 7,960 |
| Trade and other receivables | 13 | 7,249 | 6,332 |
| Prepayments | 14 | 2,461 | 2,697 |
| Investments accounted for using equity method | 15 | 92,270 | 87,811 |
| Financial assets at fair value through other comprehensive income | 16 | 1,412 | 1,587 |
| Financial assets at fair value through profit or loss | 17 | 8,230 | 8,005 |
| Deferred income tax assets | 25 | 5,943 | 5,676 |
| | | 396,225 | 359,763 |
| **Current assets** | | | |
| Inventories | | 358 | 574 |
| Properties under development | 12 | 1,257,908 | 1,198,388 |
| Completed properties held for sale | 12 | 148,473 | 129,073 |
| Trade and other receivables | 13 | 141,706 | 143,706 |
| Contract acquisition costs | | 5,190 | 2,757 |
| Prepayments | 14 | 151,026 | 130,461 |
| Income tax recoverable | | 16,334 | 12,167 |
| Financial assets at fair value through profit or loss | 17 | 3,195 | 921 |
| Restricted cash | 19 | 21,992 | 78,711 |
| Cash and cash equivalents | 20 | 158,752 | 150,056 |
| | | 1,904,934 | 1,846,814 |
| **Total assets** | | 2,301,159 | 2,206,577 |
| **EQUITY** | | | |
| **Capital and reserves attributable to shareholders of the Company** | | | |
| Share capital and premium | 21 | 4,635 | 1,575 |
| Other reserves | 22 | 92,786 | 66,133 |
| Retained earnings | | 49,480 | 77,992 |
| | | 146,901 | 145,700 |
| Non-controlling interests | 40 | 203,530 | 212,837 |
| **Total equity** | | 350,431 | 358,537 |

# CONSOLIDATED BALANCE SHEET

| | Note | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 23 | **381,055** | 427,726 |
| Derivative financial liabilities | 24 | **—** | 4,666 |
| Deferred income tax liabilities | 25 | **53,142** | 60,766 |
| Other payables | 26 | **9,278** | 4,847 |
| | | **443,475** | 498,005 |
| **Current liabilities** | | | |
| Borrowings | 23 | **335,477** | 372,169 |
| Trade and other payables | 26 | **829,174** | 717,618 |
| Contract liabilities | | **185,746** | 129,705 |
| Current income tax liabilities | 27 | **156,856** | 130,543 |
| | | **1,507,253** | 1,350,035 |
| **Total liabilities** | | **1,950,728** | 1,848,040 |
| **Total equity and liabilities** | | **2,301,159** | 2,206,577 |

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

**Hui Ka Yan**
*Director*

**Pan Da Rong**
*Director*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|---|
| Revenue | 6 | **507,248** | 477,561 |
| Cost of sales | 30 | **(384,643)** | (344,624) |
| **Gross profit** | | **122,605** | 132,937 |
| Fair value gains on investment properties, net | 9 | **1,278** | 1,516 |
| Impairment losses on financial assets | | **(288)** | (194) |
| Other (losses)/gains, net | 28 | **(5,051)** | 1,729 |
| Other income | 29 | **10,253** | 6,997 |
| Selling and marketing costs | 30 | **(31,962)** | (23,287) |
| Administrative expenses | 30 | **(21,064)** | (19,811) |
| Other operating expenses | 30 | **(6,059)** | (5,037) |
| **Operating profit** | | **69,712** | 94,850 |
| Share of (losses)/profits of investments accounted for using equity method | 15 | **(1,379)** | 2,967 |
| Fair value losses on financial assets at fair value through profit or loss | 17 | **(31)** | (1,863) |
| Fair value gains on derivative financial liabilities | 23(c) | **2,183** | 981 |
| Finance costs, net | 32 | **(2,240)** | (22,763) |
| **Profit before income tax** | | **68,245** | 74,172 |
| Income tax expenses | 33 | **(36,845)** | (40,630) |
| **Profit for the year** | | **31,400** | 33,542 |
| **Other comprehensive loss** | | | |
| *(Item that may be reclassified to profit or loss)* | | | |
| Share of other comprehensive income of investments accounted for using the equity method | | **7** | 35 |
| Currency translation differences | | **(241)** | (287) |
| *(Item that may not be reclassified to profit or loss)* | | | |
| Revaluation gains arising from transfer of construction in progress to investment properties, net of tax | | **–** | 7 |
| Share of other comprehensive income of investments accounted for using the equity method | | **–** | (7) |
| Change in fair value of financial assets at fair value through other comprehensive income, net of tax | | **(131)** | 13 |
| **Other comprehensive loss for the year, net of tax** | | **(365)** | (239) |
| **Total comprehensive income for the year** | | **31,035** | 33,303 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Shareholders of the Company | | **8,076** | 17,280 |
| Non-controlling interests | 40 | **23,324** | 16,262 |
| | | **31,400** | 33,542 |
| **Total comprehensive income attributable to:** | | | |
| Shareholders of the Company | | **7,863** | 17,109 |
| Non-controlling interests | | **23,172** | 16,194 |
| | | **31,035** | 33,303 |
| Earnings per share for profit attributable to shareholders of the Company for the year (expressed in RMB per share) | | | |
| — Basic earnings per share | 34 | **0.613** | 1.315 |
| — Diluted earnings per share | 34 | **0.610** | 1.304 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to shareholders of the Company | | | | | Non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | Share capital RMB million | Share premium RMB million | Reserves RMB million | Retained earnings RMB million | Total RMB million | Others RMB million | Total RMB million |
| **Balance as at 1 January 2020** | 932 | 643 | 66,133 | 77,992 | 145,700 | 212,837 | 358,537 |
| **Comprehensive income** | | | | | | | |
| Profit for the year | – | – | – | 8,076 | 8,076 | 23,324 | 31,400 |
| **Other comprehensive income** | | | | | | | |
| Change in value of financial assets at fair value through other comprehensive income, net of tax | – | – | (112) | – | (112) | (19) | (131) |
| Share of other comprehensive income of investments accounted for using the equity method | – | – | 7 | – | 7 | – | 7 |
| Currency translation differences | – | – | (108) | – | (108) | (133) | (241) |
| **Total comprehensive income** | – | – | (213) | 8,076 | 7,863 | 23,172 | 31,035 |
| **Transactions with owners** | | | | | | | |
| Transfer to statutory reserves | – | – | 6,059 | (6,059) | – | – | – |
| Issuance of ordinary shares pursuant to share option scheme (note 21, note 22) | 2 | 95 | (20) | – | 77 | – | 77 |
| Employee share option schemes | – | – | 607 | – | 607 | 163 | 770 |
| Repurchase of shares of the Company | (19) | (738) | 19 | (3,443) | (4,181) | – | (4,181) |
| Dividends (note 40) | – | – | – | (27,086) | (27,086) | (30,693) | (57,779) |
| Proceeds from share placement | 18 | 3,702 | – | – | 3,720 | – | 3,720 |
| Changes in ownership interests in subsidiaries without change of control (note 40(c)) | – | – | 11,350 | – | 11,350 | (33,256) | (21,906) |
| Capital injection from non-controlling interests (note 40(a)) | – | – | 8,851 | – | 8,851 | 30,921 | 39,772 |
| Acquisition of subsidiaries (note 40(b)) | – | – | – | – | – | 541 | 541 |
| Disposal of subsidiaries (note 40) | – | – | – | – | – | (155) | (155) |
| **Total transactions with owners** | 1 | 3,059 | 26,866 | (36,588) | (6,662) | (32,479) | (39,141) |
| **Balance as at 31 December 2020** | 933 | 3,702 | 92,786 | 49,480 | 146,901 | 203,530 | 350,431 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | 2020 RMB million | 2019 RMB million |
|---|---|---|---|
| | | Year ended 31 December | |
| **Cash flows of operating activities** | | | |
| Net cash generated from operations | 36 | **213,231** | 18,493 |
| Income tax paid | | **(25,134)** | (19,059) |
| Interest paid | | **(78,034)** | (66,791) |
| **Net cash generated from/(used in) operating activities** | | **110,063** | (67,357) |
| **Cash flows of investing activities** | | | |
| Acquisition of subsidiaries, net of cash acquired | 41 | **(4,052)** | (12,714) |
| Purchases of property, plant and equipment and investment properties | | **(12,376)** | (11,838) |
| Proceeds from disposal of property, plant and equipment, land use rights and intangible assets | | **25** | 423 |
| Proceeds from disposal of investment properties | | **5,611** | 3,378 |
| Purchase of land use rights | | **(1,227)** | (2,056) |
| Purchase of intangible assets | | **(4,703)** | (1,269) |
| Investment in associates | | **(1,836)** | (16,133) |
| Investment in joint ventures | | **(4,161)** | (4,405) |
| Proceeds from disposal of joint ventures and associates | | **—** | 1,895 |
| Net cash received from disposal of subsidiaries | | **244** | 898 |
| Dividend received | | **64** | 182 |
| Purchase of financial assets at fair value through profit or loss | 17 | **(6,628)** | (7,925) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 17 | **4,098** | 7,372 |
| Repayment from associates | | **15** | — |
| Repayment from joint ventures | | **8,713** | 11,041 |
| Repayment from non-controlling interests | | **6,960** | 4,745 |
| Cash advance to associates | | **(1,490)** | (30) |
| Cash advance to joint ventures | | **(13,395)** | (19,986) |
| Cash advance to non-controlling interests | | **(5,630)** | (12,112) |
| Prepayments for acquisition of subsidiaries | | **(374)** | (2,169) |
| Interest received | | **4,820** | 3,844 |
| Proceeds from governments grant for construction | | **1,194** | 1,551 |
| **Net cash used in investing activities** | | **(24,128)** | (55,308) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|---|
| **Cash flows of financing activities** | | | |
| Proceeds from bank and other borrowings | 36(b) | **303,454** | 462,121 |
| Repayments of bank and other borrowings | 36(b) | **(398,484)** | (407,323) |
| Proceeds from PRC corporate bonds | 36(b) | **16,809** | 19,933 |
| Repayments of PRC corporate bonds | 36(b) | **(17,125)** | (18,544) |
| Proceeds from senior notes | 36(b) | **47,018** | 52,708 |
| Repayments of senior notes | 36(b) | **(24,487)** | — |
| Repayments of Convertible bonds | 36(b) | **(1,514)** | — |
| Repayment to unit holders of consolidated investment entities | | **—** | (697) |
| Repurchase of shares | | **(4,181)** | — |
| Proceeds from shares issued | | **3,720** | — |
| Issuance of ordinary shares pursuant to share option scheme | | **77** | 295 |
| Dividends paid | | **(57,779)** | (2,748) |
| Acquisitions of non-controlling interests in subsidiaries | 40 | **(51,075)** | (33,841) |
| Proceeds from disposal of shares of Evergrande Property Services Limited | | **25,751** | — |
| Capital injection from non-controlling interests | 40 | **39,772** | 46,932 |
| Cash advance from associates | | **639** | 457 |
| Cash advance from joint ventures | | **37,112** | 34,489 |
| Cash advance from non-controlling interests | | **7,154** | 10,258 |
| Repayment to associates | | **(82)** | — |
| Repayment to joint ventures | | **(24,766)** | (7,070) |
| Repayment made to non-controlling interests | | **(6,707)** | (7,065) |
| Restricted cash pledged for bank borrowings | | **28,606** | (5,554) |
| Deposits for other borrowings | | **(180)** | (295) |
| Principal elements of lease payments | | **(617)** | (893) |
| **Net cash (used in)/generated from financing activities** | | **(76,885)** | 143,163 |
| **Net increase cash and cash equivalents** | | **9,050** | 20,498 |
| Cash and cash equivalents at beginning of year | | **150,056** | 129,364 |
| Exchange (losses)/gains on cash and cash equivalents | | **(354)** | 194 |
| **Cash and cash equivalents at end of year** | | **158,752** | 150,056 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

These consolidated financial statements are presented in Renminbi Yuan ("RMB") millions, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 31 March 2021.

## 2 THE IMPACT OF COVID-19 TO THE CONSOLIDATED FINANCIAL STATEMENTS

The outbreak of Coronavirus Disease 2019 ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties and hotels, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### (i) *New amendments to standards adopted by the Group as at 1 January 2020*

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2020 for the Group:

| | |
|---|---|
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material |
| HKFRS 3 (Amendments) | Definition of a Business |
| HKAS 7, HKFRS 9 and HKFRS 39 (Amendments) | Interest Rate Benchmark Reform |
| Revised Conceptual Framework for Financial Reporting | Improvements to HKFRS |
| HKFRS 16 (Amendments) | COVID-19-related Rent Concessions |

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

| | |
|---|---|
| HKAS 7, HKFRS 9 and HKFRS 39 (Amendments) | Interest Rate Benchmark Reform[1] |
| HKFRS 3 (Amendments) | Reference to the Conceptual Framework[2] |
| HKAS 16 (Amendments) | Property, Plant and Equipment: Proceeds before intended use[2] |
| HKAS 37 (Amendments) | Onerous Contracts — Cost of Fulfilling a Contract[2] |
| Annual Improvements to HKFRS Standards 2018–2020 | Improvements to HKFRS[2] |
| Revised Accounting Guideline 5 | Merger Accounting for Common Control Combination[2] |
| HKFRS 17 | Insurance Contracts[3] |
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current[3] |
| Hong Kong Interpretation 5 (2020) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3] |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture[4] |

1 Effective for periods beginning on or after 1 January 2021.
2 Effective for periods beginning on or after 1 January 2022.
3 Effective for periods beginning on or after 1 January 2023.
4 Effective date is to be determined by the International Accounting Standard Board.

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

In 2020, the Group considered the impact of COVID-19 when evaluating the forward looking information used in considering expected credit losses. The adjusted assessment of credit risk had no material impact to the balance of allowance provision.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation

#### *(i) Subsidiaries*

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

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

#### *(ii) Business combinations*

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

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

Acquisition-related costs are expensed off as incurred.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation (Continued)

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

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

#### *(iv) Disposal of subsidiaries*

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

#### *(v) Investments in subsidiaries*

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

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

### (c) Associates

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Associates (Continued)

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

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

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

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

### (d) Joint arrangements

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Segment reporting

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

### (f) Foreign currency translation

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

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

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

*(iii) Group entities*

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

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

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

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

# 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (f) Foreign currency translation (Continued)

### *(iii) Group entities (Continued)*

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

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

## (g) Property, plant and equipment

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

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

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

| | |
|---|---|
| Buildings | 10–50 years |
| Machinery | 3–10 years |
| Transportation equipment | 3–10 years |
| Furniture, fitting and equipment | 1–10 years |

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Investment properties

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

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

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

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

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

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

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

### (i) Intangible assets

#### *(i) Brand names*

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

#### *(ii) Customer relationships*

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from 3 to 5 years over the expected life of the customer relationship.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Intangible assets (Continued)

*(iii) Patent, proprietary technology and franchise right*

Purchased patents, proprietary technology and franchise right are initially recorded at actual cost and are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

*(iv) Computer softwares*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

*(v) Research and development costs*

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

Research and development intangible assets acquired in an asset acquisition are capitalised if they will have future economic benefits. The price paid reflects expectations about the probability that the future economic benefits of the asset will flow to the entity.

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

*(vi) Goodwill*

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Impairment of non-financial assets

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

### (k) Financial assets

*(i) Classification*

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

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

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

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

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

*(ii) Measurement*

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

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Financial assets (Continued)

*(iii) Debt instruments*

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

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

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

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

*(iv) Equity instruments*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Financial assets (Continued)

*(v) Impairment*

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

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, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment of other receivables are 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.

### (l) Offsetting financial instruments

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

### (m) Derivative financial instruments

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

### (n) Properties under development

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

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

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

### (p) Inventories

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

### (q) Trade and other receivables

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

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

### (r) Cash and cash equivalents

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

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

### (s) Share capital

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Trade and other payables

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

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

### (u) Borrowings

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

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

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

### (v) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are recognised as an expense in the period in which they are incurred.

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

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

# 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (w) Current and deferred income tax

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

### *(i) Current income tax*

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

### *(ii) Deferred income tax*

#### Inside basis differences

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

#### Outside basis differences

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

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

### *(iii) Offsetting*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (x) Employee benefits

*(i) Employee leave entitlements*

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

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

*(ii) Retirement benefits*

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

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

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

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

*(iii) Termination benefits*

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (y) Share-based payments

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

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

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

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

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

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

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

### (z) Provisions and contingent liabilities

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (z) Provisions and contingent liabilities (Continued)

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.

### (aa) Revenue recognition

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

*(i) Sales of properties*

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

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

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

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

*(ii) Property management*

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (aa) Revenue recognition (Continued)

#### *(iii) Construction services*

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

#### *(iv) Hotel operations*

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

#### *(v) Interest income*

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

#### *(vi) Rental income*

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

#### *(vii) Income from medical cosmetology and health management*

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

### (ab) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The Group leases various offices and commercial properties. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased asset may not be used as security for borrowing purposes.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (ab) Leases (Continued)

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

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

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

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

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

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (ab) Leases (Continued)

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

*(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.

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

### (ac) Dividend distribution

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (ad) Government grants

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

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

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

### (ae) Financial guarantee liabilities

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

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

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

## 4 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factor

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# 4 FINANCIAL RISK MANAGEMENT (Continued)

## (a) Financial risk factor (Continued)

### (i) *Foreign exchange risk*

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 31 December 2020, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Monetary assets | | |
| — HK$ | **7,574** | 19,714 |
| — US$ | **10,484** | 13,709 |
| — EURO | **666** | 973 |
| — Others | **409** | 632 |
| | **19,133** | 35,028 |
| Monetary liabilities | | |
| — HK$ | **20,901** | 37,971 |
| — US$ | **158,073** | 162,706 |
| | **178,974** | 200,677 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Net foreign exchange (losses)/gains included in other (losses)/gains — net (note 28) | **(1,684)** | 621 |
| Exchange gains/(losses) on foreign currency borrowing included in finance costs — net (note 32) | **10,301** | (4,022) |
| Total net foreign exchange gains/(losses) recognised in profit before income tax for the year | **8,617** | (3,401) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

*(i) Foreign exchange risk (Continued)*

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| 5% appreciation in RMB against HK$ | **500** | 685 |
| 5% depreciation in RMB against HK$ | **(500)** | (685) |
| 5% appreciation in RMB against US$ | **5,535** | 5,587 |
| 5% depreciation in RMB against US$ | **(5,535)** | (5,587) |
| 5% appreciation in RMB against EURO | **(25)** | (36) |
| 5% depreciation in RMB against EURO | **25** | 36 |

*(ii) Interest rate risk*

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

As at 31 December 2020, if interest rate on borrowings at variable rates had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2020 would decrease/increase by approximately RMB925 million (2019: decrease/increase by approximately RMB1,021 million), mainly as a result of more/less interest expenses on borrowings at variable rates.

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

*(iii) Credit risk*

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

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

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

# 4 FINANCIAL RISK MANAGEMENT (Continued)

## (a) Financial risk factor (Continued)

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

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

- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

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

##### Trade receivables

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

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

The loss allowance provision of trade receivables as at 31 December 2020 is set out in note 13.

##### Other receivables

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

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

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

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

# 4 FINANCIAL RISK MANAGEMENT (Continued)

## (a) Financial risk factor (Continued)

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

Loss allowance provision movement

As at 31 December 2020, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

| | **Trade receivables** RMB million | **Other receivables** RMB million | **Total** RMB million |
|---|---|---|---|
| Balance as at 1 January 2019 | 174 | 1,538 | 1,712 |
| Provision for loss allowance recognised in profit or loss for the year | (10) | 204 | 194 |
| Balance as at 31 December 2019 | 164 | 1,742 | 1,906 |
| Provision for loss allowance recognised in profit or loss for the year | 77 | 211 | 288 |
| Balance as at 31 December 2020 | 241 | 1,953 | 2,194 |

### *(iv) Liquidity risk*

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments. Management has also set-up an effective internal control system to monitor and to prevent any breach of loan covenants or any borrowing overdue. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

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

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the year ended 31 December 2020. As at 31 December 2020, the Group's total borrowings stood at RMB716,532 million. During the year ended 31 December 2020 and the period up to the date of these consolidated financial statements, in order to properly manage the Group's liquidity risk and capital structure, the Group has conducted the following major financing activities:

Optimise the short-term and long-term borrowing structure

— On 22 January 2020, the Group issued 11.5%, three-year senior notes with an aggregated principal amount of US$1,000 million at 100% of the face value, and 12.0%, four-year senior notes with an aggregated principal amount of US$1,000 million at 100% of the face value.

— On 24 January 2020, a subsidiary of the Group issued 11.5%, 33-months senior notes with an aggregated principal amount of US$2,000 million at 100% of the face value, and 12.0%, 45-months senior notes with an aggregated principal amount of US$2,000 million at 100% of the face value.

— On 8 January 2020, 26 May 2020 and 5 June 2020, the Group issued three-year public PRC corporate bonds with an aggregated principal amount of RMB11,000 million at 100% of the face value, and the interest rate ranged from 5.60% to 6.98%.

— On 23 September 2020 and 19 October 2020, the Group issued 5.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB6,100 million at 100% of the face value.

— On 23 October 2020, the Group has early redeemed 11%, two-year senior notes with an aggregated principal amount of US$1,565 million which due date were in November 2020.

— On 16 December 2020, the Group has partially early redeemed 4.25% convertible bonds due 2023 with an aggregated principal amount of HK$1,799 million, and on 10 February 2021, the Group has early redeemed the remaining convertible bonds with an aggregated principal amount of HK$16,021 million.

— A subsidiary of the Group obtained the membership of the National Association of Financial Market Institutional Investors, and the Group could issue middle-term notes with three to five years in Financial Market with the membership.

# 4 FINANCIAL RISK MANAGEMENT (Continued)

## (a) Financial risk factor (Continued)

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

#### Termination of the Proposed Reorganisation (note 24)

On 8 November 2020, the Group announced to terminate the Proposed Reorganisation.

On 22 November 2020, the Group had completed to enter into further supplemental agreements with Strategic Investors ("SIs") whose investment costs were totaling RMB125,700 million, and these SIs agreed to exercise their SI's Right (i) or Right (ii) (note 24):

— Certain SIs with aggregated capital investments in Hengda Real Estate Group Company Limited ("Hengda Real Estate") of RMB90,200 million agreed to waive both of their SI's Right (i) and SI's Right (ii);

— Certain SIs with aggregated capital investments in Hengda Real Estate of RMB30,000 million exercised their SI's Right (i) and Kailong Real Estate choose to repurchase their shares at their original investment costs, on conditions that Kailong Real Estate financed RMB30,000 million by disposed part of Hengda Real Estate's original shares to two independent third party new investors.

— A SI with aggregated capital investment in Hengda Real Estate of RMB5,500 million exercised its SI's Right (ii).

The Group has repurchased the shares of Hengda Real Estate as held by the remaining SIs' at their original investment costs of RMB4,300 million in cash (note 24).

#### Major equity financing activities of the Company and its subsidiaries

— On 23 September 2020, a subsidiary of the Group, China Evergrande New Energy Vehicle Group Limited ("Evergrande Auto") placed 176,580,000 shares to certain third-party investors with net proceeds of approximately of HK$3,985 million.

— On 13 October 2020, the Company placed 260,650,000 shares to certain third-party investors with net proceeds of approximately of HK$4,256 million.

— On 2 December 2020, a subsidiary of the Group, Evergrande Property Services Group Limited ("Evergrande Property Services") was successfully listed on the main board of the Stock Exchange, and the Group received net proceeds totally approximately HK$37,500 million including proceeds from pre-IPO strategy investors investment of HK$23,500 million.

— On 24 January 2021, Evergrande Auto entered into the subscription agreements with certain third-party investors to allot and issue an aggregate of 952,383,000 subscription shares at HK$27.3 per share, raising a total of approximately HK$26,000 million.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

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

Major equity financing activities of the Company and its subsidiaries (Continued)

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 31 December 2020 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the date of the consolidated balance sheet.

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

| | Less than 1 year RMB million | Between 1 and 2 years RMB million | Between 2 and 5 years RMB million | Over 5 years RMB million | Total RMB million |
|---|---|---|---|---|---|
| At 31 December 2020 | | | | | |
| Borrowings | **383,776** | **189,406** | **226,116** | **14,013** | **813,311** |
| Trade and other payables* | **793,339** | **4,636** | **1,983** | **1,806** | **801,764** |
| | **1,177,115** | **194,042** | **228,099** | **15,819** | **1,615,075** |
| At 31 December 2019 | | | | | |
| Borrowings | 425,486 | 234,608 | 211,389 | 40,587 | 912,070 |
| Trade and other payables* | 690,910 | 948 | 3,147 | 42 | 695,047 |
| | 1,116,396 | 235,556 | 214,536 | 40,629 | 1,607,117 |

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

The amounts have not included financial guarantee contracts:

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

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

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

# 4 FINANCIAL RISK MANAGEMENT (Continued)

## (b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt. Compared with the total borrowing balances of RMB835,471 million as at 30 June 2020, the balances decreased to RMB716,532 million as at 31 December 2020.

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

The gearing ratios as at 31 December 2020 and 2019 were as follows:

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Total borrowings (note 23) | **716,532** | 799,895 |
| Total assets | **2,301,159** | 2,206,577 |
| Gearing ratio | **31.1%** | 36.3% |

## (c) Fair value estimation

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 FINANCIAL RISK MANAGEMENT (Continued)

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

(i) (Continued)

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

| | Level 1<br>RMB million | Level 2<br>RMB million | Level 3<br>RMB million | Total<br>RMB million |
|---|---|---|---|---|
| **At 31 December 2020** | | | | |
| **Assets** | | | | |
| FVOCI | 655 | — | 757 | 1,412 |
| FVPL | 922 | — | 10,503 | 11,425 |
| Total assets | 1,577 | — | 11,260 | 12,837 |
| **At 31 December 2019** | | | | |
| **Assets** | | | | |
| FVOCI | 734 | — | 853 | 1,587 |
| FVPL | 265 | — | 8,661 | 8,926 |
| Total assets | 999 | — | 9,514 | 10,513 |
| **Liabilities** | | | | |
| Derivative financial liabilities | - | 2,183 | 2,483 | 4,666 |

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

## 5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

As at 31 December 2020, the carrying amounts of properties under development and completed properties held for sale amounted to RMB1,257,908 million (2019: RMB1,198,388 million) and RMB148,473 million (2019: RMB129,073 million) respectively, which in total accounted for approximately 61% (2019: 60%) of the Group's total assets. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable values based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, write-down of carrying amounts of properties under development and completed properties held for sale amounted to RMB3,224 million as at 31 December 2020 (2019: RMB2,325 million).

### (b) Fair value of investment properties

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

### (c) Impairment assessment on goodwill and intangible assets

*(i) Goodwill*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3(i)(vi). The recoverable amounts of CGUs have been determined based on fair value less cost of disposals and value-in-use calculations. These calculations require use of estimates (note 10).

*(ii) Intangible assets*

Intangible assets are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets not ready to use- not subject to amortisation, are tested annually for impairment. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require use of judgements and estimates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

### (c) Impairment assessment on goodwill and intangible assets (Continued)

*(ii) Intangible assets (Continued)*

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

### (d) PRC corporate income taxes and deferred taxation

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

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

### (e) PRC land appreciation taxes

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 SEGMENT INFORMATION

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

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

Revenue for the year ended 31 December 2020 consists of sales of properties, rental income of investment properties, income from property management services and income from other businesses, which are set out below:

| | **Year ended 31 December** | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Sales of properties | **494,550** | 464,568 |
| Rental income | **1,275** | 1,364 |
| Property management services | **6,555** | 4,375 |
| Other businesses | **4,868** | 7,254 |
| | **507,248** | 477,561 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2020 are as follows:

| | Property development RMB million | Property investment RMB million | Property management services RMB million | Other businesses RMB million | Group RMB million |
|---|---|---|---|---|---|
| Gross segment revenue | 494,550 | 1,684 | 10,509 | 36,417 | 543,160 |
| Inter-segment revenue | — | (409) | (3,954) | (31,549) | (35,912) |
| Revenue | 494,550 | 1,275 | 6,555 | 4,868 | 507,248 |
| Revenue from contracts with customers | | | | | |
| — Recognised at a point in time | 494,550 | — | 129 | 2,894 | 497,573 |
| — Recognised over time | — | — | 6,426 | 1,974 | 8,400 |
| Revenue from other sources | | | | | |
| — Rental income | — | 1,275 | — | — | 1,275 |
| Share of post-tax profits of associates | 17 | — | — | 400 | 417 |
| Share of post-tax losses of joint ventures | (242) | — | — | (1,554) | (1,796) |
| Segment results | 69,329 | 3,042 | 3,516 | (7,277) | 68,610 |
| Impairment losses on financial assets | | | | | (288) |
| Dividend income of FVOCI | | | | | 11 |
| Losses on FVPL | | | | | (31) |
| Gains on derivative financial liabilities (note 23(c)) | | | | | 2,183 |
| Finance costs, net | | | | | (2,240) |
| Profit before income tax | | | | | 68,245 |
| Income tax expenses | | | | | (36,845) |
| Profit for the year | | | | | 31,400 |
| Depreciation and amortisation | 3,235 | — | 18 | 2,094 | 5,347 |
| Fair value gains on investment properties, net | — | 1,278 | — | — | 1,278 |

## 6 SEGMENT INFORMATION (Continued)

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 SEGMENT INFORMATION (Continued)

Segment assets and liabilities as at 31 December 2020 are as follows:

| | Property development RMB million | Property investment RMB million | Property management services RMB million | Other businesses RMB million | Group RMB million |
|---|---|---|---|---|---|
| Segment assets | **1,845,903** | **165,850** | **14,631** | **239,661** | **2,266,045** |
| Unallocated assets | | | | | **35,114** |
| Total assets | | | | | **2,301,159** |
| Segment assets include: | | | | | |
| Interest in associates | **6,636** | **—** | **—** | **49,821** | **56,457** |
| Interest in joint ventures | **14,860** | **—** | **—** | **20,953** | **35,813** |
| Segment liabilities | **847,256** | **—** | **6,570** | **170,372** | **1,024,198** |
| Unallocated liabilities | | | | | **926,530** |
| Total liabilities | | | | | **1,950,728** |
| Capital expenditure | **5,025** | **7,674** | **30** | **13,536** | **26,265** |

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 SEGMENT INFORMATION (Continued)

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

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

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

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

Reportable segment assets are reconciled to total assets as follows:

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Segment assets | **2,266,045** | 2,178,221 |
| Unallocated: | | |
| Income tax recoverable | **16,334** | 12,167 |
| Deferred income tax assets | **5,943** | 5,676 |
| FVOCI | **1,412** | 1,587 |
| FVPL | **11,425** | 8,926 |
| Total assets per consolidated balance sheet | **2,301,159** | 2,206,577 |

Reportable segment liabilities are reconciled to total liabilities as follows:

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Segment liabilities | **1,024,198** | 852,170 |
| Unallocated: | | |
| Current income tax liabilities | **156,856** | 130,543 |
| Deferred income tax liabilities | **53,142** | 60,766 |
| Borrowings | **716,532** | 799,895 |
| Derivative financial liabilities | **–** | 4,666 |
| Total liabilities per consolidated balance sheet | **1,950,728** | 1,848,040 |

No material revenues are derived from any single external customer (2019: none).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7 PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB million | Machinery RMB million | Transportation equipment RMB million | Furniture, Fitting and equipment RMB million | Construction in progress RMB million | Total RMB million |
|---|---|---|---|---|---|---|
| Year ended 31 December 2019 | | | | | | |
| Opening net book amount | 17,853 | 933 | 1,274 | 4,835 | 15,899 | 40,794 |
| Additions | 146 | 221 | 1,035 | 278 | 10,955 | 12,635 |
| Acquisition of subsidiaries | 2,213 | 982 | 2 | 248 | 2,258 | 5,703 |
| Transfer from construction in progress to property, plant and equipment | 2,131 | 573 | — | 478 | (3,182) | — |
| Transfer from construction in progress to investment properties | — | — | — | — | (171) | (171) |
| Disposals | (37) | (13) | (188) | (34) | — | (272) |
| Depreciation | (1,065) | (209) | (297) | (1,308) | — | (2,879) |
| Currency difference | 1 | (13) | — | — | — | (12) |
| Closing net book amount | 21,242 | 2,474 | 1,826 | 4,497 | 25,759 | 55,798 |
| At 31 December 2019 | | | | | | |
| Cost | 25,566 | 2,985 | 2,971 | 9,423 | 25,759 | 66,704 |
| Accumulated depreciation | (4,324) | (511) | (1,145) | (4,926) | — | (10,906) |
| Net book amount | 21,242 | 2,474 | 1,826 | 4,497 | 25,759 | 55,798 |
| Opening net book amount | **21,242** | **2,474** | **1,826** | **4,497** | **25,759** | **55,798** |
| Additions | **465** | **102** | **45** | **370** | **9,654** | **10,636** |
| Acquisition of subsidiaries | **1** | **—** | **—** | **—** | **—** | **1** |
| Transfer from construction in progress to property, plant and equipment | **983** | **5** | **1** | **337** | **(1,326)** | **—** |
| Transfer from properties under development | **—** | **—** | **—** | **—** | **12,939** | **12,939** |
| Disposal of subsidiaries | **(641)** | **(91)** | **—** | **(1)** | **—** | **(733)** |
| Disposals | **—** | **—** | **(6)** | **(5)** | **—** | **(11)** |
| Depreciation | **(1,168)** | **(378)** | **(329)** | **(937)** | **—** | **(2,812)** |
| Currency difference | **(54)** | **(23)** | **—** | **(10)** | **—** | **(87)** |
| Closing net book amount | **20,828** | **2,089** | **1,537** | **4,251** | **47,026** | **75,731** |
| At 31 December 2020 | | | | | | |
| Cost | **26,201** | **2,839** | **2,970** | **10,051** | **47,026** | **89,087** |
| Accumulated depreciation | **(5,373)** | **(750)** | **(1,433)** | **(5,800)** | **—** | **(13,356)** |
| Net book amount | **20,828** | **2,089** | **1,537** | **4,251** | **47,026** | **75,731** |

## 7 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

| | Year ended 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| Cost of sales | **796** | 951 |
| Selling and marketing costs | **128** | 253 |
| Administrative expenses | **1,888** | 1,675 |
| | **2,812** | 2,879 |

During the year ended 31 December 2020, the Group capitalised borrowing costs amounting to RMB1,675 million (2019: RMB1,556 million) on the construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 9.46% (2019: 8.63%).

As at 31 December 2020, property, plant and equipment of RMB7,802 million (2019: RMB4,831 million) were pledged as collateral for the Group's bank borrowings (note 23).

## 8 RIGHT-OF-USE ASSETS

| | Land use rights RMB million | Lease properties RMB million | Total RMB million |
|---|---|---|---|
| Year ended 31 December 2020 | | | |
| Opening net book amount | **11,849** | **1,704** | **13,553** |
| Additions | **1,227** | **1,905** | **3,132** |
| Transfer from properties under development | **3,323** | **—** | **3,323** |
| Disposals | **—** | **(135)** | **(135)** |
| Amortisation | **(295)** | **(1,017)** | **(1,312)** |
| Closing net book amount | **16,104** | **2,457** | **18,561** |
| Year ended 31 December 2019 | | | |
| Opening net book amount | 9,466 | 1,811 | 11,277 |
| Additions | 2,056 | 379 | 2,435 |
| Acquisition of subsidiaries | 632 | 245 | 877 |
| Disposals | (28) | — | (28) |
| Amortisation | (277) | (731) | (1,008) |
| Closing net book amount | 11,849 | 1,704 | 13,553 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9 INVESTMENT PROPERTIES

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Opening net book amount | **162,556** | 162,322 |
| Additions | **7,674** | 355 |
| Acquisition of subsidiaries | **–** | 1,492 |
| Disposals | **(5,012)** | (3,314) |
| Disposals of subsidiaries | **–** | (207) |
| Transfer from property, plant and equipment | **–** | 178 |
| Fair value gains on investment properties, net | **1,278** | 1,516 |
| Currency translation differences | **(646)** | 214 |
| Closing net book amount | **165,850** | 162,556 |
| Comprise of: | | |
| Completed | **155,537** | 140,039 |
| Under construction | **10,313** | 22,517 |

As at 31 December 2020, investment properties of RMB18,573 million (2019: RMB9,786 million) were pledged as collateral for the Group's borrowings (note 23).

Borrowing costs of RMB485 million (2019: RMB254 million) had been capitalised in investment properties under construction for the year ended 31 December 2020. The capitalisation rate of borrowing costs for the year ended 31 December 2020 was 9.46% (2019: 8.63%).

### (a) Valuation processes of the Group

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

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

## 9 INVESTMENT PROPERTIES (Continued)

### (b) Valuation techniques

Valuations were based on either:

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9 INVESTMENT PROPERTIES (Continued)

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

| | Property category | Fair value as at 31 December 2020 | Valuation techniques | Unobservable inputs | Range of unobservable inputs |
|---|---|---|---|---|---|
| Completed investment properties | Commercial properties | 30,817 | Income capitalisation | Terminal yield | 2.40%–6.00% |
| | | | | Reversionary yield | 2.40%–6.00% |
| | | | | Capitalisation rates | 2.40%–6.00% |
| | | | | Expected vacancy rate | 0.00%–20.00% |
| | | | | Monthly rental (RMB/ square meter/month) | 23–740 |
| | | 78,200 | Direct comparison | Market price (RMB/ square meter) | 5,088–105,405 |
| | Car park | 46,520 | Direct comparison | Market price (RMB/ per car park) | 45,000–580,000 |
| Investment properties under construction | Commercial properties | 10,310 | Residual method | Market price (RMB/ square meter) | 5,100–73,900 |
| | | | | Budgeted cost (RMB/ square meter) | 1,186–16,684 |
| | | | | Anticipated developer's profit margin | 5.00%–10.00% |
| | Car park | 3 | Residual method | Market price (RMB/ per car park) | 85,500 |
| | | | | Budgeted cost (RMB/ square meter) | 2,309 |
| | | | | Anticipated developer's profit margin | 10% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9 INVESTMENT PROPERTIES (Continued)

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9 INVESTMENT PROPERTIES (Continued)

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

Relationship of unobservable inputs to fair value:

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

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

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Rental income | **1,275** | 1,364 |
| Direct operating expenses arising from investment properties that generate rental income | **(110)** | (137) |

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

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Not later than one year | **1,430** | 1,313 |
| Later than one year and not later than five years | **1,075** | 1,180 |
| Later than five years | **662** | 717 |
| | **3,167** | 3,210 |

During the years ended 31 December 2020 and 2019, the investment properties are mainly located in the PRC and have lease periods less than 20 years.

## 10 GOODWILL

| | New energy vehicle business RMB million | Other businesses RMB million | Total RMB million |
|---|---|---|---|
| **Year ended 31 December 2020** | | | |
| Opening net book amount | **6,193** | **1,595** | **7,788** |
| Acquired from business combination (note 41) | **—** | **57** | **57** |
| Impairment charge | **(232)** | **(74)** | **(306)** |
| Currency difference | **283** | **—** | **283** |
| Closing net book amount | **6,244** | **1,578** | **7,822** |
| **Year ended 31 December 2019** | | | |
| Opening net book amount | — | 1,595 | 1,595 |
| Acquired from business combination | 6,193 | — | 6,193 |
| Impairment charge | — | — | — |
| Closing net book amount | 6,193 | 1,595 | 7,788 |

For the purpose of goodwill impairment testing, the carrying value of goodwill is allocated to the related CGU or groups of CGUs which are expected to benefit from the synergies of the business combination.

The recoverable amount of a CGU or a group of CGUs is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The corresponding impairment loss of a CGU or a group of CGUs will not be recognised if either the fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset is higher than the carrying value.

Based on management's impairment assessment, an impairment loss of RMB232 million was recognised for the new energy vehicle business for the year ended 31 December 2020 (2019: nil).

(a) The goodwill of other businesses mainly represents goodwill arose from acquisition of other listed companies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10 GOODWILL (Continued)

### (b) Impairment tests for goodwill arose from acquisition of new energy vehicle business

A summary of the goodwill allocation is presented below.

| | 31 December 2019 RMB million | Currency differences RMB million | Impairment charge RMB million | Goodwill Reallocation (i) RMB million | **31 December 2020 RMB million** |
|---|---|---|---|---|---|
| New energy vehicle manufacturing | 5,457 | 283 | – | 304 | **6,044** |
| New energy battery manufacturing | 200 | – | – | – | **200** |
| New energy electromotor — commercial vehicles | 232 | – | (232) | – | **–** |
| New energy electromotor — passenger vehicles | 304 | – | – | (304) | **–** |
| | 6,193 | 283 | (232) | – | **6,244** |

(i) Pursuant to reorganisation between new energy vehicle manufacturing and new energy electromotor — passenger vehicles , the goodwill of electromotor — passenger vehicles has been reallocated to new energy vehicle manufacturing. This was a result of a redefinition of the Group's allocation of manufacturing new energy vehicle across all CGUs in order to benefit from advantageous passenger vehicle market conditions.

The following table sets out the key assumptions for those CGUs of new energy vehicle business that have significant goodwill allocated to them:

| | **New energy vehicle manufacturing** | **New energy battery manufacturing** |
|---|---|---|
| Goodwill allocated (RMB million) | 6,044 | 200 |
| Basis of determining the CGUs' recoverable amount | Fair value less costs of disposal | Fair value less costs of disposal |
| Level of fair value hierarchy | Level 3 | Level 3 |
| Fair value valuation techniques | Discounted cash flow | Discounted cash flow |
| Years of forecast period | 10 | 10 |
| Revenue growth rate during the forecast period (%) | 8.2%–319.6% | 3.8%–274.2% |
| Terminal growth rate (%) | 3% | 3% |
| Discount rate (%) | 17.1% | 18.5% |

## 10 GOODWILL (Continued)

### (b) Impairment tests for goodwill arose from acquisition of new energy vehicle business (Continued)

Management has determined the values assigned to each of the above key assumptions as follows:

| Assumption | Approach used to determine values |
|---|---|
| Revenue growth rate | Average annual revenue growth rate over the forecast period was based on management's expectations of market development. |
| Terminal growth rate | This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports. |
| Discount rate | Reflect specific risks relating to the relevant segments and the countries in which they operate. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 INTANGIBLE ASSETS

| | New energy vehicle business | | | | Other businesses | |
|---|---|---|---|---|---|---|
| | Research and development costs RMB million | Patent, proprietary technology and franchise rights RMB million | Others RMB million | Total RMB million | Others RMB million | Total RMB million |
| **Year ended 31 December 2020** | | | | | | |
| Cost | **6,952** | **5,713** | **168** | **12,833** | **658** | **13,491** |
| Accumulated amortisation and impairment | **(634)** | **(1,925)** | **(30)** | **(2,589)** | **(206)** | **(2,795)** |
| Net book amount | **6,318** | **3,788** | **138** | **10,244** | **452** | **10,696** |
| Opening net book amount | **2,774** | **4,900** | **83** | **7,757** | **203** | **7,960** |
| Acquired from business combination | **–** | **–** | **–** | **–** | **62** | **62** |
| Additions | **4,056** | **314** | **72** | **4,442** | **261** | **4,703** |
| Disposals | **–** | **–** | **(5)** | **(5)** | **(6)** | **(11)** |
| Amortisations | **(377)** | **(766)** | **(12)** | **(1,155)** | **(68)** | **(1,223)** |
| Impairment losses (a) | **(135)** | **(673)** | **–** | **(808)** | **–** | **(808)** |
| Currency difference | **–** | **13** | **–** | **13** | **–** | **13** |
| Closing book amount | **6,318** | **3,788** | **138** | **10,244** | **452** | **10,696** |
| **Year ended 31 December 2019** | | | | | | |
| Cost | 2,897 | 5,207 | 96 | 8,200 | 353 | 8,553 |
| Accumulated amortisation and impairment | (123) | (307) | (13) | (443) | (150) | (593) |
| Net book amount | 2,774 | 4,900 | 83 | 7,757 | 203 | 7,960 |
| Opening net book amount | – | 1 | 4 | 5 | 419 | 424 |
| Acquired from business combination | 2,036 | 4,954 | 48 | 7,038 | – | 7,038 |
| Additions | 861 | 429 | 40 | 1,330 | – | 1,330 |
| Disposals | – | – | – | – | (172) | (172) |
| Amortisations | (123) | (307) | (9) | (439) | (44) | (483) |
| Impairment losses | – | (175) | – | (175) | – | (175) |
| Currency difference | – | (2) | – | (2) | – | (2) |
| Closing book amount | 2,774 | 4,900 | 83 | 7,757 | 203 | 7,960 |

## 11 INTANGIBLE ASSETS (Continued)

### (a) Impairment loss

The Group made impairment to intangible assets that were un-utilised and not able to generate future economic benefits. The whole amount was recognised as administrative expense in the consolidated statement of comprehensive income. Based on management's assessment, an impairment loss of RMB808 million was recognised for the new energy vehicle business for the year ended 31 December 2020 (2019: nil).

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

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Cost of sales | **135** | 187 |
| Selling and marketing costs | **18** | 25 |
| Administrative expenses | **1,070** | 271 |
| | **1,223** | 483 |

## 12 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

### (a) Properties under development

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Properties under development expected to be completed with one operating cycle included under current assets | **1,257,908** | 1,198,388 |
| Properties under development comprise: | | |
| — Construction costs and capitalised expenditures | **485,538** | 538,799 |
| — Interests capitalised | **169,772** | 132,323 |
| — Land use rights | **602,598** | 527,266 |
| | **1,257,908** | 1,198,388 |

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

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

As at 31 December 2020, properties under development of approximately RMB303,364 million (2019: RMB369,072 million) were pledged as collateral for the Group's borrowings (note 23).

The capitalisation rate of borrowing costs for the year ended 31 December 2020 is 9.46% (2019: 8.63%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### (b) Completed properties held for sale

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

As at 31 December 2020, completed properties held for sale of approximately RMB8,201 million (2019: RMB7,718 million) were pledged as collateral for the Group's borrowings (note 23).

During the year ended 31 December 2020, a provision of RMB899 million (2019: RMB829 million) was made to write down the properties under development and completed properties held for sale (note 30).

As at 31 December 2020, write-down of carrying amounts of properties under development and completed properties held for sale amounted to RMB3,224 million (2019: RMB2,325 million).

## 13 TRADE AND OTHER RECEIVABLES

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Trade receivables (a) | **46,365** | 51,303 |
| Other receivables (b) | **102,590** | 98,735 |
| | **148,955** | 150,038 |
| Less: non-current portion of trade receivables and other receivables | **(7,249)** | (6,332) |
| Current portion | **141,706** | 143,706 |

### (a) Trade receivables

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Trade receivables | **46,606** | 51,467 |
| Less: allowance provision for impairment | **(241)** | (164) |
| Trade receivables — net | **46,365** | 51,303 |
| Less: non-current portion | **(7,146)** | (6,039) |
| Current portion | **39,219** | 45,264 |

# 13 TRADE AND OTHER RECEIVABLES (Continued)

## (a) Trade receivables (Continued)

During the year ended 31 December 2020, impairment provision of RMB77 million (2019: reverse loss provision of RMB10 million) was made against the gross amount of trade receivables (note 4(a)(iii)).

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

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

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Within 90 days | **40,655** | 41,656 |
| Over 90 days and within 180 days | **1,991** | 4,928 |
| Over 180 days and within 365 days | **3,600** | 3,818 |
| Over 365 days | **360** | 1,065 |
| | **46,606** | 51,467 |

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

## (b) Other receivables

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Other receivables | | |
| — associates (note 39(b)) | **1,505** | 30 |
| — joint ventures (note 39(b)) | **33,296** | 27,744 |
| — non-controlling interests (note (i)) | **16,097** | 17,427 |
| — third parties (note (ii)) | **53,645** | 55,276 |
| | **104,543** | 100,477 |
| Less: allowance provision for impairment | **(1,953)** | (1,742) |
| Other receivables — net | **102,590** | 98,735 |
| Less: non-current portion | **(103)** | (293) |
| Other receivables — net | **102,487** | 98,442 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13 TRADE AND OTHER RECEIVABLES (Continued)

### (b) Other receivables (Continued)

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

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

During the year ended 31 December 2020, impairment provision of RMB211 million (2019: RMB204 million) was made against the gross amount of other receivables (note 4(a)(iii)).

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

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

As at 31 December 2020 and 2019, the fair value of trade and other receivables approximated their carrying amounts.

## 14 PREPAYMENTS

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Prepaid value added taxes and other taxes | **23,502** | 16,208 |
| Prepayments to third parties | **129,985** | 116,950 |
| — for acquisition of land use rights | **123,066** | 103,123 |
| — for acquisition of subsidiaries | **2,344** | 8,989 |
| — others | **4,575** | 4,838 |
| | **153,487** | 133,158 |
| Less: non-current portion | | |
| — prepayments for acquisition of property, plant and equipment and land use rights | **(2,461)** | (2,697) |
| | **151,026** | 130,461 |

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| Associates | **56,457** | 52,402 |
| Joint ventures | **35,813** | 35,409 |
| | **92,270** | 87,811 |

The amounts recognised in profit and loss are as follows:

| | Year ended 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| Share of profits of associates | **417** | 4,556 |
| Share of losses of joint ventures | **(1,796)** | (1,589) |
| | **(1,379)** | 2,967 |

### (a) Investments in associates

The movements of the investments in associates are as follows:

| | Year ended 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| Balance as at 1 January | **52,402** | 31,703 |
| Additions | **3,836** | 16,133 |
| — Shengjing Bank Co., Ltd | **—** | 13,200 |
| — others | **3,836** | 2,933 |
| Acquisition of subsidiaries | **—** | 172 |
| Disposals | **(2)** | — |
| Dividend declared | **(53)** | (163) |
| Share of post-tax profits of associates | **417** | 4,556 |
| — Shengjing Bank Co., Ltd (note i) | **395** | 905 |
| — Negative goodwill and impairment loss, net | **—** | 3,612 |
| — others | **22** | 39 |
| Other comprehensive (loss)/income | **(143)** | 1 |
| Balance as at 31 December | **56,457** | 52,402 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

### (a) Investments in associates (Continued)

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

*(i) Shengjing Bank Co., Ltd*

Shengjing Bank Co., Ltd ("Shengjing Bank") is principally engaged in banking services in the PRC including provision of corporate and personal deposits, loans and advances, settlements, treasury businesses and etc.

The Group held 36.40% equity interest of Shengjing Bank.

**Summarised balance sheet**

| | 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| Cash and balances with central bank | **78,506** | 90,533 |
| Other assets | **962,154** | 934,707 |
| Total assets | **1,040,660** | 1,025,240 |
| Financial liabilities | **934,066** | 933,617 |
| Other liabilities | **23,845** | 9,682 |
| Total liabilities | **957,911** | 943,299 |
| **Net assets** | **82,749** | 81,941 |
| **Net assets attributable to:** | | |
| Shareholders of the Shengjing Bank | **82,154** | 81,375 |
| Non-controlling interests | **595** | 566 |
| | **82,749** | 81,941 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

### (a) Investments in associates (Continued)

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

**Summarised statement of comprehensive income**

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Interest income | **42,534** | 44,944 |
| Interest expenses | **(27,976)** | (28,594) |
| **Profit before tax** | **433** | 5,868 |
| Income tax credit/(expenses) | **681** | (636) |
| **Profit for the year** | **1,114** | 5,232 |
| **Other comprehensive income** | **(307)** | — |
| **Total comprehensive income** | **807** | 5,232 |
| **Total comprehensive income attributable to:** | | |
| Shareholders of the Shengjing Bank | **779** | 5,237 |
| Non-controlling interests | **28** | (5) |
| | **807** | 5,232 |
| **Share of post-tax profits of Shengjing Bank** | **395** | 905 |
| **Share of other comprehensive income of Shengjing Bank** | **(112)** | — |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

### (a) Investments in associates (Continued)

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

**Reconciliation of summarised financial information**

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| **Net assets as at 1 January** | **81,375** | 63,140 |
| Profit for the year | **1,086** | 5,237 |
| Other comprehensive income | **(307)** | — |
| Dividend | **—** | (696) |
| Others | **—** | 13,694 |
| **Net assets as at 31 December** | **82,154** | 81,375 |
| Interest in the associate | **29,904** | 29,621 |
| Goodwill | **—** | — |
| **Carrying value** | **29,904** | 29,621 |

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

### (b) Investments in joint ventures

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

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Balance as at 1 January | **35,409** | 35,343 |
| Additions (note a) | **5,241** | 4,405 |
| Acquisition of subsidiaries | **—** | 24 |
| Disposals | **(3,192)** | (2,801) |
| Share of post-tax losses of joint ventures | **(1,796)** | (1,589) |
| Other comprehensive income | **151** | 27 |
| Balance as at 31 December | **35,813** | 35,409 |

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

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

### (b) Investments in joint ventures (Continued)

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

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

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

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

**Summarised consolidated balance sheet**

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Cash and cash equivalents | **20,983** | 19,244 |
| Other assets | **225,339** | 174,275 |
| Total assets | **246,322** | 193,519 |
| Financial liabilities (excluding insurance liabilities) | **8,572** | 13,302 |
| Other liabilities (including insurance liabilities) | **215,866** | 158,776 |
| Total liabilities | **224,438** | 172,078 |
| **Net assets** | **21,884** | 21,441 |
| **Net assets attributable to:** | | |
| Shareholders of the Evergrande Life Insurance | **21,878** | 21,432 |
| Non-controlling interests | **6** | 9 |
| | **21,884** | 21,441 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

### (b) Investments in joint ventures (Continued)

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

**Summarised consolidated statement of comprehensive income**

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Revenue | **58,468** | 36,760 |
| **Profit before tax** | **200** | 1,500 |
| Income tax expenses | **(55)** | (26) |
| **Profit for the year** | **145** | 1,474 |
| **Other comprehensive income** | **302** | 54 |
| **Total comprehensive income** | **447** | 1,528 |
| **Total comprehensive income attributable to:** | | |
| Shareholders of the Evergrande Life Insurance | **446** | 1,526 |
| Non-controlling interests | **1** | 2 |
| | **447** | 1,528 |
| **Share of post-tax profits of Evergrande Life Insurance** | **72** | 736 |
| **Share of other comprehensive income of Evergrande Life Insurance** | **151** | 27 |

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

### (b) Investment in joint ventures (Continued)

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

**Reconciliation of summarised financial information**

| | Year ended 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| **Net assets as at 1 January** | **21,432** | 19,906 |
| Profit for the year | **144** | 1,472 |
| Other comprehensive income | **302** | 54 |
| **Net assets as at 31 December** | **21,878** | 21,432 |
| Interest in the Joint Venture | **16,944** | 16,721 |
| Goodwill | **879** | 879 |
| **Carrying value** | **17,823** | 17,600 |

## 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | Year ended 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| **Balance as at 1 January** | **1,587** | 1,570 |
| Net fair value (losses)/gains recognised in equity | **(175)** | 17 |
| **Balance as at 31 December** | **1,412** | 1,587 |

FVOCI include the following:

| | Year ended 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| Listed equity securities | **655** | 734 |
| Unlisted equity investments | **757** | 853 |
| | **1,412** | 1,587 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Balance as at 1 January | **8,926** | 10,138 |
| Additions | **6,628** | 7,925 |
| Acquisition of subsidiaries | **—** | 98 |
| Fair value losses | **(31)** | (1,863) |
| Disposals | **(4,098)** | (7,372) |
| Balance as at 31 December | **11,425** | 8,926 |
| Less: non-current portion | **(8,230)** | (8,005) |
| | **3,195** | 921 |

FVPL include the following:

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Listed equity securities | **922** | 265 |
| Unlisted equity investments | **10,503** | 8,661 |
| | **11,425** | 8,926 |

As at 31 December 2020 and 2019, the listed equity securities of FVPL represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange Limited (the "Shanghai Stock Exchange"), the Shenzhen Stock Exchange Limited (the "Shenzhen Stock Exchange") and the Stock Exchange, which are quoted in an active market.

As at 31 December 2020, the unlisted equity investments of FVPL mainly represented the Group's equity investments in high technology, media companies and an automobile group, and the fair value of these investments has been determined by reference to the valuation carried out by independent and professionally qualified valuers.

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

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

### Assets as per consolidated balance sheet

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| **At amortised cost** | | |
| **Loans and receivables** | | |
| — Trade and other receivables | **148,955** | 150,038 |
| — Restricted cash | **21,992** | 78,711 |
| — Cash and cash equivalents | **158,752** | 150,056 |
| | **329,699** | 378,805 |
| **At fair value** | | |
| — FVPL | **11,425** | 8,926 |
| — FVOCI | **1,412** | 1,587 |
| | **342,536** | 389,318 |

### Liabilities as per consolidated balance sheet

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| **At amortised cost** | | |
| **Other financial liabilities** | | |
| — Borrowings | **716,532** | 799,895 |
| — Trade and other payables excluding other taxes, payroll payable and deferred income from government grants | **799,209** | 693,756 |
| | **1,515,741** | 1,493,651 |
| **At fair value** | | |
| — Derivative financial liabilities | **–** | 4,666 |
| | **1,515,741** | 1,498,317 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 RESTRICTED CASH

The restricted cash is denominated in the following currencies:

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| — Denominated in RMB | **21,968** | 78,330 |
| — Denominated in other currencies | **24** | 381 |
| | **21,992** | 78,711 |

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

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

## 20 CASH AND CASH EQUIVALENTS

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| Cash at bank and in hand: | | |
| — Denominated in RMB | **154,695** | 128,832 |
| — Denominated in other currencies | **4,057** | 21,224 |
| | **158,752** | 150,056 |

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 SHARE CAPITAL AND PREMIUM

| | Number of ordinary shares<br>share | Nominal value of ordinary shares<br>US$ | Equivalent nominal value of ordinary share<br>RMB million | Share premium<br>RMB million | Total<br>RMB million |
|---|---|---|---|---|---|
| As at 1 January 2019 | 13,118,063,900 | 131,180,639 | 924 | 281 | 1,205 |
| Issuance of shares pursuant to the option scheme | 108,124,000 | 1,081,240 | 8 | 362 | 370 |
| As at 31 December 2019 | 13,226,187,900 | 132,261,879 | 932 | 643 | 1,575 |
| As at 1 January 2020 | **13,226,187,900** | **132,261,879** | **932** | **643** | **1,575** |
| Issuance of shares pursuant to the option scheme | **28,612,000** | **286,120** | **2** | **95** | **97** |
| Proceeds from shares placement (note (a)) | **260,650,000** | **2,606,500** | **18** | **3,702** | **3,720** |
| Repurchase of shares (note (b)) | **(276,165,000)** | **(2,761,650)** | **(19)** | **(738)** | **(757)** |
| As at 31 December 2020 | **13,239,284,900** | **132,392,849** | **933** | **3,702** | **4,635** |

(a) On 13 October 2020, the Company placed 260,650,000 shares to certain third-party investors at a subscription price of HK$16.5 per share.

(b) During the year ended 31 December 2020, the Company repurchased an aggregate of 276,165,000 shares of its own shares through the Stock Exchange, at a total consideration of HK$4,656 million (equivalent to approximately RMB4,181 million). The aforesaid repurchased shares were cancelled on 23 December 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 RESERVES

| | Merger reserve RMB million (note (a)) | Other reserves RMB million | Statutory reserves RMB million (note (b)) | Employee share option reserve RMB million (note (c)) | Capital redemption reserve RMB million | Translation reserves RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | (986) | 41,921 | 21,658 | 2,502 | 304 | 599 | 65,998 |
| Revaluation of FVOCI | – | (14) | – | – | – | – | (14) |
| Retained earnings appropriated to statutory reserves | – | – | 5,080 | – | – | – | 5,080 |
| Changes in ownership interests in subsidiaries without change of control | – | (5,188) | – | – | – | – | (5,188) |
| Issuance of shares pursuant to the option scheme | – | – | – | (75) | – | – | (75) |
| Employee share option scheme (note (c)) | – | – | – | 489 | – | – | 489 |
| Share of other comprehensive income of investments accounted for using the equity method | – | 28 | – | – | – | – | 28 |
| Revaluation gains arising from transfer of construction in progress to investment properties, net of tax | – | 7 | – | – | – | – | 7 |
| Currency translation differences | – | – | – | – | – | (192) | (192) |
| Balance at 31 December 2019 | (986) | 36,754 | 26,738 | 2,916 | 304 | 407 | 66,133 |
| Balance at 1 January 2020 | **(986)** | **36,754** | **26,738** | **2,916** | **304** | **407** | **66,133** |
| Revaluation of FVOCI | **–** | **(112)** | **–** | **–** | **–** | **–** | **(112)** |
| Retained earnings appropriated to statutory reserves | **–** | **–** | **6,059** | **–** | **–** | **–** | **6,059** |
| Capital injection from non-controlling interests (note 40) | **–** | **8,851** | **–** | **–** | **–** | **–** | **8,851** |
| Changes in ownership interests in subsidiaries without change of control (note 40) | **–** | **11,350** | **–** | **–** | **–** | **–** | **11,350** |
| Issuance of shares pursuant to the option scheme | **–** | **–** | **–** | **(20)** | **–** | **–** | **(20)** |
| Employee share option scheme (note (c)) | **–** | **–** | **–** | **607** | **–** | **–** | **607** |
| Repurchase of shares | **–** | **–** | **–** | **–** | **19** | **–** | **19** |
| Share of other comprehensive income of investments accounted for using the equity method | **–** | **7** | **–** | **–** | **–** | **–** | **7** |
| Currency translation differences | **–** | **–** | **–** | **–** | **–** | **(108)** | **(108)** |
| Balance at 31 December 2020 | **(986)** | **56,850** | **32,797** | **3,503** | **323** | **299** | **92,786** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 RESERVES (Continued)

### (a) Merger reserve

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

### (b) Statutory reserves

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

### (c) Employee share option reserve

*(i) Employee share option scheme of the Company*

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

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

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

On 24 April 2020, 623,000,000 share options (the "2020 Option") were granted to directors and employees with an exercise price of HK$13.11 per share. All the options granted will be exercisable within 5 years after vesting.

Movements of share options are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| Balance at 1 January | **586,933,000** | 792,974,000 |
| Granted during the year | **623,000,000** | — |
| Exercised during the year | **(28,615,000)** | (108,124,000) |
| Cancelled and lapsed during the year | **(174,195,000)** | (97,917,000) |
| Balance at 31 December | **1,007,123,000** | 586,933,000 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 RESERVES (Continued)

### (c) Employee share option reserve (Continued)

*(i) Employee share option scheme of the Company* (Continued)

Particulars of share options of the Company as at 31 December 2020 and 2019 are as follows:

| Date of grant | Vesting period | Exercise period | Exercise price | Number of outstanding shares as at 31 December 2020 | 2019 |
|---|---|---|---|---|---|
| **2014 Options:** | | | | | |
| 9 October 2014 | 5 year | 9 October 2019 – 8 October 2024 | HK$3.05 | **16,691,000** | 45,503,000 |
| **2017 Options:** | | | | | |
| 6 October 2017 | 1 year | 6 October 2018 – 5 October 2023 | HK$30.20 | **41,208,000** | 48,134,000 |
| 6 October 2017 | 2 year | 6 October 2019 – 5 October 2024 | HK$30.20 | **105,581,000** | 123,324,000 |
| 6 October 2017 | 3 year | 6 October 2020 – 5 October 2025 | HK$30.20 | **105,581,000** | 123,324,000 |
| 6 October 2017 | 4 year | 6 October 2021 – 5 October 2026 | HK$30.20 | **105,581,000** | 123,324,000 |
| 6 October 2017 | 5 year | 6 October 2022 – 5 October 2027 | HK$30.20 | **105,581,000** | 123,324,000 |
| **2020 Options:** | | | | | |
| 24 April 2020 | 1 year | 24 April 2021 – 24 April 2022 | HK$13.11 | **105,380,000** | — |
| 24 April 2020 | 2 year | 24 April 2022 – 24 April 2023 | HK$13.11 | **105,380,000** | — |
| 24 April 2020 | 3 year | 24 April 2023 – 24 April 2024 | HK$13.11 | **105,380,000** | — |
| 24 April 2020 | 4 year | 24 April 2024 – 24 April 2025 | HK$13.11 | **105,380,000** | — |
| 24 April 2020 | 5 year | 24 April 2025 – 24 April 2026 | HK$13.11 | **105,380,000** | — |
| | | | | **1,007,123,000** | 586,933,000 |

## 22 RESERVES (Continued)

### (c) Employee share option reserve (Continued)

*(ii) Employee share option scheme of Evergrande Auto*

Evergrande Auto approved and adopted a share option scheme on 6 June 2018 (the "2018 Share Option Plan").

On 6 November 2020, Evergrande Auto granted 298,820,000 share options under 2018 Share Option Plan to certain of its directors and other selected employees with an exercise price of HK$23.05 per share, as rewards for their services. All the options granted will be exercisable within 10 years after vesting. When exercisable, each option is convertible into one ordinary share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements of share options are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| Balance at 1 January | **–** | — |
| Granted during the year | **298,820,000** | — |
| Forfeited during the year | **(3,940,000)** | — |
| Balance at 31 December | **294,880,000** | — |

Particulars of share options of Evergrande Auto as at 31 December 2020 and 2019 are as follows:

| Date of grant | Vesting period | Exercise period | Exercise price | Number of outstanding shares as at 31 December 2020 | 2019 |
|---|---|---|---|---|---|
| **2018 Options:** | | | | | |
| 6 November 2020 | 1 year | 6 November 2021 – 5 November 2026 | HK$23.05 | **58,976,000** | — |
| 6 November 2020 | 2 year | 6 November 2022 – 5 November 2027 | HK$23.05 | **58,976,000** | — |
| 6 November 2020 | 3 year | 6 November 2023 – 5 November 2028 | HK$23.05 | **58,976,000** | — |
| 6 November 2020 | 4 year | 6 November 2024 – 5 November 2029 | HK$23.05 | **58,976,000** | — |
| 6 November 2020 | 5 year | 6 November 2025 – 5 November 2030 | HK$23.05 | **58,976,000** | — |
| | | | | **294,880,000** | — |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 BORROWINGS

| | 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| Borrowings included in non-current liabilities: | | |
| Senior notes (note (a)) | **151,277** | 136,601 |
| PRC corporate bonds (note (b)) | **45,011** | 45,195 |
| Convertible bonds (note (c)) | **13,520** | 13,427 |
| Bank and other borrowings (note (d)) | **420,581** | 458,027 |
| | **630,389** | 653,250 |
| Less: current portion of non-current borrowings | **(249,334)** | (225,524) |
| | **381,055** | 427,726 |
| Borrowings included in current liabilities: | | |
| Bank and other borrowings | **86,143** | 146,645 |
| Current portion of non-current borrowings | **249,334** | 225,524 |
| — Senior notes (note (a)) | **26,039** | 22,637 |
| — PRC corporate bonds (note (b)) | **23,090** | 25,253 |
| — Convertible bonds (note (c)) | **13,520** | — |
| — Bank and other borrowings (note (d)) | **186,685** | 177,634 |
| | **335,477** | 372,169 |
| Total borrowings | **716,532** | 799,895 |
| The total borrowings are denominated in the following currencies: | | |
| RMB | **544,139** | 603,225 |
| US$ | **152,098** | 160,802 |
| HK$ | **20,295** | 35,868 |
| | **716,532** | 799,895 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# 23 BORROWINGS (Continued)

## (a) Senior notes

| | 31 December 2019 US$ million | New issuance US$ million | Redemption and repayment US$ million | 31 December 2020 US$ million |
|---|---|---|---|---|
| Par value | | | | |
| 2017 issued 2020 Notes | 500 | — | (500) | — |
| 2017 issued 2022 Notes | 1,000 | — | (3) | 997 |
| 2017 issued 2024 Notes | 1,000 | — | (49) | 951 |
| 2017 issued 2021 Notes | 598 | — | — | 598 |
| 2017 issued 2023 Notes | 1,345 | — | (13) | 1,332 |
| 2017 issued 2025 Notes | 4,681 | — | (31) | 4,650 |
| 2018 issued 2020 Notes | 1,565 | — | (1,565) | — |
| 2018 issued 2022 Notes | 645 | — | (1) | 644 |
| 2018 issued 2023 Notes | 590 | — | (1) | 589 |
| 2019 issued 2020 Notes I | 1,100 | — | (1,100) | — |
| 2019 issued 2021 Notes I | 875 | — | — | 875 |
| 2019 issued 2022 Notes I | 1,025 | — | — | 1,025 |
| 2019 issued 2020 Notes II | 100 | — | (100) | — |
| 2019 issued 2021 Notes II | 600 | — | — | 600 |
| 2019 issued 2022 Notes II | 1,450 | — | — | 1,450 |
| 2019 issued 2023 Notes | 850 | — | (16) | 834 |
| 2019 issued 2024 Notes | 700 | — | (9) | 691 |
| 2019 issued 2022 Notes III | 300 | — | — | 300 |
| 2019 issued 2021 Notes III | 1,050 | — | — | 1,050 |
| 2020 issued 2022 Notes | — | 2,000 | (1) | 1,999 |
| 2020 issued 2023 Notes I | — | 2,000 | (6) | 1,994 |
| 2020 issued 2023 Notes II | — | 1,000 | (1) | 999 |
| 2020 issued 2024 Notes | — | 1,000 | (5) | 995 |
| 2020 issued 2021 Notes I | — | 400 | — | 400 |
| 2020 issued 2021 Notes II | — | 500 | — | 500 |
| Total | 19,974 | 6,900 | (3,401) | 23,473 |
| Unrecognised financing charges | (393) | | | (288) |
| Amortised cost — US$ | 19,581 | | | 23,185 |
| Amortised cost — RMB | 136,601 | | | 151,277 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 BORROWINGS (Continued)

### (a) Senior notes (Continued)

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

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

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

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

On 23 October 2020 (the "Redemption Date"), all the outstanding 2018 issued 2020 Notes were early redeemed at a redemption price equal to 100.00% of the principal amount thereof, plus the applicable premium as of, and accrued and unpaid interest to (but not including) the Redemption Date.

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

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

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

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

## 23 BORROWINGS (Continued)

### (a) Senior notes (Continued)

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

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

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

On 22 January 2020, the Company issued 11.5%, 3-year senior notes with an aggregated principal amount of US$1,000 million (equivalent to approximately RMB6,813 million) at 100% of the face value ("2020 issued 2023 Notes II"), and 12.0%, 4-year senior notes with an aggregated principal amount of US$1,000 million (equivalent to approximately RMB6,813 million) at 100% of the face value ("2020 issued 2024 Notes").

On 24 January 2020, a subsidiary of the Company issued 11.5%, 33-month senior notes with an aggregated principal amount of US$2,000 million (equivalent to approximately RMB13,617 million) at 100% of the face value ("2020 issued 2022 Notes"), and 12.0%, 45-month senior notes with an aggregated principal amount of US$2,000 million (equivalent to approximately RMB13,617 million) at 100% of the face value ("2020 issued 2023 Notes I").

From February 2020 to March 2020, the Company issued 8.90%, 12-month senior notes with principal amounts of US$400 million (equivalent to approximately RMB2,725 million) at 100% of the face value, respectively ("2020 issued 2021 Notes I").

From July 2020 to August 2020, the Company issued 8.90%, 1-year senior notes with an aggregated principal amount of US$500 million (equivalent to approximately RMB3,495 million) at 100% of the face value ("2020 issued 2021 Notes II").

All senior notes contain various early redemption options. Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2020 and 2019.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 BORROWINGS (Continued)

### (b) PRC corporate bonds

On 19 June 2015, a subsidiary of the Company issued 5.38%, five-year public PRC corporate bonds ("PRC bonds") with an aggregated principal amount of RMB5,000 million at 100% of the face value. The Group has repaid this PRC corporate bonds in June 2020.

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

On 16 October 2015, a subsidiary of the Company issued 7.38%, five-year non-public PRC bonds with an aggregated principal amount of RMB17,500 million and 7.88%, five-year PRC bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value. The Group has repaid RMB777 million of the bonds in October 2018 and RMB8,641 million of the bonds in July 2019. The Group has repaid these PRC corporate bonds in October 2020.

On 12 January 2016, a subsidiary of the Company issued 6.98%, four-year non-public PRC bonds with an aggregated principal amount of RMB10,000 million at 100% of the face value. The Group has repaid this PRC corporate bonds in January 2020.

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

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

On 26 May 2020, a subsidiary of the Company issued 5.90%, three-year public PRC corporate bonds with an aggregated principal amount of RMB4,000 million at 100% of the face value.

On 5 June 2020, a subsidiary of the Company issued 5.60%, three-year public PRC corporate bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value.

On 23 September 2020, a subsidiary of the Company issued 5.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB4,000 million at 100% of the face value.

On 19 October 2020, a subsidiary of the Company issued 5.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB2,100 million at 100% of the face value.

Except for the PRC corporate bonds amounting to RMB8,200 million issued on 7 July 2015, other PRC corporate bonds contain the early redemption options.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 31 December 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 BORROWINGS (Continued)

### (c) Convertible bonds

On 30 January 2018, the Company entered into the Subscription Agreement with certain investment banks, pursuant to which the investment banks have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds (the "Convertible bonds") in an aggregate principal amount of HK$18,000 million at the face value.

The Convertible bonds will be mature in five years from the issuance date with an interest rate of 4.25% per annum, and can be convertible to ordinary shares of the Company at the holder's option at the conversion price of HK$38.99 per share during the period from 27 March 2018 to the seventh day prior to the Bonds' maturity date.

On 14 February 2018 (the "Issuance Day"), the Group received the net proceeds from issuance of the Convertible Bonds of HK$17,736 million (equivalent to RMB14,383 million).

The Convertible bonds was recognised as embedded financial derivatives and debt component as follows:

- Embedded financial derivatives, comprise the fair value of the option of the holders of the Convertible bonds to convert the Convertible bonds into ordinary shares of the Company at the conversion price; the fair value of the option of the holders of the Convertible bonds to require the Company to redeem the Convertible bonds; and the fair value of the option of the Company to redeem the Convertible bonds. These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative was recognised.

- Debt component initially recognised at the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

The Company redeemed the Convertible bonds in the aggregate principal amount of HK$1,799 million at an average purchase price of approximately 99.0% of such principal amount on 16 December 2020. After completion of the redemption, the repurchased Convertible Bonds was cancelled.

In December 2020, the Group made a resolution that the Company will early redeem the Convertible Bonds with the principal amount of approximately HK$16,201 million and pay the related accrued interest in February 2021. As at 31 December 2020, the fair value of embedded derivative financial liabilities of the Convertible bonds was near to nil and a fair value gain of RMB2,183 million was recognised in profit or loss for the year ended 31 December 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 BORROWINGS (Continued)

### (d) Bank and other borrowings

*(i) Other borrowings*

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), respectively, pursuant to which Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

As at 31 December 2020, the Group's bank and other borrowings of RMB388,349 million (2019: RMB468,248 million) were secured by pledge of the Group's property, plant and equipment, right-of-use assets, investment properties, properties under development, completed properties held for sale, cash in bank, intangible assets, account receivables and equity interest of certain subsidiaries, totaling RMB523,602 million (2019: RMB643,941 million).

The exposure of the bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

| | 6 months or less<br>RMB million | 6–12 months<br>RMB million | 1–5 years<br>RMB million | Over 5 years<br>RMB million | Total<br>RMB million |
|---|---|---|---|---|---|
| At 31 December 2020 | 121,570 | 213,907 | 370,137 | 10,918 | 716,532 |
| At 31 December 2019 | 106,706 | 265,463 | 389,943 | 37,783 | 799,895 |

The maturity of the borrowings is as follows:

| | 31 December 2020<br>RMB million | 2019<br>RMB million |
|---|---|---|
| Bank borrowings, other borrowings, senior notes and PRC bonds: | | |
| Within 1 year | **335,477** | 372,169 |
| 1–2 years | **166,613** | 206,486 |
| 2–5 years | **203,524** | 183,457 |
| Over 5 years | **10,918** | 37,783 |
| | **716,532** | 799,895 |

## 23 BORROWINGS (Continued)

### (d) Bank and other borrowings (Continued)

The effective interest rates were as follows:

| | **31 December 2020** | | 31 December 2019 | |
|---|---|---|---|---|
| | **RMB million** | **Effective weighted average rate** | RMB million | Effective weighted average rate |
| Bank and other borrowings | **506,724** | **9.52%** | 604,672 | 8.85% |
| Senior notes | **151,277** | **10.09%** | 136,601 | 10.06% |
| PRC bonds | **45,011** | **6.83%** | 45,195 | 7.08% |
| Convertible bonds | **13,520** | **10.71%** | 13,427 | 10.71% |

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

| | **31 December 2020** | | 31 December 2019 | |
|---|---|---|---|---|
| | **Carrying amount RMB million** | **Fair value RMB million** | Carrying amount RMB million | Fair value RMB million |
| Bank and other borrowings | **420,581** | **420,581** | 458,027 | 458,027 |
| Senior notes | **151,277** | **149,231** | 136,601 | 131,473 |
| PRC bonds — public | **45,011** | **44,844** | 30,125 | 32,665 |
| PRC bonds — non-public | **—** | **—** | 15,070 | 15,070 |
| Convertible bonds | **13,520** | **12,405** | 13,427 | 12,924 |

The fair value of the Group's bank borrowings, other borrowings and non-public PRC bonds approximates their carrying amounts at each of the balance sheet date for the reason that the impact of discounting is not significant or the borrowings carry floating rate of interests.

The fair values of senior notes as at 31 December 2020 are determined directly by references to the price quotations published by the Singapore Exchange Limited and The Hong Kong Exchanges and Clearing Limited on 31 December 2020, the last dealing date of 2020.

The fair value of the public PRC bonds at 31 December 2020 are determined directly by references to the price quotations published by The Shanghai Stock Exchange and Shenzhen Stock Exchange on 31 December 2020, the last dealing date of 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 DERIVATIVE FINANCIAL LIABILITIES

| | 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| Embedded financial derivatives of share compensation arrangement (note (a)) | – | 2,483 |
| Embedded financial derivatives of convertible bonds (note 23(c)) | – | 2,183 |
| | – | 4,666 |

(a) On 3 October 2016, Guangzhou Kailong Real Estate Company Limited ("Kailong Real Estate", an indirectly wholly-owned PRC subsidiary of the Company) and Hengda Real Estate Group Company Limited ("Hengda Real Estate", a wholly-owned PRC subsidiary of Kailong Real Estate), entered into a cooperation agreement with Shenzhen Special Economic Zone Real Estate and Properties (Group) Co. Ltd. ("Shenzhen Real Estate", a company listed on the Shenzhen Stock Exchange) and Shenzhen Investment Holding Co. Ltd. (the controlling shareholder of Shenzhen Real Estate). Pursuant to the agreement, the four parties agreed to work towards entering into a reorganisation agreement under which Shenzhen Real Estate will acquire 100% of the equity interests in Hengda Real Estate from Kailong Real Estate by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration to Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate and thereby enabling the Group to effectively list its real estate related business on the Shenzhen Stock Exchange (the "Proposed Reorganisation").

On 30 December 2016, Kailong Real Estate and Hengda Real Estate entered into the First Round Investment Agreements with certain strategic investors (the "First Round SIs"), pursuant to which the First Round SIs agreed to inject capital of RMB30,000 million to Hengda Real Estate. The amount of capital injection was subsequently revised to RMB30,500 million on 31 March 2017. On 31 May 2017, Kailong Real Estate and Hengda Real Estate entered into the Second Round Investment Agreements with certain strategic investors (the "Second Round SIs"), pursuant to which the Second Round SIs agreed to inject capital of RMB39,500 million to Hengda Real Estate. The total capital contributions of RMB70,000 million had been received by Hengda Real Estate on 1 June 2017.

On 6 November 2017, Kailong Real Estate, Hengda Real Estate and Professor Hui Ka Yan entered into the Third Round Investment Agreements with certain strategic investors (the "Third Round SIs"), pursuant to which the Third Round SIs agreed to inject capital of RMB60,000 million to Hengda Real Estate. The total capital contributions of RMB60,000 million had been received by Hengda Real Estate on 7 November 2017.

Kailong Real Estate, Hengda Real Estate, Professor Hui Ka Yan, the First Round SIs and the Second Round SIs had further entered into an amendment agreement (the "Amendment Agreement") on 28 June 2017. Pursuant to the First Round Investment Agreements, the Second Round Investment Agreements, the Amendment Agreement, the Third Round Investment Agreements, and the supplemental investment agreements to First Round SIs and Second Round SIs, if the Proposed Reorganisation could not be completed by 31 January 2021, the SIs had the rights to:

(i) request Kailong Real Estate to repurchase the SIs' equity interests in Hengda Real Estate at their original investment costs; Kailong Real Estate had the discretion of electing not to repurchase such equity interests, in such event, Professor Hui Ka Yan should repurchase SIs' equity interests at its original investment cost ("SI's Right (i)"); or

(ii) request Kailong Real Estate to compensate the SIs additional shares of Hengda Real Estate equal to 50% of the shares held by the SIs before compensation ("SI's Right (ii)").

## 24 DERIVATIVE FINANCIAL LIABILITIES (Continued)

The above share compensation arrangement constituted an embedded derivative and had been recognised as a derivative financial liability of RMB2,483 million as at 31 December 2019. The fair value of the derivative financial liability was determined by reference to valuation prepared by an independent valuer, using the Binomial Lattice Model approach.

On 8 November 2020, the Group announced to terminate the Proposed Reorganisation.

On 22 November 2020, the Group had completed to enter into further supplemental agreements with SIs whose investment costs were totalling RMB125,700 million, and the SIs agreed to exercise their SI's Right (i) or Right (ii), as follows:

(i) Certain SIs with aggregated capital investments in Hengda Real Estate of RMB90,200 million agreed to waive both of their SI's Right (i) and SI's Right (ii) as mentioned above;

(ii) Certain SIs with aggregated capital investments in Hengda Real Estate of RMB30,000 million exercised their SI's Right (i) and Kailong Real Estate choose to repurchase their shares at their original investment costs. Kailong Real Estate has subsequently disposed part of Hengda Real Estate's original shares to two independent third party new investors to finance RMB20,000 million and RMB10,000 million, respectively. The two new investors granted call options to Kailong Real Estate to buy back their shares at their original investment costs at any time from 1 January 2024 to 30 June 2024 if certain conditions could be met.

(iii) A SI with capital investment in Hengda Real Estate of RMB5,500 million exercised its SI's Right (ii) and Kailong Real Estate compensated the SI with additional shares of Hengda Real Estate equal to 50% of the shares held by the SI before compensation, and the SI granted a call option to Kailong Real Estate to offer the Group with a right to buy back all the shares of Hengda Real Estate as held by the SI at a consideration of RMB5,500 million at any time from the completion of compensation to 31 December 2023.

The Group has repurchased the shares of Hengda Real Estate as held by the remaining SIs at their original investment costs of RMB4,300 million in cash.

Resulted from the SI's Right (i) and SI's Right (ii) as exercised by the respective strategic investors and also the repurchase of shares from the respective SIs, the Group's cash and cash equivalents, non-controlling interests and derivative financial liability have been reduced by approximately RMB4,300 million, RMB5,750 million and RMB2,483 million, respectively, and the amounts of aggregated net losses as recognised through profit or loss and other reserves of the Group amounted to approximately RMB3,510 million and RMB4,057 million, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Deferred income tax assets to be recovered within 12 months | **(3,234)** | (2,349) |
| Deferred income tax assets to be recovered after more than 12 months | **(2,709)** | (3,327) |
| Deferred income tax assets | **(5,943)** | (5,676) |
| Deferred income tax liabilities to be settled within 12 months | **6,249** | 6,650 |
| Deferred income tax liabilities to be settled after more than 12 months | **46,893** | 54,116 |
| Deferred income tax liabilities | **53,142** | 60,766 |
| | **47,199** | 55,090 |

The net movements on the deferred taxation are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| At 1 January | **55,090** | 45,510 |
| Acquisition of subsidiaries | **15** | 15,695 |
| Tax charged relating to components of other comprehensive income | **(44)** | 4 |
| Disposal of subsidiaries | **(5)** | — |
| Recognised in income tax expenses (note 33) | **(7,857)** | (6,119) |
| At 31 December | **47,199** | 55,090 |

## 25 DEFERRED INCOME TAX (Continued)

Movements in gross deferred tax assets and liabilities are as follows:

### Deferred income tax assets

| | Temporary difference on unrealised profit of intercompany transactions RMB million | Tax losses RMB million | Temporary difference on recognition of cost of sales and expenses RMB million | Revaluation of financial assets RMB million | Carrying amount of land use rights smaller than the tax bases RMB million | Impairment losses on financial assets, write-down of properties under development and held for sale RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| As at 1 January 2019 | (2,376) | (2,888) | (1,297) | (427) | (37) | (802) | (7,827) |
| Charged to other comprehensive income | – | – | – | 4 | – | – | 4 |
| Credited to the income tax expenses | (341) | (938) | (528) | 37 | 2 | (256) | (2,024) |
| As at 31 December 2019 | (2,717) | (3,826) | (1,825) | (386) | (35) | (1,058) | (9,847) |
| As at 1 January 2020 | **(2,717)** | **(3,826)** | **(1,825)** | **(386)** | **(35)** | **(1,058)** | **(9,847)** |
| Charged to other comprehensive income | **–** | **–** | **–** | **(44)** | **–** | **–** | **(44)** |
| Credited to the income tax expenses | **(400)** | **(1,185)** | **309** | **24** | **23** | **(298)** | **(1,527)** |
| As at 31 December 2020 | **(3,117)** | **(5,011)** | **(1,516)** | **(406)** | **(12)** | **(1,356)** | **(11,418)** |

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2020, the Group did not recognise deferred tax assets of RMB9,490 million (2019: RMB6,986 million) in respect of tax losses amounting to RMB37,958 million (2019: RMB27,944 million) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. These tax losses will expire in the following years:

| Year | RMB million |
|---|---|
| 2021 | 1,476 |
| 2022 | 12,184 |
| 2023 | 6,003 |
| 2024 | 7,288 |
| 2025 | 11,007 |
| | 37,958 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25 DEFERRED INCOME TAX (Continued)

### Deferred income tax liabilities

| | Excess of carrying amount of land use right and intangible asset over the tax bases RMB million | Temporary difference on recognition of fair value gain of investment properties RMB million | Withholding tax on profit to be distributed in future RMB million | Revaluation of financial assets RMB million | Total RMB million |
|---|---|---|---|---|---|
| As at 1 January 2019 | 33,399 | 18,121 | 1,809 | 8 | 53,337 |
| Acquisition of subsidiaries | 15,695 | – | – | – | 15,695 |
| Credited to the income tax expenses | (3,880) | (215) | – | – | (4,095) |
| As at 31 December 2019 | 45,214 | 17,906 | 1,809 | 8 | 64,937 |
| As at 1 January 2020 | **45,214** | **17,906** | **1,809** | **8** | **64,937** |
| Acquisition of subsidiaries | **15** | **–** | **–** | **–** | **15** |
| Disposal of subsidiaries | **–** | **–** | **–** | **(5)** | **(5)** |
| Credited to the income tax expenses | **(5,208)** | **99** | **(1,221)** | **–** | **(6,330)** |
| As at 31 December 2020 | **40,021** | **18,005** | **588** | **3** | **58,617** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26 TRADE AND OTHER PAYABLES

| | 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Trade payables — third parties (note (c)) | **621,715** | 544,653 |
| Other payables: | **163,892** | 139,918 |
| — associates (note 39(b)) | **1,014** | 457 |
| — joint ventures (note 39(b)) | **50,969** | 38,623 |
| — non-controlling interests (note (a)) | **13,371** | 12,924 |
| — payables for acquisition of land use rights | **39,597** | 34,847 |
| — payables for acquisition of subsidiaries and associates | **7,781** | 12,823 |
| — third parties (note (b)) | **51,160** | 40,244 |
| Accrued expenses | **10,412** | 7,643 |
| Payroll payable | **2,245** | 3,374 |
| Deferred income from grants | **2,983** | 1,551 |
| Lease liabilities | **3,190** | 1,542 |
| Other taxes payable | **34,015** | 23,784 |
| | **838,452** | 722,465 |
| Less: non-current portion | | |
| Other payables: | **(4,593)** | (2,546) |
| — non-controlling interests (note (a)) | **(2,640)** | (2,546) |
| — joint ventures | **(1,953)** | — |
| Deferred income from government grants | **(2,641)** | (1,551) |
| Lease liabilities | **(2,044)** | (750) |
| | **(9,278)** | (4,847) |
| Current portion | **829,174** | 717,618 |

(a) Amounts included certain cash advances from non-controlling interests of approximately RMB2,640 million (2019: RMB2,546 million) which bear average interest at 15% per annum (2019: 15%) and are repayable according to respective agreements.

(b) Amounts mainly represented value-added-tax received in advance from customers, deposits and temporary receipts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26 TRADE AND OTHER PAYABLES (Continued)

(c) The following is an ageing analysis of trade payables presented based on invoice date at the end of reporting period:

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| Within one year | **560,517** | 485,475 |
| Over one year | **61,198** | 59,178 |
| | **621,715** | 544,653 |

The trade and other payables are denominated in the following currencies:

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| — Denominated in RMB | **829,500** | 718,327 |
| — Denominated in other currencies | **8,952** | 4,138 |
| | **838,452** | 722,465 |

## 27 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| Income tax payables | | |
| — PRC corporate income tax | **81,901** | 65,272 |
| — PRC land appreciation tax | **74,955** | 65,271 |
| | **156,856** | 130,543 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28 OTHER (LOSSES)/GAINS, NET

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| (Losses)/gains on disposal of subsidiaries | **(152)** | 1,110 |
| Gains/(losses) on disposal of joint ventures and associates | **295** | (2) |
| Net foreign exchange (losses)/gains | **(1,684)** | 621 |
| Losses in relation to the restructures of Strategic Investors' equity interest in a subsidiary (note 24) | **(3,510)** | — |
| | **(5,051)** | 1,729 |

## 29 OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Interest income | **5,690** | 4,573 |
| Forfeited customer deposits | **1,366** | 943 |
| Gains on disposal of investment properties | **599** | 64 |
| Project management and consulting service income | **1,819** | 600 |
| Others | **779** | 817 |
| | **10,253** | 6,997 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

| | Year ended 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| Cost of properties sold — including construction costs, land costs and interest costs | **373,983** | 331,575 |
| Tax and other levies | **2,448** | 2,300 |
| Employee benefit expenses (note 31) | **20,797** | 19,046 |
| Employee benefit expenditure — including directors' emoluments | **29,018** | 27,241 |
| Less: capitalised in properties under development, investment properties under construction, construction in progress and intangible assets | **(8,221)** | (8,195) |
| Advertising expenses | **11,868** | 9,876 |
| Sales commissions | **11,603** | 5,915 |
| Depreciation | **2,812** | 2,879 |
| Amortisation | **2,535** | 1,491 |
| Auditors' remunerations | **54** | 44 |
| — Audit services | **45** | 38 |
| — Non-audit services | **9** | 6 |
| Operating lease expenses | **421** | 476 |
| Write-down of properties held for sale | **899** | 829 |
| Impairment losses on goodwill (note 10) and intangible assets (note 11) of new energy vehicle business | **1,040** | — |
| Impairment losses on financial assets | **288** | 194 |
| Donations | **3,276** | 3,104 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 EMPLOYEE BENEFIT EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Wages, salaries and bonus | **23,188** | 21,852 |
| Pension costs — statutory pension (note (a)) | **1,806** | 1,722 |
| Staff welfare | **2,505** | 2,201 |
| Medical benefits | **749** | 800 |
| Employee share option schemes | **770** | 666 |
| | **29,018** | 27,241 |
| Less: capitalised in properties under development, investment properties under construction and construction in progress | **(8,221)** | (8,195) |
| | **20,797** | 19,046 |

### (a) Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Gross scheme contributions | **1,806** | 1,722 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 EMPLOYEE BENEFIT EXPENSES (Continued)

### (b) Five highest paid individuals

During the year ended 31 December 2020, the five highest paid individuals include 1 directors (2019: 2), whose emoluments are reflected in the analysis presented in note 44. The aggregate amounts of emoluments of the other 4 highest paid individuals for the year ended 31 December 2020 (2019:3) are set out below:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Salaries and other benefits | **188** | 187 |

The emoluments fell within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| HK$20,000,000 to HK$30,000,000 | **2** | 1 |
| HK$30,000,000 to HK$40,000,000 | **1** | 1 |
| HK$90,000,000 to HK$100,000,000 | **1** | — |
| HK$120,000,000 to HK$130,000,000 | **—** | 1 |

During the year ended 31 December 2020, no emolument was paid by the group entities to any of the above directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2019: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 FINANCE COSTS, NET

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| **Interest expenses** | | |
| — Bank and other borrowings | **58,525** | 51,395 |
| — Senior notes and convertible bonds | **19,876** | 13,275 |
| — PRC bonds | **3,321** | 3,770 |
| — Less: interest capitalised | **(69,462)** | (50,924) |
| | **12,260** | 17,516 |
| Exchange (gains)/losses from borrowings | **(10,301)** | 4,022 |
| Other finance costs | **281** | 1,225 |
| | **2,240** | 22,763 |

## 33 INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Current income tax | | |
| — Hong Kong profits tax | **40** | 44 |
| — PRC corporate income tax | **27,924** | 25,606 |
| — PRC land appreciation tax | **16,738** | 21,099 |
| | **44,702** | 46,749 |
| Deferred income tax (note 25) | | |
| — PRC corporate income tax | **(5,134)** | (3,760) |
| — PRC land appreciation tax | **(2,723)** | (2,359) |
| | **36,845** | 40,630 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 INCOME TAX EXPENSES (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2020 | 2019 |
| | RMB million | RMB million |
| Profit before income tax | 68,245 | 74,172 |
| Adjusted: share of losses/(profits) of investments in joint ventures and associates, net | 1,379 | (2,967) |
| | 69,624 | 71,205 |
| Calculated at PRC corporate income tax rate | 17,406 | 17,801 |
| PRC land appreciation tax deductible for PRC corporate income tax purposes | (3,504) | (4,685) |
| Income not subject to tax (note (a)) | (538) | (302) |
| Expenses not deductible for tax purposes (note (b)) | 3,508 | 7,151 |
| Utilisation of previously unrecognised tax losses | (123) | (341) |
| Tax losses for which no deferred income tax asset was recognised | 2,752 | 1,887 |
| Effect of different tax rates of subsidiaries | 162 | (108) |
| PRC corporate income tax | 19,663 | 21,403 |
| PRC withholding income tax | 3,167 | 487 |
| PRC land appreciation tax | 14,015 | 18,740 |
| | 36,845 | 40,630 |

(a) Income not subject to tax for the year ended 31 December 2020 mainly comprised fair value gain on derivative financial liabilities.

(b) Expenses not deductible for tax purpose for the year ended 31 December 2020 comprised mainly: (i) costs of land premium without official invoices resulted from acquisition of land through acquisition of companies; and (ii) borrowing costs and administrative expenses incurred by off-shore group companies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 INCOME TAX EXPENSES (Continued)

### Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted Company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

### Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the current period in respect of operations in Hong Kong.

### PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (2019: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

### PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

### PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and property development expenditures.

## 34 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share are calculated by dividing the profits attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| Profit attributable to shareholders of the Company (RMB million) | **8,076** | 17,280 |
| Weighted average number of ordinary shares in issue (millions) | **13,178** | 13,138 |
| Basic earnings per share (RMB) | **0.613** | 1.315 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 EARNINGS PER SHARE (Continued)

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options of the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The share options of Evergrande Auto were excluded from the computation of diluted earnings per share as they are anti-dilutive for the year ended 31 December 2020.

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| Profit attributable to equity holders of the Company (RMB million) | **8,076** | 17,280 |
| Weighted average number of ordinary shares in issue (millions) | **13,178** | 13,138 |
| Adjustments for share options (millions) | **69** | 114 |
| Weighted average number of ordinary shares for diluted earnings per share (millions) | **13,247** | 13,252 |
| Diluted earnings per share (RMB) | **0.610** | 1.304 |

## 35 DIVIDENDS

A final dividend in respect of the year ended 31 December 2020 of RMB0.152 per share amounting to approximately RMB2,012 million has been proposed by the Board on 31 March 2021, which is subject to approval by the shareholders in the forthcoming Annual General Meeting. These financial statements have not reflected this dividend payable.

A final dividend in respect of the years ended 31 December 2018 of RMB1.419 per share totaling RMB18,627 million was paid on February 2020. A final dividend in respect of the year ended 31 December 2019 of RMB0.653 per share amounting to approximately RMB8,459 million was paid on July 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 CASH FLOW INFORMATION

### (a) Net cash generated from operations

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Profit for the year | **31,400** | 33,542 |
| Adjustments for: | | |
| Income tax expenses | **36,845** | 40,630 |
| Interest income (note 29) | **(5,690)** | (4,573) |
| Finance costs (note 32) | **12,541** | 18,741 |
| Exchange (gains)/losses (note 28, note 32) | **(8,617)** | 3,401 |
| Depreciation (note 7) | **2,812** | 2,879 |
| Amortisation (note 30) | **2,535** | 1,491 |
| Employee share option schemes (note 31) | **770** | 666 |
| Fair value gains on investment properties, net (note 9) | **(1,278)** | (1,516) |
| Fair value losses on FVPL (note 17) | **31** | 1,863 |
| Fair value gains on derivative financial liabilities (note 23(c)) | **(2,183)** | (981) |
| Gains on disposal of investment properties (note 29) | **(599)** | (64) |
| Losses/(gains) on disposal of subsidiaries (note 28) | **152** | (1,110) |
| Share of losses/(profits) of investments accounted for using equity method (note 15) | **1,379** | (2,967) |
| Losses in relation to the restructures of Strategic Investors' equity interest in a subsidiary (note 28) | **3,510** | — |
| (Gains)/losses on disposal of joint ventures and associates (note 28) | **(295)** | 2 |
| Dividend income on FVOCI | **(11)** | (19) |
| Gain of disposal of property and equipment and intangible asset | **(3)** | (12) |
| Impairment losses on goodwill and intangible assets | **1,114** | 175 |
| Changes in working capital: | | |
| Properties under development and completed properties held for sale | **(22,891)** | (111,641) |
| Inventories | **216** | (219) |
| Restricted cash as guarantee for construction of projects and other operating activities | **28,113** | 1,704 |
| Trade and other receivables, contract acquisition costs and prepayments | **(21,319)** | 6,661 |
| Trade and other payables and contract liabilities | **154,699** | 29,840 |
| Net cash generated from operations | **213,231** | 18,493 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 CASH FLOW INFORMATION (Continued)

### (b) The reconciliation of liabilities arising from financial activities is as follows:

| | Borrowings<br>RMB million | Other payables (note (i))<br>RMB million | Total<br>RMB million |
|---|---|---|---|
| As at 1 January 2020 | **799,895** | **53,546** | **853,441** |
| Cash flows | | | |
| — Inflow from financing activities | **367,281** | **44,905** | **412,186** |
| — Outflow from financing activities | **(441,610)** | **(32,172)** | **(473,782)** |
| Non-cash changes | | | |
| — Disposal of subsidiaries | **(957)** | **—** | **(957)** |
| — Acquisition — leases | **—** | **2,360** | **2,360** |
| — Foreign exchange adjustments | **(10,301)** | **—** | **(10,301)** |
| — Other non-cash movement | **2,224** | **(95)** | **2,129** |
| As at 31 December 2020 | **716,532** | **68,544** | **785,076** |
| As at 1 January 2019 | 673,142 | 23,443 | 696,585 |
| Cash flows | | | |
| — Inflow from financing activities | 534,762 | 45,204 | 579,966 |
| — Outflow from financing activities | (425,867) | (15,725) | (441,592) |
| Non-cash changes | | | |
| — Acquisition of subsidiaries | 11,695 | 379 | 12,074 |
| — Acquisition — leases | — | 245 | 245 |
| — Foreign exchange adjustments | 4,022 | — | 4,022 |
| — Other non-cash movement | 2,141 | — | 2,141 |
| As at 31 December 2019 | 799,895 | 53,546 | 853,441 |

(i) Amounts represent cash advances from associates, joint ventures, non-controlling interests, unit holders of consolidated investment entities and lease liabilities.

## 37 FINANCIAL GUARANTEES

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a)) | **550,189** | 456,982 |
| Guarantees for borrowings of cooperation parties (note (b)) | **12,452** | 64,479 |
| Guarantees for borrowings of joint ventures and an associate (note 39(c)) | **17,032** | 24,898 |
| | **579,673** | 546,359 |

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and the financial guarantees measured at fair value is immaterial.

(b) Amounts represent guarantees provided to certain cooperation parties (mainly construction subcontractors) of the Group, who are independent third parties, to obtain borrowings after assessing the credit history of these cooperation parties. The Group closely monitors the repayment progress of the relevant borrowings by these cooperation parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 COMMITMENTS

### (a) Commitments for property development and acquisition of subsidiaries

| | 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| Contracted but not provided for | | |
| Property development activities | **319,585** | 318,977 |
| Acquisition of land use rights | **105,834** | 84,664 |
| Acquisition of plant and equipment and intangible assets | **14,196** | — |
| Acquisition of subsidiaries | **—** | 4,298 |
| | **439,615** | 407,939 |

### (b) Lease Commitments

As at 31 December 2020, the Group did not have any material short-term lease commitments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39 RELATED PARTY TRANSACTIONS

Professor Hui Ka Yan is the ultimate controlling shareholder and also the director of the Company.

### (a) Transactions with related parties

Save as disclosed in note 13, 26 and 37, during the years ended 31 December 2020 and 2019, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| **Nature of transactions** | | |
| **Associates** | | |
| Loan interest charged by an associate | **386** | 159 |
| Interest income from an associate | **2** | — |
| **Joint ventures** | | |
| Management and consulting service to joint ventures | **1,240** | 600 |
| Sales of goods to joint ventures | **512** | 671 |
| Sales of properties to a joint venture | **2,541** | — |
| Provision of services to joint ventures | **539** | 395 |
| Rental income from joint ventures | **86** | 46 |
| Interest income from joint ventures | **868** | 729 |
| Advertisement service fees charged by a joint venture | **416** | 472 |
| Rental fee charged by joint ventures | **74** | 110 |
| Lease of right-of-use assets from a joint venture | **488** | — |
| Purchase of goods from a joint venture | **10** | 35 |
| Interest expenses on lease liabilities charged by a joint venture | **146** | — |
| Integrated insurance procurement | **75** | 33 |
| Payment of integrated insurance procurement to a joint venture (note (i)) | **256** | 122 |
| Loan interest charged by a joint venture | **317** | 523 |
| **Shareholders of the Company and Key management** | | |
| Interest of senior notes charged by Professor Hui Ka Yan (note 39(b)(iii)) | **43** | 229 |
| Interest of senior notes charged by Mr. Xia Haijun ("Mr. Xia") (note 39(b)(iii)) | **61** | — |
| Interest of senior notes charged by Mr. Lai Lixin ("Mr. Lai") (note 39(b)(iii)) | **3** | — |

Aforementioned related party transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

(i) The nature of integrated insurance's promise represented that the Group performed as an agent to arrange for the insurance services for members of elderly care valley to be provided by a joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39 RELATED PARTY TRANSACTIONS (Continued)

### (b) Balances with related parties

As at 31 December 2020 and 2019, the Group had the following significant non-trade balances with related parties:

| | 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| **Due from related parties** | | |
| Included in cash and cash equivalents: | | |
| — An associate | **10,456** | 48,598 |
| Included in trade receivables | | |
| — An associate | **2** | — |
| — Joint ventures | **460** | — |
| | **462** | — |
| Included in other receivables (note (i)) | | |
| — An associate | **1,505** | 30 |
| — Joint ventures | **33,296** | 27,744 |
| | **34,801** | 27,774 |
| Included in prepayments | | |
| — Joint ventures | **49** | 76 |

(i) Except for the amounts due from joint ventures of RMB15,994 million (2019: RMB15,524 million), which carry interest ranging from 4% to 15% (2019: 4% to 15%) per annum and receivable according to respective agreements, the remaining balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

## 39 RELATED PARTY TRANSACTIONS (Continued)

### (b) Balances with related parties (Continued)

| | 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| **Due to related parties** | | |
| Included in trade and other payables (note (i)) | | |
| — Joint ventures | **50,969** | 38,623 |
| — Associates | **1,014** | 457 |
| — Professor Hui Ka Yan | **17** | — |
| — Mr. Xia | **17** | — |
| — Mr. Lai | **1** | — |
| | **52,018** | 39,080 |
| Included in lease liabilities | | |
| — A joint venture | **455** | — |
| Included in borrowings (note (ii)) | | |
| — A joint venture | **2,806** | 6,504 |
| — An associate | **5,560** | 1,300 |
| — Professor Hui Ka Yan (note (iii)) | **326** | — |
| — Mr. Xia (note (iii)) | **506** | — |
| — Mr. Lai (note (iii)) | **27** | — |
| | **9,225** | 7,804 |

(i) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

(ii) The balances are borrowings in nature, which are secured, carry interest ranging from 6.00% to 12.00% per annum and repayable according to respective loan agreements.

(iii) The balances represented Professor Hui Ka Yan subscribed US$50 million 2020 issued 2024 Notes.

The balances represented Mr. Xia subscribed for US$28 million 2017 issued 2025 Notes and US$50 million 2020 issued 2023 Notes II, respectively.

The balances represented Mr. Lai subscribed for US$200 thousand 2017 issued 2025 Notes, US$300 thousand 2019 issued 2022 Notes, US$300 thousand 2019 issued 2021 Notes, US$300 thousand 2020 issued 2023 Notes II, US$900 thousand 2020 issued 2022 Notes II, US$1 million 2017 issued 2023 Notes, US$200 thousand 2017 issued 2021 Notes and US$900 thousand 2017 issued 2022 Notes, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39 RELATED PARTY TRANSACTIONS (Continued)

### (c) Financial guarantees to joint ventures and associates

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| — Joint ventures and an associate | **17,032** | 24,898 |

### (d) Key management compensation

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

| | Year ended 31 December 2020 RMB million | Year ended 31 December 2019 RMB million |
|---|---|---|
| Salaries and other employee benefits | **1,621** | 1,132 |
| Retirement scheme contributions | **3** | 5 |
| | **1,624** | 1,137 |

## 40 NON-CONTROLLING INTERESTS

The movements of non-controlling interests were as follows:

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| At 1 January | **212,837** | 175,631 |
| Profit for the year | **23,324** | 16,262 |
| Change in value of FVOCI | **(19)** | 27 |
| Currency translation differences | **(133)** | (95) |
| Capital injection (note (a)) | **30,921** | 46,932 |
| Acquisition of subsidiaries — acquisition of assets (note (b)) | **541** | 607 |
| Acquisition of subsidiaries — acquisition of businesses | **—** | 4,717 |
| Changes in ownership interests in subsidiaries without change of control (note (c)) | **(33,256)** | (28,653) |
| Dividends | **(30,693)** | (2,748) |
| Disposal of subsidiaries | **(155)** | (20) |
| Employee share option schemes | **163** | 177 |
| | **203,530** | 212,837 |

## 40 NON-CONTROLLING INTERESTS (Continued)

### (a) Capital injection

| | Non-controlling interests RMB million | Reserves RMB million | Cash received RMB million |
|---|---|---|---|
| Property development subsidiaries (note (i)) | 30,461 | — | 30,461 |
| Evergrande Auto (note (ii)) | (72) | 3,580 | 3,508 |
| Evergrande Property Services (note (iii)) | 532 | 5,271 | 5,803 |
| | 30,921 | 8,851 | 39,772 |

(i) During the year ended 31 December 2020, the Group has established certain new subsidiaries engaging in property development and property investment businesses and received capital injections from non-controlling interests totaling RMB30,461 million.

(ii) On 23 September 2020, a subsidiary of the Group, Evergrande Auto, placed 176,580,000 shares to certain third-party investors with net proceeds of approximately of HK$3,985 million (equivalent to approximately RMB3,508 million). The carrying amount of net liabilities attributed to certain investors amounting to RMB72 million was recognised as a decrease in non-controlling interests. The difference between the net proceeds and the carrying amount of net liabilities attributed to certain investors amounting to RMB3,580 million was recorded as an increase in reserves.

(iii) On 2 December 2020, a subsidiary of the Group, Evergrande Property Services, was successfully listed on the main board of the Stock Exchange and issued 811 million shares with net proceeds of approximately RMB5,803 million. The carrying amount of equity interest of Evergrande Property Services' new issued shares amounting to RMB532 million was recognised as an increase in non-controlling interests. The difference between the net proceeds and the carrying amount of equity interest of Evergrande Property Services' new issued shares amounting to RMB5,271 million was recorded as an increase in reserves.

### (b) Acquisition of subsidiaries

During the year ended 31 December 2020, the Group acquired controlling interests of certain property development companies in the PRC at consideration totaling approximately RMB5,122 million. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses, and should be treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totaling RMB541 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 40 NON-CONTROLLING INTERESTS (Continued)

### (c) Changes in ownership interests in subsidiaries without change of control

| | Non-controlling interests RMB million | Reserves RMB million | Cash received/ (paid) RMB million |
|---|---|---|---|
| Evergrande Property Services (note (i)) | 3,182 | 19,994 | 23,176 |
| Other subsidiaries (note (ii)) | (36,438) | (8,644) | (45,082) |
| | (33,256) | 11,350 | (21,906) |

(i) On 2 December 2020, the Group sold 3,617 million old shares of Evergrande Property Services at cash consideration of RMB23,176 million. The Group's equity interest in Evergrande Property Services changed from 92.5% to 59.0% and Evergrande Property Services is still the subsidiary of the Group. The carrying amount of equity interest of the shares sold amounted to RMB3,182 million was recognised as an increase in non-controlling interests. The difference between the net proceeds from disposal of Evergrande Property Services' old shares and the carrying amount of equity interest sold amounting to RMB19,994 million was recognised as an increase in reserves.

(ii) During the year ended 31 December 2020, the Group acquired certain equity interests of certain subsidiaries amounting to RMB36,438 million from non-controlling shareholders, the difference between consideration paid and the carrying amount of equity interest acquired amounting to RMB8,644 million was recognised as a decrease in reserves.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 41 BUSINESS COMBINATIONS

During the year ended 31 December 2020, the Group acquired certain property management companies at an aggregate cash consideration of RMB106 million.

The following table summarises the considerations paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition dates.

| | RMB million |
|---|---|
| Cash consideration | 106 |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | 13 |
| Intangible assets | 62 |
| Other assets | 6 |
| Other liabilities | (21) |
| Total identifiable net assets | 60 |
| Non-controlling interests | (11) |
| Identifiable net assets acquired | 49 |
| Goodwill | 57 |

Reconciliation of total cash considerations of business combinations and cash outflow on acquisitions is as follows:

| | RMB million |
|---|---|
| Cash considerations | 106 |
| Considerations deferred | (38) |
| Cash and cash equivalents acquired | (13) |
| Payment for business combinations conducted in the year | 55 |
| Payment for business combinations conducted in prior year | 3,997 |
| Cash outflow on acquisitions | 4,052 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

### Balance sheet of the Company

| | 31 December 2020 RMB million | 2019 RMB million |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Amounts due from subsidiaries | **38,418** | — |
| Investments in subsidiaries | **9,204** | 5,301 |
| Property, plant and equipment | **2** | 2 |
| | **47,624** | 5,303 |
| **Current assets** | | |
| Amounts due from subsidiaries | **153,285** | 128,168 |
| Other receivables | **433** | 486 |
| Cash and cash equivalents | **778** | 13,766 |
| | **154,496** | 142,420 |
| **Total assets** | **202,120** | 147,723 |
| **EQUITY** | | |
| **Capital and reserves attributable to shareholders of the Company** | | |
| Share capital and premium | **4,635** | 1,575 |
| Other reserves | **5,478** | 4,852 |
| Retained earnings/accumulated losses | **1,604** | (19,854) |
| **Total equity** | **11,717** | (13,427) |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Derivative financial liabilities | **—** | 2,183 |
| Borrowings | **126,222** | 127,134 |
| | **126,222** | 129,317 |
| **Current liabilities** | | |
| Amounts due to subsidiaries | **64,181** | 31,833 |
| **Total liabilities** | **190,403** | 161,150 |
| **Total equity and liabilities** | **202,120** | 147,723 |

The balance sheet of the Company was approved by the Board on 31 March 2021 and was signed on its behalf.

**Hui Ka Yan**
*Director*

**Pan Da Rong**
*Director*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

### Reserve movement of the Company

| | Other reserves<br>RMB million | Retained earnings/ accumulated losses<br>RMB million |
|---|---|---|
| At 1 January 2019 | 4,261 | (11,701) |
| Loss for the year | — | (8,153) |
| Issuance of shares pursuant to the option scheme | (75) | — |
| Employee share option schemes | 666 | — |
| **At 31 December 2019** | 4,852 | (19,854) |
| At 1 January 2020 | 4,852 | (19,854) |
| Profit for the year | — | 51,988 |
| Dividends | — | (27,086) |
| Issuance of shares pursuant to the option scheme | (20) | — |
| Employee share option schemes | 627 | — |
| Repurchase of shares | 19 | (3,444) |
| **At 31 December 2020** | 5,478 | 1,604 |

### Share capital and premium of the Company

As at 31 December 2020, the share capital and share premium of the Company amounted to RMB933 million and RMB3,702 million, respectively.

## 43 SUBSEQUENT EVENTS

(a) On 20 January 2021, HengTen Networks Group Limited acquired 100% of the issued shares in Virtual Cinema Entertainment Limited and its subsidiaries, a producer of film and TV programme and owner of an leading online streaming platform — "Pumpkin Film", for consideration of HK$7,200 million. The settlement method was (i) shares with an issue price of HK$0.30 per share with a total value of approximately HK$3,463 million; and (ii) shares with an exercise price of HK$0.096 per warrant share of approximately HK$3,737 million.

The financial effects of this transaction have not been recognised at 31 December 2020. The operating results and assets and liabilities of the acquired group will be consolidated from 20 January 2021.

(b) On 24 January 2021, Evergrande Auto entered into the subscription agreements with 6 third party investors to allot and issue an aggregate of 952,383,000 subscription shares at HK$27.3 per share, raising a total of approximately HK$26,000 million. Each investor has agreed to a twelve-month lock-up period in respect of the subscription shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' and chief executives' emoluments

The remuneration of directors of the Company for the year ended 31 December 2020 is set out below:

| | Fees RMB'000 | Salary RMB'000 | Contribution to pension scheme RMB'000 | Employees share option scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Professor Hui Ka Yan | 240 | — | 11 | — | 251 |
| Mr. Xia Haijun *(Chief executive)* | 240 | 164,917 | 16 | 39,333 | 204,506 |
| Ms. He Miaoling | 116 | 7,290 | 16 | 7,528 | 14,950 |
| Mr. Pan Da Rong | 240 | 7,432 | 67 | 12,198 | 19,937 |
| Mr. Shi Junping | 240 | 11,381 | 62 | 8,606 | 20,289 |
| Mr. Andrew Huang | 240 | 5,667 | 15 | 3,128 | 9,050 |
| Mr. Chau Shing Yim David | 360 | — | — | — | 360 |
| Mr. He Qi | 360 | — | — | — | 360 |
| Ms. Xie Hongxi | 360 | — | — | — | 360 |
| | 2,396 | 196,687 | 187 | 70,793 | 270,063 |

The remuneration of directors of the Company for the year ended 31 December 2019 is set out below:

| | Fees RMB'000 | Salary RMB'000 | Contribution to pension scheme RMB'000 | Employees share option scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Professor Hui Ka Yan | 240 | — | 12 | — | 252 |
| Mr. Xia Haijun *(Chief executive)* | 240 | 152,171 | 16 | 1,656 | 154,083 |
| Ms. He Miaoling | 240 | 19,990 | 16 | 1,656 | 21,902 |
| Mr. Pan Da Rong | 240 | 8,041 | 72 | 8,282 | 16,635 |
| Mr. Shi Junping | 240 | 13,564 | 67 | 1,380 | 15,251 |
| Mr. Andrew Huang | 240 | 8,728 | 16 | 828 | 9,812 |
| Mr. Chau Shing Yim David | 360 | — | — | — | 360 |
| Mr. He Qi | 360 | — | — | — | 360 |
| Ms. Xie Hongxi | 360 | — | — | — | 360 |
| | 2,520 | 202,494 | 199 | 13,802 | 219,015 |

## 44 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (b) Directors' retirement benefits

During the year ended 31 December 2020, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2019: same).

### (c) Directors' termination benefits

During the year ended 31 December 2020, there was no termination benefits received by the directors (2019: same).

### (d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2020, no consideration was paid for making available the services of the directors of the Company (2019: same).

### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During year ended 31 December 2020, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

### (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the particulars of principal subsidiaries at 31 December 2020:

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| *Incorporated in the BVI with limited liability and operating in Hong Kong* | | | | | |
| Pioneer Time Investment Limited | 15 January 2016 | US$10,000 | – | 100% | Property investment |
| Scenery Journey Limited | 12 February 2018 | US$ 1 | – | 100% | Investment holding |
| *Incorporated in the Bermuda with limited liability and operating in Hong Kong* | | | | | |
| HengTen Networks Group Limited | 24 February 1997 | HK$2,000,000,000 | – | 55.64% | Investment holding |
| *Incorporated in the Cayman Islands with limited liability and operating in Hong Kong* | | | | | |
| Evergrande Property Services Group Limited | 13 March 2020 | US$10,000,000 | – | 60.84% | Investment holding |
| *Incorporated and operating in Hong Kong with limited liability* | | | | | |
| China Evergrande New Energy Vehicle Group Limited | 8 October 2007 | HK$4,281,808,018 | – | 74.95% | Investment holding |
| *Incorporated and operating in Sweden with limited liability* | | | | | |
| National Electric Vehicle Sweden AB | 15 January 2019 | SEK1,279,870,800 | – | 100% | Sales and manufacturing of smart mobility |
| *Incorporated and operating in the Mainland with limited liability* | | | | | |
| 恒大地產集團有限公司<br>Hengda Real Estate Group Company Limited | 24 June 1996 | RMB3,939,796,387 | – | 63% | Property development |
| 恒大地產集團重慶有限公司<br>Hengda Real Estate Group (Chongqing) Company Limited | 17 July 2006 | RMB4,821,000,000 | – | 100% | Property development |

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 恒大地產集團江津有限公司 Hengda Real Estate Group (Jiangjin) Company Limited | 27 July 2006 | RMB1,330,000,000 | – | 100% | Property development |
| 鄂州恒大房地產開發有限公司 Ezhou Hengda Real Estate Development Company Limited | 11 July 2008 | RMB390,000,000 | – | 100% | Property development |
| 恒大鑫豐(彭山)置業有限公司 Hengda Xinfeng (Pengshan) Property Company Limited | 23 April 2010 | RMB1,187,904,000 | – | 70% | Property development |
| 啟東勤盛置業有限公司 Qinsheng (Qidong) Property Company Limited | 1 January 2007 | US$141,100,000 | – | 100% | Property development |
| 金碧物業有限公司 Jinbi Property Management Company Limited | 10 September 1997 | RMB177,600,000 | – | 100% | Property management |
| 恒大地產集團洛陽有限公司 Hengda (Luoyang) Real Estate Group Property Company Limited | 5 September 2007 | RMB457,000,000 | – | 100% | Property development |
| 恒大地產集團包頭有限公司 Hengda Real Estate Group (Baotou) Company Limited | 9 August 2008 | RMB525,000,000 | – | 100% | Property development |
| 長沙寶瑞房地產開發有限公司 Baorui (Changsha) Real Estate Development Company Limited | 13 July 2004 | RMB470,000,000 | – | 99% | Property development |
| 海南東方明珠房地產有限公司 Dongfang Mingzhu (Hainan) Real Estate Development Company Limited | 8 June 2004 | RMB70,000,000 | – | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 天津市津麗湖投資有限公司<br>Jinli Lake (Tianjin) Investment Company Limited | 13 November 2009 | RMB690,000,000 | – | 100% | Property development |
| 濟南恒大綠洲置業有限公司<br>Jinan Hengdalvzhou Property Corporation Limited | 18 January 2010 | RMB870,000,000 | – | 100% | Property development |
| 上海穗華置業有限公司<br>Shanghai Suihua Real Estate Co., Ltd. | 22 November 2002 | RMB414,562,763 | – | 100% | Property development |
| 成都天府水城房地產開發有限公司<br>Tianfu Shuicheng (Chengdu) Real Estate Development Company Limited | 22 March 2010 | RMB1,824,105,800 | – | 84% | Property development |
| 濟南恒大金碧房地產開發有限公司<br>Hengda Jinbi (Jinan) Real Estate Development Company Limited | 18 May 2010 | RMB740,000,000 | – | 100% | Property development |
| 石家莊地益嘉房地產開發有限公司<br>Shijiazhuang Diyijia Real Estate Company Limited | 5 April 2010 | RMB5,000,000 | – | 100% | Property development |
| 哈爾濱市恒大偉業房地產開發有限公司<br>Harbin Hengda Weiye Real Estate Development Company Limited | 26 January 2011 | RMB780,000,000 | – | 100% | Property development |
| 清遠市銀湖城投資有限公司<br>Yinhucheng (Qingyuan) Investment Company Limited | 28 September 2009 | RMB1,463,000,000 | – | 100% | Property development |
| 南昌中電投高新置業有限公司<br>Zhongdiantou Gaoxin (Hefei) Property Company Limited | 10 May 2011 | RMB963,000,000 | – | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 六安粵通置業有限公司 Luan Yuetong Property Corporation Limited | 13 July 2011 | RMB290,000,000 | – | 100% | Property development |
| 恩平市鰤尚房地產開發有限公司 Enping Ooshang Real Estate Development Co., Ltd. | 21 February 2012 | RMB1,020,000,000 | – | 100% | Property development |
| 新鄉御景置業有限公司 Yujing (Xinxiang) Property Corporation Limited | 23 May 2012 | RMB100,000,000 | – | 100% | Property development |
| 城博(寧波)置業有限公司 Chengbo (Ningbo) Property Company Limited | 18 January 2011 | RMB2,098,020,019 | – | 100% | Property development |
| 潮州市恒大置業有限公司 Chaozhou Hengda Property Company Limited | 10 July 2012 | RMB280,000,000 | – | 100% | Property development |
| 無錫盛東房產開發有限公司 Shengdong (Wuxi) Real Estate Development Company Limited | 6 May 2010 | RMB200,000,000 | – | 100% | Property development |
| 海口外灘城房地產有限公司 Waitancheng (Haikou) Real Estate Company Limited | 5 September 2012 | RMB906,855,112 | – | 90% | Property development |
| 鄭州御邦置業有限公司 Zhengzhou Yubang Real Estate Co., Ltd. | 16 February 2013 | RMB30,000,000 | – | 100% | Property development |
| 濟南俊匯置業有限公司 Junhui (Jinan) Property Company Limited | 13 May 2013 | RMB288,000,000 | – | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 長沙鑫芙置業有限公司<br>Xinfu (Changsha) Property Company Limited | 13 May 2013 | RMB663,265,300 | – | 100% | Property development |
| 廣州市鑫誠置業有限公司<br>Xincheng (Guangzhou) Property Company Limited | 23 May 2013 | RMB720,000,000 | – | 100% | Property development |
| 重慶恒大鑫泉置業有限公司<br>Hengda Xinquan (Chongqing) Property Company Limited | 6 June 2013 | RMB2,000,000,000 | – | 100% | Property development |
| 恒大地產集團河源有限公司<br>Hengda Real Estate Group (Heyuan) Company Limited | 17 June 2013 | RMB20,000,000 | – | 100% | Property development |
| 北京沙河恒大置業有限公司<br>Shahe Hengda (Beijing) Property Company Limited | 12 July 2013 | RMB1,330,000,000 | – | 100% | Property development |
| 合肥粵誠置業有限公司<br>Yuecheng (Hefei) Property Company Limited | 09 September 2013 | RMB1,920,000,000 | – | 100% | Property development |
| 恒大地產集團北京有限公司<br>Hengda (Beijing) Real Estate Group Company Limited | 11 September 2013 | RMB1,830,000,000 | – | 100% | Property development |
| 杭州穗華置業有限公司<br>Hangzhou Suihua Property Company Limited | 25 September 2013 | RMB1,500,000,000 | – | 100% | Property development |
| 南京美旭房地產開發有限公司<br>Nanjing Meixu Real Estate Development Company Limited | 20 November 2013 | RMB1,503,000,000 | – | 100% | Property development |

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 呼和浩特市金碧天下房地產開發有限公司<br>Hohhot Jinbitianxia Real Estate Development Co., Ltd. | 11 November 2013 | RMB1,380,000,000 | – | 100% | Property development |
| 北京恒興盛房地產開發有限公司<br>Hengxingsheng (Beijing) Real Estate Company Limited | 8 November 2013 | RMB3,520,000,000 | – | 100% | Property development |
| 天津帝景房地產開發有限公司<br>Tianjin Dijing Real Estate Development Company Limited | 23 December 2013 | RMB30,000,000 | – | 100% | Property development |
| 太原市俊恒房地產開發有限公司<br>Taiyuan Junheng Real Estate Company Limited | 16 January 2014 | RMB1,160,000,000 | – | 100% | Property development |
| 恒大集團有限公司<br>Evergrande Group Co., Ltd | 8 January 2014 | RMB53,000,000,000 | – | 100% | Property development |
| 北京正浩置業有限公司<br>Zhenghao (Beijing) Property Company Limited | 4 March 2014 | RMB1,750,000,000 | – | 100% | Property development |
| 北京恒龍置業有限公司<br>Henglong (Beijing) Property Company Limited | 12 March 2014 | RMB1,719,090,500 | – | 96% | Property development |
| 長沙金霞開發建設有限公司<br>Jinxia (Changsha) Real Estate Development Company Limited | 5 September 2014 | RMB122,450,000 | – | 51% | Property development |
| 鄭州恒林置業有限公司<br>Henglin (Zhengzhou) Property Company Limited | 6 September 2013 | RMB500,239,600 | – | 51% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 成都恒大新東城置業有限公司 Hengda New East City Property Company Limited | 15 January 2015 | RMB1,620,000,000 | — | 100% | Property development |
| 前海君臨實業發展(深圳)有限公司 Qianhai Junlin Industrial Development (Shenzhen) Company Limited | 17 April 2015 | RMB2,065,306,100 | — | 100% | Property development |
| 重慶永利置業有限公司 Yongli (Chongqing) Property Company Limited | 22 April 2015 | RMB703,320,000 | — | 100% | Property development |
| 恒大童世界集團有限公司 Evergrande Children's World Group Co., Ltd | 19 May 2015 | RMB20,000,000,000 | — | 100% | Property development |
| 廈門恒大置業有限公司 Xiamen Hengda Property Company Limited | 4 June 2015 | RMB20,000,000 | — | 100% | Property development |
| 重慶恒大鑫溉置業有限公司 Chongqing Hengda Xingai Property Company Limited | 21 August 2014 | RMB1,000,000,000 | — | 100% | Property development |
| 雲南恒雲置業有限公司 Yunnan Hengyun Property Company Limited | 26 May 2015 | RMB214,000,000 | — | 51% | Property development |
| 武漢三江航天投資發展有限公司 Sanjiang Hangtian (Wuhan) Investment Company Limited | 11 November 2015 | RMB10,000,000 | — | 100% | Property development |
| 湖北三江航天商業經營有限公司 Sanjiang Hangtian (Wuhan) Business Operation Company Limited | 11 December 2015 | RMB10,000,000 | — | 100% | Property development |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 重慶中渝物業發展有限公司<br>Zhongyu (Chongqing) Property Management Company Limited | 10 July 2015 | US$131,000,000 | — | 60% | Property development |
| 愛美高實業(成都)有限公司<br>Avergo (Chengdu) Industrial Company Limited | 14 July 2015 | RMB2,708,705,103 | — | 100% | Property development |
| 儋州中潤旅遊開發有限公司<br>Zhongrun (Danzhou) Tourism Development Company Limited | 19 August 2015 | RMB20,000,000 | — | 100% | Property development |
| 儋州信恒旅遊開發有限公司<br>Xinheng (Danzhou) Tourism Development Company Limited | 19 August 2015 | RMB800,000,000 | — | 100% | Property development |
| 柳州市兆福地產置業有限公司<br>Zhaofu (Liuzhou) Property Company Limited | 18 September 2015 | RMB163,265,300 | — | 100% | Property development |
| 懷來恒天房地產開發有限公司<br>Hengtian (Huailai) Real Estate Development Company Limited | 18 September 2015 | RMB871,008,700 | — | 100% | Property development |
| 重慶尖置房地產有限公司<br>Jianzhi (Chongqing) Real Estate Company Limited | 10 July 2015 | HKD5,880,000,000 | — | 100% | Property development |
| 深圳市鴻騰投資管理有限公司<br>Shenzhen Hongteng Investment Management Company Limited | 30 January 2015 | RMB2,161,428,600 | — | 100% | Property development |
| 南京臨江御景房地產開發有限公司<br>Linjiang Yujing (Nanjing) Real Estate Development Company Limited | 11 December 2015 | RMB1,471,650,000 | — | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 杭州晶立置業有限公司 Hangzhou Jingli Property Company Limited | 2 February 2016 | RMB3,101,415,779 | – | 80% | Property development |
| 貴州集成房地產開發有限公司 Guizhou Integrated Real Estate Development Co., Ltd. | 14 April 1993 | RMB50,000,000 | – | 100% | Property development |
| 貴陽新世界房地產有限公司 New World (Guiyang) Real Estate Company Limited | 18 February 2016 | RMB2,054,752,705 | – | 100% | Property development |
| 武漢新世界康居發展有限公司 New World Peaceful Living (Wuhan) Development Company Limited | 5 January 2016 | RMB96,000,000 | – | 60% | Property development |
| 上海豐濤置業有限公司 Fengtao (Shanghai) Property Company Limited | 14 March 2016 | RMB316,949,620 | – | 100% | Property development |
| 青島金灣置業有限公司 Qingdao Jinwan Property Company Limited | 25 January 2016 | RMB1,000,000,000 | – | 100% | Property development |
| 北京富華房地產開發有限公司 Fuhua (Beijing) Real Estate Development Company Limited | 11 January 2016 | US$66,500,000 | – | 100% | Property development |
| 佛山市裕朗通房地產開發有限公司 Yulangtong (Foshan) Real Estate Development Company Limited | 26 February 2016 | RMB1,600,000,000 | – | 100% | Property development |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 甘肅恒源房地產開發有限公司 Hengyuan (Gansu) Real Estate Development Company Limited | 25 March 2016 | RMB61,823,200 | – | 74% | Property development |
| 哈爾濱高登置業有限公司 Gaodeng (Harbin) Property Company Limited | 31 March 2016 | RMB941,200,000 | – | 100% | Property development |
| 三亞哈達農副產品交易有限公司 Sanya Hada Agricultural Products Company Limited | 1 April 2016 | RMB1,380,000,000 | – | 100% | Property development |
| 成都心怡房地產開發有限公司 Xinyi (Chengdu) Real Estate Development Company Limited | 3 May 2016 | US$99,500,000 | – | 100% | Property development |
| 建滔數碼發展(深圳)有限公司 Jiantao Digital Development (Shenzhen) Company Limited | 5 July 2016 | RMB25,323,200 | – | 100% | Property development |
| 開封國際城一號實業開發有限公司 Guojicheng Yihao (Kaifeng) Industrial Development Company Limited | 17 May 2010 | RMB788,247,873 | – | 100% | Property development |
| 鄭州玖智房地產開發有限公司 Jiuzhi (Zhengzhou) Real Estate Development Company Limited | 5 July 2016 | RMB500,000,000 | – | 72% | Property development |
| 貴陽中渝置地房地產開發有限公司 Zhongyu (Guiyang) Property Real Estate Development Company Limited | 26 December 2016 | RMB838,092,073 | – | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 梅州大百匯品牌產業園有限公司 Big Parkway (Meizhou) Brand Industrial Park Company Limited | 8 June 2016 | RMB1,122,000,000 | — | 100% | Property development |
| 淶水利華房地產開發有限公司 Laishui Lihua Real Estate Development Company Limited | 8 July 2016 | RMB142,857,000 | — | 65% | Property development |
| 濟南源浩置業有限公司 Jinan Yuanhao Property Company Limited | 18 July 2016 | RMB900,000,000 | — | 100% | Property development |
| 濟南西業置業有限公司 Jinan Xiye Property Company Limited | 16 August 2016 | RMB18,000,000 | — | 100% | Property development |
| 威海華府置業有限公司 Huafu (Weihai) Property Company Limited | 6 September 2016 | RMB300,000,000 | — | 100% | Property development |
| 佛山市三水盈盛房地產發展有限公司 Sanshui Yingsheng (Foshan) Real Estate Development Company Limited | 8 September 2016 | RMB1,560,000,000 | — | 100% | Property development |
| 成都裕龍壹號房地產開發有限公司 Yulong Yihao (Chengdu) Real Estate Development Company Limited | 18 September 2012 | RMB525,000,000 | — | 100% | Property development |
| 海南金萃房地產開發有限公司 Jincui (Hainang) Real Estate Company Limited | 25 November 2016 | RMB169,380,000 | — | 100% | Property development |
| 汕頭市恒合置業有限公司 Henghe (Shantou) Property Company Limited | 3 December 2015 | RMB200,000,000 | — | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 昆明恒海房地產開發有限公司<br>Henghai (Kunming) Real Estate Development Company Limited | 24 October 2016 | RMB180,000,000 | – | 100% | Property development |
| 長沙恒大童世界旅遊開發有限公司<br>Hengda Tongshijie (Changsha) Real Estate Company Limited | 20 October 2016 | RMB2,120,000,000 | – | 91% | Property development |
| 成都萬浩置業有限公司<br>Wanhao (Chengdu) Property Company Limited | 29 September 2016 | RMB19,600,000 | – | 100% | Property development |
| 無錫盛建置業有限公司<br>Wuxi Shengjian Real Estate Company Limited | 2 December 2016 | RMB1,600,000,000 | – | 100% | Property development |
| 太原恒林房地產開發有限公司<br>Taiyuan Henglin Real Estate Development Co., Ltd. | 14 December 2016 | RMB19,608,000 | – | 100% | Property development |
| 重慶同景宏航置地有限公司<br>Tongjing Honghang (Chongqing) Land Limited | 22 December 2016 | RMB220,000,000 | – | 100% | Property development |
| 重慶同景共好置地有限公司<br>Tongjing Gonghao (Chongqing) Property Company Limited | 22 December 2016 | RMB610,000,000 | – | 100% | Property development |
| 哈爾濱市振業房地產開發有限公司<br>Zhenye (Haerbin) Real Estate Company Limited | 28 September 2016 | RMB20,000,000 | – | 100% | Property development |
| 瀋陽金道房地產開發有限公司<br>Shenyang Jindao Real Estate Development Company Limited | 13 January 2018 | RMB1,749,600,897 | – | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 靖江新時代房地產開發有限公司 Jingjiang New Times Real Estate Development Co., Ltd. | 01 March 2012 | RMB50,000,000 | – | 100% | Property development |
| 淄博高新正承房地產開發有限公司 Zibo Gaoxin Zhengcheng Real Estate Development Company Limited | 31 October 2017 | RMB250,000,000 | – | 60% | Property development |
| 深圳市萬京投資有限公司 Wanjing (Shenzhen) Investment Company Limited | 28 March 2017 | RMB30,000,000 | – | 100% | Property development |
| 佛山市三水區能潤置地房地產開發有限公司 Sanshui Nengrun (Foshan) Real Estate Development Company Limited | 4 April 2007 | RMB752,000,000 | – | 100% | Property development |
| 成都津金江房地產開發有限公司 Chengdu Jinjinjiang Real Estate Development Co., Ltd. | 26 September 2003 | RMB49,000,000 | – | 100% | Property development |
| 南京東潤置業有限公司 Dongrun (Nanjing) Property Company Limited | 1 April 2017 | RMB640,000,000 | – | 83% | Property development |
| 無錫恒瑞置業有限公司 Wuxi Hengrui Real Estate Co., Ltd. | 06 April 2017 | RMB20,000,000 | – | 100% | Property development |
| 嵊州盛建置業有限公司 Shengzhou Shengjian Real Estate Co., Ltd. | 05 April 2017 | RMB320,000,000 | – | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 杭州豐濤置業有限公司 Hangzhou Fengtao Real Estate Co., Ltd. | 25 April 2017 | RMB1,532,194,720 | – | 100% | Property development |
| 哈爾濱市駿業房地產開發有限公司 Harbin Junye Real Estate Development Co., Ltd. | 22 May 2017 | RMB257,100,000 | – | 100% | Property development |
| 泰州周山河房地產開發有限公司 Taizhou Zhoushanhe Real Estate Development Company Limited | 7 June 2017 | RMB441,176,471 | – | 100% | Property development |
| 鎮江盛耀房地產開發有限公司 Zhenjiang Shengyao Real Estate Development Co., Ltd. | 08 June 2017 | RMB40,000,000 | – | 100% | Property development |
| 貴安新區恒大華鼎旅遊開發有限公司 Gui'an New District Hengda Huading Tourism Development Co., Ltd. | 21 June 2017 | RMB10,000,000 | – | 100% | Property development |
| 滄州益聚房地產開發有限公司 Cangzhou Yiju Real Estate Development Co., Ltd. | 02 June 2017 | RMB1,504,000,000 | – | 100% | Property development |
| 鄭州恒澤通健康置業有限公司 Zhengzhou Hengzetong Health Properties Co., Ltd. | 27 June 2019 | RMB1,300,000,000 | – | 100% | Development and sales of health and living projects |
| 徐州御嘉置業有限公司 Xuzhou Yujia Real Estate Company Limited | 24 October 2017 | RMB816,326,500 | – | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 溫州國鵬置業有限公司<br>Guopeng (Wenzhou) Property Company Limited | 31 October 2017 | RMB1,090,000,000 | – | 100% | Property development |
| 許昌裕豐房地產有限公司<br>Xuchang Yufeng Real Estate Company Limited | 26 July 2017 | RMB20,000,000 | – | 75% | Property development |
| 唐山恒瀚邑房地產開發有限公司<br>Tangshan Henghanyi Real Estate Development Company Limited | 17 November 2017 | RMB878,179,300 | – | 92% | Property development |
| 太原恒大鴻博房地產開發有限公司<br>Taiyuan Evergrande Hongbo Real Estate Development Co., Ltd. | 20 November 2017 | RMB10,000,000 | – | 100% | Property development |
| 寧波穗華置業有限公司<br>Ningbo Suihua Real Estate Company Limited | 20 November 2017 | RMB1,691,400,000 | – | 100% | Property development |
| 大同俊軒房地產開發有限公司<br>Datong Junxuan Real Estate Development Co., Ltd. | 20 December 2017 | RMB990,000,000 | – | 100% | Property development |
| 眉山隆和旅遊開發有限公司<br>Meishan Longhe Tourism Development Company Limited | 31 October 2019 | RMB953,064,800 | – | 100% | Property development |
| 武漢巴登城投資有限公司<br>Wuhan Baden City Investment Company Limited | 31 October 2019 | RMB880,000,000 | – | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 深圳市永恒置業有限公司 Shenzhen Yongheng Real Estate Co., Ltd. | 16 December 1992 | RMB40,000,000 | – | 100% | Property development |
| 西安誠銘旅遊開發有限公司 Xi'an Chengming Tourism Development Co., Ltd. | 11 January 2018 | RMB450,000,000 | – | 100% | Property development |
| 南京恒康置業有限公司 Nanjing Hengkang Properties Co., Ltd. | 27 December 2017 | RMB1,000,000,000 | – | 100% | Development and sales of health and living projects |
| 天階雲台(修武)投資有限公司 Tianjie Yuntai (Xiuwu) Investment Co., Ltd. | 21 April 2011 | RMB30,000,000 | – | 100% | Development and sales of health and living projects |
| 貴陽恒大雲景房地產開發有限公司 Guiyang Evergrande Yunjing Real Estate Development Co., Ltd. | 18 July 2018 | RMB80,000,000 | – | 100% | Property development |
| 公主嶺弘盛房地產開發有限公司 Gongzhuling Hongsheng Real Estate Development Co., Ltd. | 23 August 2018 | RMB670,000,000 | – | 100% | Property development |
| 安徽省陽光半島文化發展有限公司 Yangguang Bandao (Anhui) Real Estate Company Limited | 31 August 2018 | RMB7,186,050,000 | – | 100% | Property development |
| 恒大智能汽車(廣東)有限公司 Evergrande Smart Automobile (Guangdong) Co., Ltd. | 12 February 2018 | RMB2,052,000,000 | – | 100% | Sales and manufacturing of smart mobility |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 儀徵市恒昇房地產開發有限公司 Yizheng Hengsheng Real Estate Development Co., Ltd. | 23 January 2019 | RMB60,000,000 | – | 100% | Property development |
| 舟山市新誠瑞豐房地產開發有限公司 Zhoushan Xincheng Ruifeng Real Estate Development Company Limited | 27 June 2019 | RMB25,028,000 | – | 100% | Property development |
| 恒大新能源汽車(廣東)有限公司 Evergrande National Energy New Energy Vehicle (Guangdong) Co., Ltd. | 28 January 2019 | RMB3,500,000,000 | – | 100% | Sales and manufacturing of smart mobility |
| 深濤生活服務(廣東)有限公司 Shentao Life Service (Guangdong) Company Co., Ltd. | 28 January 2019 | RMB2,500,000,000 | – | 100% | Development and sales of vehicle living projects |
| 恒大恒馳新能源汽車(上海)有限公司 Hengda Hengchi New Energy Vehicle (Shanghai) Co., Ltd. | 18 May 2018 | RMB2,500,000,000 | – | 100% | Sales and manufacturing of smart mobility |
| 恒大新能源汽車(天津)有限公司 National New Energy Vehicle Co., Ltd. | 15 January 2019 | RMB3,100,000,000 | – | 100% | Sales and manufacturing of smart mobility |
| 金浩生活服務(江蘇)有限公司 Jinhao Life Service (Jiangsu) Co., Ltd. | 13 March 2019 | RMB20,000,000 | – | 100% | Development and sales of vehicle living projects |
| 金馳生活服務(河南)有限公司 Jinchi Life Service (Henan) Co., Ltd. | 12 March 2019 | RMB20,000,000 | – | 100% | Development and sales of vehicle living projects |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 咸寧恒陽置業有限公司<br>Xianning Hengyang Health Property Co., Ltd. | 12 April 2019 | RMB50,000,000 | – | 100% | Development and sales of health and living projects |
| 濤永生活服務(安徽)有限公司<br>Taoyong Life Service (Anhui) Co., Ltd. | 5 June 2019 | RMB20,000,000 | – | 100% | Development and sales of vehicle living projects |
| 瀋陽超豐生活服務有限公司<br>Shenyang Chaofeng Life Service (Anhui) Co., Ltd. | 23 June 2019 | RMB8,000,000 | – | 100% | Development and sales of vehicle living projects |
| 湖北恒祥旅遊開發有限公司<br>Hubei Hengxiang Tourism Development Co., Ltd. | 25 June 2019 | RMB20,000,000 | – | 100% | Property development |
| 杭州桐恒置業有限公司<br>Hangzhou Tongheng Real Estate Co., Ltd. | 15 August 2019 | RMB720,000,000 | – | 100% | Property development |
| 遼鵬生活服務(遼寧)有限公司<br>Liaopeng Life Service (Liaoning) Co., Ltd. | 19 July 2019 | RMB50,000,000 | – | 100% | Development and sales of vehicle living projects |
| 岳陽恒駿置業有限公司<br>Yueyang Hengjun Property Co., Ltd. | 31 July 2019 | RMB20,000,000 | – | 100% | Development and sales of health and living projects |
| 重慶市恒盈健康產業有限公司<br>Chongqing Hengying Health Industry Co., Ltd. | 5 August 2019 | RMB10,000,000 | – | 100% | Development and sales of health and living projects |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 武漢楚水雲山農業開發有限公司 Wuhan Chushui Yunshan Agricultural Development Co., Ltd. | 03 August 2018 | RMB20,408,200 | – | 100% | Property development |
| 永鵬生活服務(貴州)有限公司 Yongpeng Life Service (Guizhou) Co., Ltd. | 19 August 2019 | RMB20,000,000 | – | 100% | Development and sales of vehicle living projects |
| 貴州永浩企業管理有限公司 Guizhou Yonghao Enterprise Management Co., Ltd. | 19 August 2019 | RMB20,000,000 | – | 100% | Development and sales of vehicle living projects |
| 雲南御行中天房地產開發有限公司 Yunnan Yuxing Zhongtian Real Estate Development Co., Ltd. | 17 March 2008 | RMB180,000,000 | – | 70% | Property development |
| 昆明嘉麗澤旅遊文化有限公司 Kunming Jialize Travel Culture Co., Ltd. | 13 March 2008 | RMB2,244,900,000 | – | 100% | Development and sales of health and living projects |
| 揚州超松置業有限公司 Yangzhou Chaosong Property Co., Ltd. | 1 November 2019 | RMB8,000,000 | – | 100% | Development and sales of vehicle living projects |
| 肇東市恒鵬房地產開發有限公司 Zhaodong Hengpeng Health Industry Co., Ltd. | 27 December 2019 | RMB780,000,000 | – | 100% | Development and sales of health and living projects |
| 溫州盛建置業有限公司 Wenzhou Shengjian Real Estate Co., Ltd. | 05 January 2018 | RMB950,000,000 | – | 100% | Property development |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 湛江市恒揚房地產開發有限公司<br>Zhanjiang Hengyang Real Estate Development Co., Ltd. | 18 December 2017 | RMB10,000,000 | — | 93% | Property development |
| 昆明航匯投資有限公司<br>Kunming Hanghui Investment Co., Ltd. | 13 November 2013 | RMB100,000,000 | — | 100% | Property development |
| 雲南尚居地產有限公司<br>Yunnan Shangju Real Estate Company Limited | 31 October 2019 | RMB300,000,000 | — | 70% | Property development |
| 瀋陽航遠置業有限公司<br>Shenyang Hangyuan Real Estate Company Limited | 31 October 2019 | RMB50,000,000 | — | 100% | Property development |
| 陝西航華投資管理有限公司<br>Shanxi Hanghua Investment Management Company Limited | 31 October 2019 | RMB30,000,000 | — | 51% | Property development |
| 重慶盛懷房地產開發有限公司<br>Chongqing Shenghuai Real Estate Development Company Limited | 31 October 2019 | RMB20,000,000 | — | 100% | Property development |
| 重慶航悦置業有限公司<br>Chongqing Hangyue Real Estate Company Limited | 31 October 2019 | RMB190,000,000 | — | 100% | Property development |
| 遼寧恒陽健康置業有限公司<br>Liaoning Hengyang Health Property Co., Ltd. | 15 June 2018 | RMB40,820,000 | — | 100% | Development and sales of health and living projects |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/ paid-in capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| 新世界中國地產(海口)有限公司 New WORLD China LAND (Haikou) Limited | 24 October 2005 | RMB4,921,699,700 | – | 100% | Property development |
| 烏魯木齊恒隆置業有限公司 Urumqi Henglong Properties Co., Ltd. | 4 February 2020 | RMB10,000,000 | – | 100% | Development and sales of health and living projects |
| 內蒙古魯橋置業有限公司 Inner Mongolia Luqiao Real Estate Co., Ltd. | 11 July 2011 | RMB200,000,000 | – | 100% | Property development |
| 房車寶集團股份有限公司 Fangchebao Group Co., Ltd | 28 February 2020 | RMB3,173,024,855 | – | 100% | Property agent |
| 瀋陽恒達房地產開發有限公司 Shenyang Hengda Real Estate Development Co., Ltd. | 24 May 2019 | RMB753,800,000 | – | 100% | Property development |
| 深永生活服務(江蘇)有限公司 Shenyong Life Service (Jiangsu) Co., Ltd. | 14 May 2020 | RMB20,000,000 | – | 100% | Development and sales of vehicle living projects |

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

### (a) Non-controlling interests

As at 31 December 2020, the Group held 59.90% equity interests of Hengda Real Estate, and set out below is the summarised financial information for Hengda Real Estate of which non-controlling interests are material to the Group. The amounts disclosed for Hengda Real Estate are before inter-company eliminations.

*Summarised consolidated balance sheet*

| | 31 December 2020 RMB million | 31 December 2019 RMB million |
|---|---|---|
| Current assets | 1,637,799 | 1,654,677 |
| Current liabilities | (1,221,511) | (1,174,681) |
| Net current assets | 416,288 | 479,996 |
| Non-current assets | 218,094 | 216,899 |
| Non-current liabilities | (300,669) | (316,925) |
| Non-current net liabilities | (82,575) | (100,026) |
| **Net assets** | 333,713 | 379,970 |

*Summarised consolidated statement of comprehensive income*

| | Year ended 31 December 2020 RMB million | Year ended 31 December 2019 RMB million |
|---|---|---|
| Revenue | 445,853 | 426,812 |
| Profit for the year | 37,846 | 42,835 |
| Other comprehensive (loss)/income | (752) | 352 |
| **Total comprehensive income** | 37,094 | 43,187 |
| Total comprehensive income attributable to shareholders of Hengda Real Estate | 33,144 | 39,090 |
| Total comprehensive income attributable to non-controlling interests | 3,950 | 4,097 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

### (a) Non-controlling interests (Continued)

*Summarised consolidated statement of cash flows*

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB million** | RMB million |
| Cash flows of operating activities, net | **158,234** | 20,326 |
| Cash flows of investing activities, net | **2,722** | (39,561) |
| Cash flows of financing activities, net | **(145,015)** | 20,920 |
| Exchange (losses)/gains on cash and cash equivalents | **(107)** | 103 |
| **Net increase in cash and cash equivalents** | **15,834** | 1,788 |

Note:

Pursuant to the Investment Agreements entered by Kailong Real Estate, Hengda Real Estate and Professor Hui Ka Yan with the SIs (note 24), for the year ended 31 December 2020 , the net profit attributable to the shareholders of Hengda Real Estate after deducting the non-recurring gains or losses (the "Net Profit") should not be less than RMB60,000 million (the "Performance Undertaking Net Profit"). The actual Net Profit for the year ended 31 December 2020 was about RMB36,131 million.

The Group announced that the Proposed Reorganisation (note 24) was terminated on 8 November 2020. The shareholders of Hengda Real Estate will make a resolution to distribute at least 68% of Performance Undertaking Net Profit to SIs according to their percentage of shareholding (the "Proposed Dividend") before 5 July 2021 on condition that subjected dividend payment will not adversely affect the financial ability of Hengda Real Estate to continue to operate.

For the year ended 31 December 2020, as the actual Net Profit was less than the Performance Undertaking Net Profit, there will be an indemnity amounting to RMB5,714 million from Kailong Real Estate to SIs ("2020 indemnity").

For the year ended 31 December 2019, as the actual Net Profit was less than the Performance Undertaking Net Profit, the indemnity amount was about RMB3,600 million from kailong Real Estate to SIs ("2019 indemnity"). As at 31 December 2019, the directors consider that there was no obligations for the Proposed Dividend as the dividend resolution has not been made which will be depend on certain conditions meet or not, and no indemnity to SIs was reflected in the consolidated the financial statements.

For the year ended 31 December 2020, the 2019 indemnity and 2020 indemnity with an aggregate amount of RMB9,314 million have been adjusted up to the profit attributable to non-controlling interest by adjusted down the profit attributable to shareholders of the Company.

# FIVE YEARS FINANCIAL SUMMARY

## CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

(as at 31 December)

| | 2016<br>RMB Million | 2017<br>RMB Million | 2018<br>RMB Million | 2019<br>RMB Million | **2020**<br>**RMB Million** |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Non-current assets | 237,233 | 238,805 | 304,277 | 359,763 | **396,225** |
| Current assets | 1,113,635 | 1,522,947 | 1,575,751 | 1,846,814 | **1,904,934** |
| **Total assets** | 1,350,868 | 1,761,752 | 1,880,028 | 2,206,577 | **2,301,159** |
| **Total equity** | 192,532 | 242,208 | 308,626 | 358,537 | **350,431** |
| **LIABILITIES** | | | | | |
| Non-current liabilities | 424,942 | 434,689 | 411,946 | 498,005 | **443,475** |
| Current liabilities | 733,394 | 1,084,855 | 1,159,456 | 1,350,035 | **1,507,253** |
| **Total liabilities** | 1,158,336 | 1,519,544 | 1,571,402 | 1,848,040 | **1,950,728** |
| **Total equity and liabilities** | 1,350,868 | 1,761,752 | 1,880,028 | 2,206,577 | **2,301,159** |

# FIVE YEARS FINANCIAL SUMMARY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(for the year ended 31 December)

| | 2016 RMB Million | 2017 RMB Million | 2018 RMB Million | 2019 RMB Million | **2020 RMB Million** |
|---|---|---|---|---|---|
| Revenue | 211,444 | 311,022 | 466,196 | 477,561 | **507,248** |
| Cost of sales | (152,022) | (198,760) | (297,249) | (344,624) | **(384,643)** |
| **Gross Profit** | 59,422 | 112,262 | 168,947 | 132,937 | **122,605** |
| Fair value gains on investment properties, net | 5,124 | 8,513 | 1,343 | 1,516 | **1,278** |
| Impairment losses on financial assets | — | (70) | (137) | (194) | **(288)** |
| Other gains/(losses), net | 6,986 | (6,022) | 2,645 | 1,729 | **(5,051)** |
| Other income | 4,937 | 5,547 | 6,694 | 6,997 | **10,253** |
| Selling and marketing costs | (15,983) | (17,210) | (18,086) | (23,287) | **(31,962)** |
| Administrative expenses | (9,598) | (12,176) | (14,813) | (19,811) | **(21,064)** |
| Other operating expenses | (2,663) | (5,599) | (5,179) | (5,037) | **(6,059)** |
| **Operating profit** | 48,225 | 85,245 | 141,414 | 94,850 | **69,712** |
| Share of (losses)/gains of investments accounted for using equity method | (203) | 1,402 | (874) | 2,967 | **(1,379)** |
| Fair value gains/(losses) on financial assets at fair value through profit or loss | 141 | (437) | 51 | (1,863) | **(31)** |
| Fair value (losses)/gains on derivative financial liabilities | — | (820) | 797 | 981 | **2,183** |
| Finance costs, net | (11,301) | (7,917) | (14,623) | (22,763) | **(2,240)** |
| **Profit before income tax** | 36,862 | 77,473 | 126,765 | 74,172 | **68,245** |
| Income tax expenses | (19,245) | (40,424) | (60,218) | (40,630) | **(36,845)** |
| **Profit for the year** | 17,617 | 37,049 | 66,547 | 33,542 | **31,400** |
| Other comprehensive (loss)/income, net of tax | (4,892) | 3,861 | 155 | (239) | **(365)** |
| Total comprehensive income for the year | 12,725 | 40,910 | 66,702 | 33,303 | **31,035** |
| **Profit attributable to:** | | | | | |
| Shareholders of the Company | 5,091 | 24,372 | 37,390 | 17,280 | **8,076** |
| Holders of perpetual capital instruments | 10,646 | — | — | — | **—** |
| Non-controlling interests | 1,880 | 12,677 | 29,157 | 16,262 | **23,324** |
| Profit for the year | 17,617 | 37,049 | 66,547 | 33,542 | **31,400** |

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