Road King Infrastructure Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 1098)

2020
ANNUAL REPORT

CORPORATE PROFILE

ROAD KING INFRASTRUCTURE LIMITED

Road King Infrastructure Limited is a prominent property developer in Mainland China and Hong Kong focusing on developing quality residential apartments and also a leading toll road investor and operator with over 25 years of experience in the industry. The Company successfully entered into the Southeast Asian market in 2019 and became the first company to invest and participate in the operation of Indonesian expressways among other Chinese and Hong Kong toll road companies. The existing real estate portfolio is mainly located in the Yangtze River Delta, Bohai Rim regions and Greater Bay Area, comprising a land reserve over 7 million square meters. The current toll road portfolio consists of five expressways in Mainland China and two expressways in Indonesia, all located in major economic corridors and spanning over 500km in total.

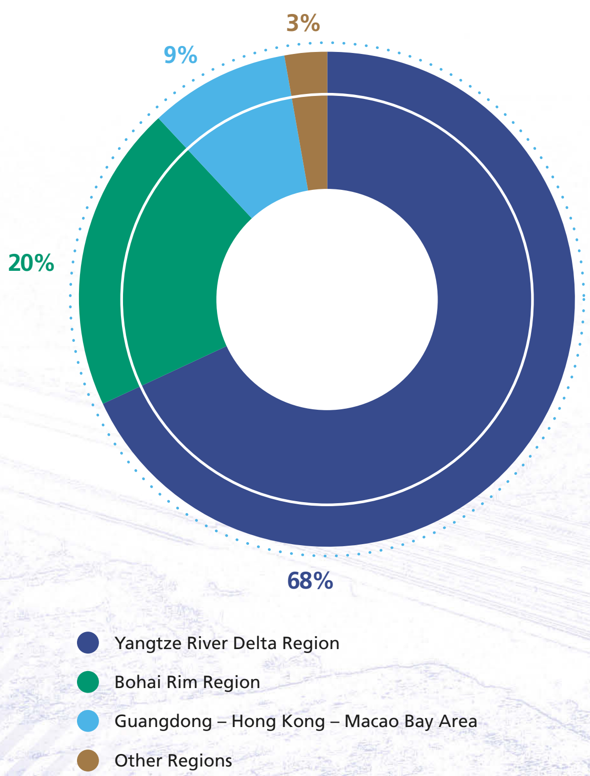
CONTENTS

FINANCIAL HIGHLIGHTS

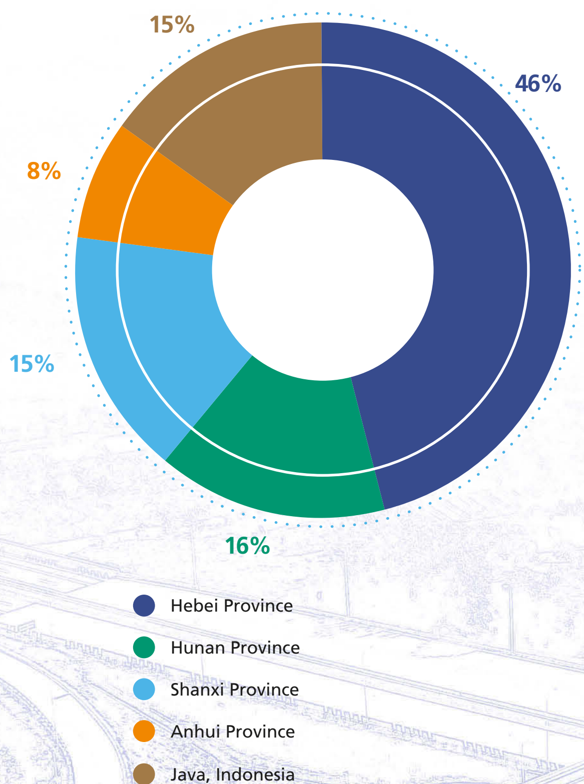
(HK$'million)	For the year ended 31 December 2020	2019	2018	2017	2016
Revenue of the Group	**24,196**	21,495	22,365	14,756	16,842
Group's share of revenue of joint ventures and associates	**7,587**	9,673	4,624	1,504	1,238
Revenue of the Group and Group's share of revenue of joint ventures and associates	**31,783**	31,168	26,989	16,260	18,080
Cash received from toll road projects (including the repayment of shareholders' loans from toll road projects in Mainland China)	**465**	689	827	713	580
Profit for the year	**2,784**	3,677	3,699	2,476	1,374
Equity attributable to owners of the Company	**20,928**	18,866	17,398	15,635	13,292
Total assets	**103,281**	90,788 (Note)	78,952	69,735	50,400
Bank balances and cash	**14,056**	14,451	11,793	8,552	8,049
Basic earnings per share (HK$)	**2.30**	4.04	3.99	2.61	1.69
Dividend per share (HK$)	**0.75**	1.18	1.18	0.93	0.68
Net assets per share attributable to owners of the Company (HK$)	**27.93**	25.18	23.22	20.90	17.96

Note: The figure of 2019 has been restated pursuant to the amendment made to the contingent consideration payable to the vender for the acquisition of an expressway joint venture. The details have been set out in note 20(d) of the audited consolidated financial statements.

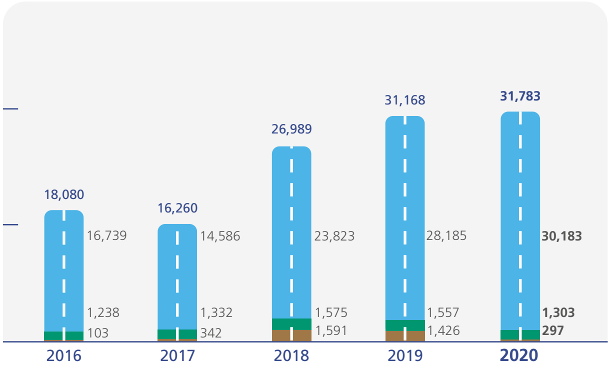
Revenue contribution of property projects in 2020 by location



Revenue contribution of expressway projects in 2020 by location

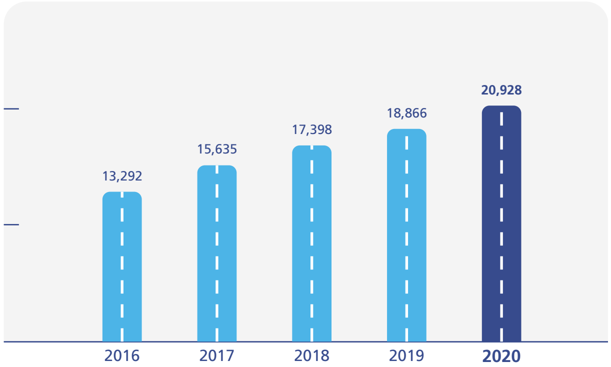


REVENUE
(including share of revenue of joint ventures and associates)
(HK$'million)

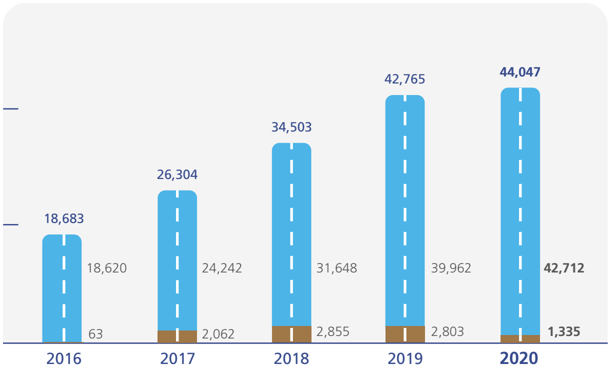


Property Segment
Toll Road Segment
Investment and Asset Management Segment ("IAM Segment")

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY
(HK$'million)

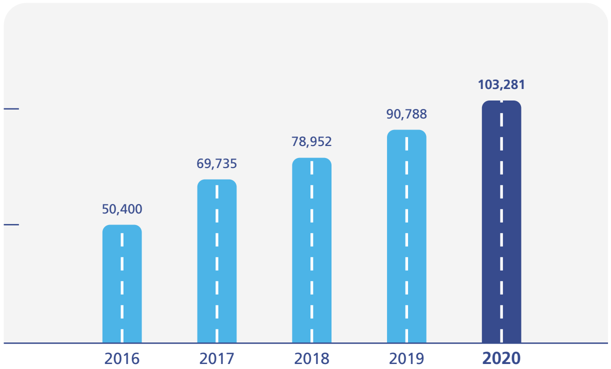


PROPERTY SALES
(including joint venture and associate projects)
(RMB'million)

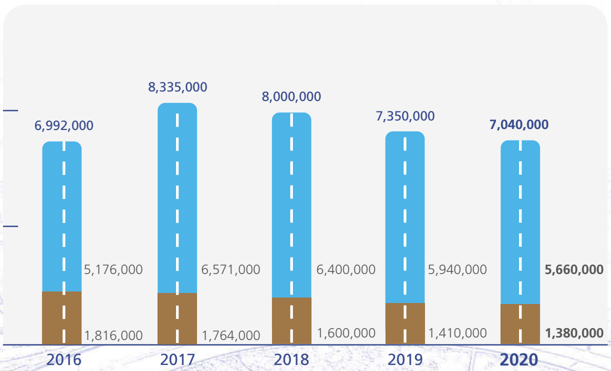


Property Segment
IAM Segment

TOTAL ASSETS
(HK$ million)

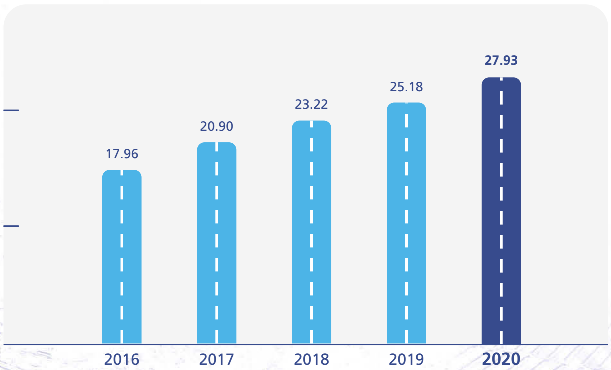


LAND RESERVE
(including joint venture and associate projects)
(sqm)



Property Segment
IAM Segment

NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY
(HK$)



CHAIRMAN'S STATEMENT

Zen Wei Peu, Derek
Chairman

The Group's equity attributable to the owners of the Company increased by HK$2,062 million during 2020 whilst the equity per share increased by 11% to HK$27.93. Since we re-organized our management structure in May 2017, the cumulative gain in equity per share (on the basis that the dividends declared during this period are considered as part of shareholders' equity) is 78% or, on the average, approximately 15% compound per year.

The Group's total property sales in 2020 was RMB44,047 million (including joint venture and associate projects). The Group's turnover and net profit attributable to shareholders were HK$24,196 million and HK$1,723 million respectively.

The Board has recommended a final dividend of HK$0.55 per share for the year which together with the interim dividend of HK$0.20 per share makes a total dividend for 2020 of HK$0.75 per share.

In 2020, all our business areas were badly affected by the COVID-19 pandemic (the "Pandemic"), causing adverse impacts to the results of the Group as follows:

1) TOLL ROAD BUSINESS

a) As a result of the reduced business and private activities due to the Pandemic, the traffic volume has deceased in both Mainland China and Indonesia during the first half of 2020, fortunately the situation has been improved in the second half of the year. The tolls collected and the Group's income were reduced for the year.

b) In addition, in order to reduce the financial impact of the Pandemic on the public, the central government of Mainland China instructed to suspend the collection of toll charges in Mainland China for the period from 17 February to 5 May 2020. However, during this period the toll road companies still had to incur operating expenses such as maintenance and services to the public and, as a result, our bottom line suffered severely. Although the government has indicated they will compensate all toll road operators, this will only be achieved by extending concession periods. This means that we will be compensated when the concession period of our various toll roads have ended in many years later.

2) NEW BUSINESS – INVESTMENT AND ASSET MANAGEMENT BUSINESS

The Group suffered a substantial loss this year in this sector due to a combination of the following factors:

a) All cultural, tourist and recreational activities had to cease due to the Pandemic and as a result, the income for the year has been negligible;

b) The outbreak of the Pandemic also led to a decrease in market rent rate, the fair value of investment properties decreased accordingly;

c) The tightening of macroeconomic controls over the property fund business in Mainland China also hit the development of fund business and its return during the year;

d) A significant number of our joint venture partners went into liquidation due to the Pandemic or due to some other complications. As a result, projects are delayed and additional costs incurred all of which will take time and money to untangle;

e) In retrospect we have been too aggressive and optimistic in pursuing new projects; and

f) Last but not the least, since this business is new to us, there have been mistakes along the way leaving lessons to be learnt and improvements to be made.

In the end, Road King has decided to restructure this sector substantially by reduction of the activities, divestment, reorganization and closure of most of those departments that are bleeding. This may take Road King 3 to 4 years to complete the restructuring work.

BUSINESS ANALYSIS

The Group business is broken down into the following three major sectors:

A) PROPERTY DEVELOPMENT

Mainland China

This sector is one of our two core businesses (the other being toll road business). During the last few years the gross profit of this sector of the Group, like most property companies, has been reducing and unfortunately, we see no sign that this will change.

The central government of Mainland China is determined to maintain its current policy of suppressing the property prices to make them more affordable. As a result, the property selling price in almost all provinces are subject to scrutiny by local governments, making reference to factors such as:

i) The land cost paid by the developer;

ii) Nearby secondary market property prices;

iii) Average price in the region; and

iv) Directions from the central government.

The property development business in Mainland China has almost become a manufacturing business with selling prices in some ways capped. We see the days of high double-digit profit growth have probably gone forever and we must therefore re-organize ourselves.

In addition, in order to reduce the likelihood of price bubbles in the property market, the Central Bank in Mainland China has warned to establish very tight rules to control property developers known as the "three red lines". These are: the gearing level of a company to be maintained; the minimum amount of cash a company must have on hand; and developers must utilize their own money for paying land premium at auction. And then even if one complies with all these restrictions, the maximum annual increase in borrowings for a developer is only 15% per annum.

The Pandemic affected our business in the first quarter of 2020, but the market appears to have bounced back since second quarter to an almost normal level. As a result, our performance in this sector was similar to that of last year.

Since most land in Mainland China is obtained by developers in open auction, it is clear that in future competition will be fierce and will be based on a) the design of flats; b) the flat mix; c) the quality of the development; d) the pace of delivery; e) a competent sales team and their strategy; f) the service provided by a developer during both handover and on-going property management; and g) to a certain extent the image and reputation of one's brand.

Inevitably, in future it will be extremely difficult for small developers to survive in Mainland China. In 2020, we saw over hundreds of property developers going into liquidation and this trend will certainly continue with the level of consolidation intensifying further. In 2020, the combined sales of the top thirty developers constituted around 34% of the market. The aggregate sales attributable to the top one hundred developers was around an amazing 61% of the market compared with 53% in 2019. We believe that very soon we shall see the day when the top 100 developers will dominate over 90% of the Mainland China market.

There is no denying that Road King is facing an uphill battle in Mainland China, but we know of one "truth": as long as we keep our team in good shape and perform better than most of our competitors in the key areas referred to above, we shall surely survive and come out of in even better shape.

With signs that the Pandemic is gradually going away and with the vaccine now available, we expect the ban on travelling to/from Mainland China to be partly lifted by second half this year. We trust this will help to boost the overall economy in Mainland China and to a certain extent lift property prices.

Hong Kong

Although the social unrest in 2019 followed by the Pandemic in 2020 have caused some delay to our Crescent Green in Yuen Long, the presale commenced successfully in November 2019 and, at the time of this report, we have sold 260 units (out of a total of 331 units). This represents over 78% of the units and we have commenced to hand over these properties to the buyers. We expect all the remaining units will be sold before the end of 2021.

The Pandemic has slowed down the construction progress and government approval processes on our residential development above Wong Chuk Hang MTR Station (now named "Southland", formerly known as Wong Chuk Hang Project). However, construction is progressing as planned and we target to complete and handover the units to buyers before the end of 2022. The pre-sale of units is planned to commence in the first half of 2021.

At our So Kwun Wat Project in Tuen Mun, foundation work was successfully completed in December 2020 and basement/superstructure construction is now underway. Our current plan is to commence the pre-sale in 2022.

Unfortunately, this year we were unable to obtain any more new land in Hong Kong either in the open market or by private means. We hope there will be more opportunities in 2021.

B) TOLL ROAD BUSINESS

This year our toll road business in Mainland China has suffered a severe setback due to the Pandemic and our result for the year as a consequence was not satisfactory. The loss of revenue due to the implementation of the toll-free policy in the first half of 2020 has been very significant. As a result, the toll revenue in Mainland China for the year dropped materially by about RMB842 million as compared with that of 2019.

Likewise in Indonesia, similar drop in traffic volume has also occurred and as a result, the total toll revenue compared with that of 2019 was significantly decreased by the amount equivalent to RMB115 million.

The shareholders might be aware that our toll roads in Indonesia were loss-making in 2020 and it was expected upon our acquisition. It is usually the case on new expressways to allow for toll revenue and traffic volume in the first 3 to 5 years to catch up gradually. In certain situations, the toll revenue is so minimal that it might not even cover interest expense. Currently, we estimate that both toll roads will generate profit at the earliest in 2023. This is another reason for the drop of our performance. We believe our performance will become better and better as times goes by.

C) NEW BUSINESS – INVESTMENT AND ASSET MANAGEMENT BUSINESS

This sector recorded a huge loss in 2020. This was due in part to the Pandemic and the tightening of credit by the China Bank and Insurance Regulatory Commission, but also as a result of the much to be improved for the due diligence conducted by our relatively new team. Overall we were too optimistic in the management of this whole sector. After a serious review by the Board, we have taken the painful decision to carry out a major restructuring of this sector. In summary we have decided that the property development projects under New Business sector will be taken over in time by our Property Development sector. In addition, those businesses that are bleeding and in which we can see no possible profit within the next 3 to 4 years, will be curtailed or closed down. As a result, I regret that we have to write off a significant amount of investment.

There are however some property projects that may still have potential but will take time to materialise. We will review and tackle them but as I said, we shall need another 3 to 4 years to complete the restructuring work.

OUTLOOK

A few overall trends are now clear to us:

- The economy in Mainland China is gaining in scale both in exports and domestic consumption and in future, although income from property development is still significant, the central government of Mainland China will rely on the latter less and less. This will give them the confidence to keep property prices under tight control thereby reducing the overall credit risk and chance of housing bubbles occurring.

- The property development in Mainland China is no longer a highly profitable business. The ongoing tight control of property prices imposed by the central government of Mainland China will result in housing prices stagnating. Increases of 5% to 8% per year as in the past will now be impossible.

- Central government of Mainland China is encouraging the banks to give support to infrastructure, manufacturing and new technology projects whilst at the same time tightening credit for property development. The most obvious example is that all companies must now purchase new land using their own money with borrowing of any kind prohibited. As the property fund/asset management now has little future, we are cutting down our investment in this business.

Based on the above, we plan the way forward for the Group as follows:

A) PROPERTY DEVELOPMENT BUSINESS

With gross profit margins shrinking, we have identified another means of mitigating the impact: this is by enlarging the scale. However, we have no intention of violating the "three red lines" and are therefore unable to increase the Group's gearing ratio. We are now actively exploring the possibility for co-investing in property development projects with equity investors who are looking for a reasonable steady long-term return. We started this approach in the second half of 2020 and so far the feedback has been quite positive and we have confidence that we shall soon be able to close some deals. We hope this strategy will help both our turnover and profit.

We believe the resulting market consolidation is still ongoing with most of the small developers fighting hopelessly for survival. If my prediction is correct, the top 100 developers will dominate the market by 2025 and perhaps by then (wishful thinking?) margins may be more reasonable. Only time will tell.

In addition we must improve our performance in all key areas. We are tightening the cost control of our operation and finding ways to reduce inefficiency. We will seek to be seen as a trustworthy player in the market with whom others will be keen to form joint venture. As explained, from now on, it is all a matter of competition on quality and efficiency.

B) TOLL ROAD BUSINESS

With most Chinese banks now willing to give more support to infrastructure projects in Mainland China and overseas and with the return on equity (ROE) of property development now shrinking, investment in infrastructure is becoming more attractive including that of toll roads. We therefore have high hopes for toll roads in Indonesia and in South East Asia in general and will keep on exploring opportunities for toll roads or similar infrastructure projects there. We are aware of the potential risk of investment in foreign countries and will approach these very prudently due to political risks, foreign exchange, undesirable governments' interventions, interruptions and malpractices, etc.

Although our current two toll roads in Indonesia are at present unprofitable, in the long term we believe their potential to be good and I am pleased to report that we have just signed up conditional sales and purchase agreements to acquire the third toll road in Indonesia, situated in Sumatra. We shall continue to look for new toll road opportunities in areas other than Mainland China as we expect that traffic growth in South East Asia Region will be very fast during the coming 5 to 10 years, similar to that in Mainland China in the period from 1990 to 2010.

Planning for the long term, we are going to set up an office in Indonesia and senior management has reported duty in early 2021. We are confident that in the long term our Indonesia investments will provide good returns to Road King.

C) NEW BUSINESS – INVESTMENT AND ASSET MANAGEMENT BUSINESS

In the light of the current government policies on property development, our initial idea of setting up a property fund and asset management business in Mainland China is unlikely to succeed. We shall, as a result, curtail most activities in this sector. It is unlikely we shall resume this actively on large scale unless the external environment changes substantially.

It is with much regret that Road King has performed poorly in this area; it is a bitter lesson we have learnt and we shall endeavour to ensure this will never happen again.

The future is certainly not easy and we shall try our very best to maintain our ROE at a high average level over the longer term but inevitably we may face the odd year when the return will suffer.

On behalf of the Board, I would like to express my gratitude to all customers, business partners, shareholders and directors as well as our loyal and dedicated staff.

Zen Wei Peu, Derek
Chairman

Hong Kong, 23 March 2021

CHIEF EXECUTIVE OFFICER'S REPORT

Ko Yuk Bing
Chief Executive Officer

Dear Shareholders,

RESULTS FOR 2020

For the year ended 31 December 2020, property sales and toll revenue of the Group (including joint venture and associate projects) were RMB44,047 million and RMB2,725 million respectively, totaling RMB46,772 million. The Group's profit for the year was HK$2,784 million, with earnings per share of HK$2.30 and net assets per share of HK$27.93.

BUSINESS OVERVIEW

In 2020, the central government of Mainland China reaffirmed its policy of "house is for living, not for speculating" and maintained tightened financial regulations on the real estate industry. Upholding the strategy of "city-specific policies" and sticking to the policies of restrictions on home purchase, pricing and mortgage, most of the local governments, in a more flexible manner, rolled out policies in managing the supply and demand sides to regulate the real estate market, so as to maintain the stable operation of the real estate market.

The property market in Mainland China basically came to a standstill in the first quarter due to the impact of the Pandemic, but gradually picked up in the second quarter as the Pandemic stabilised, with the market running steadily in the second half of the year. Although property sales were suspended for nearly two months during the year, the Group's operation team kept abreast of the market trend and adhered to the operating principle of balancing sales volume and profitability, and made concerted efforts to boost sales, achieving property sales in Mainland China of RMB42,193 million in 2020, approximate to that in 2019.

The land market sentiment in Mainland China was weak in early 2020 and then enthusiastic in the later period, with the scale of land supply increasing significantly in the second half of the year compared to the first half of the year. The Group seized the opportunity to bid for 11 pieces of new land in the second half of the year, making a total of 15 pieces of new land with an aggregate floor area of 1,540,000 sqm for the whole year, mainly for quick-turnover projects to replenish its land reserves and support its development scale in the next two years. As at 31 December 2020, the Group had a land reserve of approximately 7,040,000 sqm.

The three existing projects in Hong Kong are operating normally and construction is progressing as planned. Crescent Green in Yuen Long obtained the certificate of compliance in October 2020 and commenced handover in November. Property sales of the Crescent Green was affected by the recurring Pandemic during the year, with sales of HK$2,165 million in 2020 and cumulative sales of HK$2,755 million. The sales office of the Southland in Wong Chuk Hang has been renovated and the pre-sale of project is expected to be launched in the first half of 2021. The raft foundation works for the So Kwun Wat Project in Tuen Mun have been completed and the basement and superstructure works have commenced.

The Group's revenue for the year of 2020 amounted to HK$24,196 million, representing an overall increase of 13% over last year, and achieved a gross profit margin of approximately 27%.

In early 2020, due to the extension for another 9 days of the toll-free period during the Chinese New Year holidays in Mainland China as a result of the outbreak of the Pandemic and the implementation of toll-free policy for 79 consecutive days from 17 February to 5 May, the toll revenue of the Group's expressway projects was significantly affected in the first half of the year. Toll revenue from the expressway projects in Mainland China for the year of 2020 was RMB2,320 million, a decrease of 27% compared to 2019, but the average daily traffic volume recorded 260,800 vehicles, the same as that of 2019. After the resumption of toll fee collection from 6 May, the toll revenue has gradually restored to normal and amounted to RMB1,649 million in the second half of the year, an increase of 5% over the same period in 2019. Toll revenue from the newly acquired expressways in Indonesia also dropped during the year due to the impact of the Pandemic, with toll revenue of RMB405 million for the year. The Group expects the toll revenue to grow steadily as the Pandemic is gradually brought under control and economic activities recover, and the expressway business will continue to provide stable cash flow.

CAPITAL AND FINANCING

In 2020, the financial regulations on the real estate industry in Mainland China has become more stringent, with tighter lending lines and higher financing costs. The regulatory authorities intend to propose a policy of "three red line indicators" for real estate enterprises, reflecting the future management and guidance on the indebtedness of real estate enterprises. In line with its prudent financial management policy, the Group issued three offshore guaranteed senior notes with a total amount of US$1,216 million during the year and in January 2021 for refinancing and working capital replenishment. Throughout the year, the Group drew down various offshore bank loans and project development loans in Hong Kong and Mainland China in an aggregate amount equivalent to HK$18,515 million.

WORK PLAN FOR 2021

Looking ahead to 2021, it is expected that the central government of Mainland China will reaffirm its policy of "house is for living, not for speculating", strictly abide by austerity measures such as "city-specific policies" and restriction on prices, and accelerate the implementation of a long-term regulatory mechanism. With the tightening of relevant financial regulations, the capital market will remain tight and the market downside risk will be considered. The pace of the Group's land acquisition will continue to be cautious. With the Pandemic not yet under full control, there are uncertainties in the international environment, which will have certain impacts on the Mainland China's economy in the short term, but real estate industry, as a pillar industry in Mainland China, still has an important role in supporting economic growth. The Group stays cautiously optimistic in regards to the outlook of property business development.

Through years of development, the Group's property business has a well-established model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. In 2021, the Group will continue its pragmatic approach and adhere to the operating strategy of striking a balance between profitability and sales volume, as well as striving to maintain the sales volume and the profit target. To establish the Group as a more widely recognised developer, it will continue to research and develop market-oriented products and promote the brand name of the Group.

In late 2019, the Group expanded its expressway business in Indonesia and began to accumulate overseas operating experience. In March 2021, the Group has further entered into conditional sales and purchase agreements to acquire an expressway in Indonesia, situated in Sumatra. Going forward, the Group will continue to look for suitable new toll road projects in the Mainland China and the countries along the Belt and Road to further strengthen its toll road business.

ACKNOWLEDGEMENT

We would like to thank our colleagues for their dedication and contributions and express our sincere gratitude to the customers, business partners, shareholders and the Board of Directors for their enduring support and trust.

Ko Yuk Bing
Chief Executive Officer

Hong Kong, 23 March 2021

MAJOR AWARDS

ROAD KING INFRASTRUCTURE LIMITED

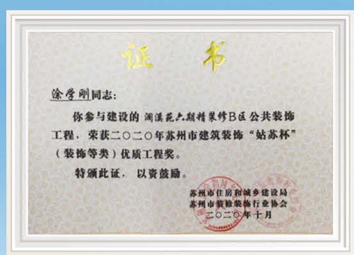
- 2020 Best 35 China Real Estate Listed Companies with Strongest Comprehensive Strengths

RK PROPERTIES HOLDINGS LIMITED

- 2021 TOP10 of China Foreign Real Estate Developers
- 2021 TOP35 of China Real Estate Developers
- 2020 TOP40 of China Real Estate with Strongest Comprehensive Strengths

RK PROPERTY SERVICE HOLDINGS LIMITED

- 2020 TOP100 Property Management Companies in China

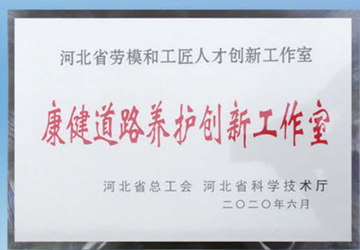


PROPERTY BUSINESS

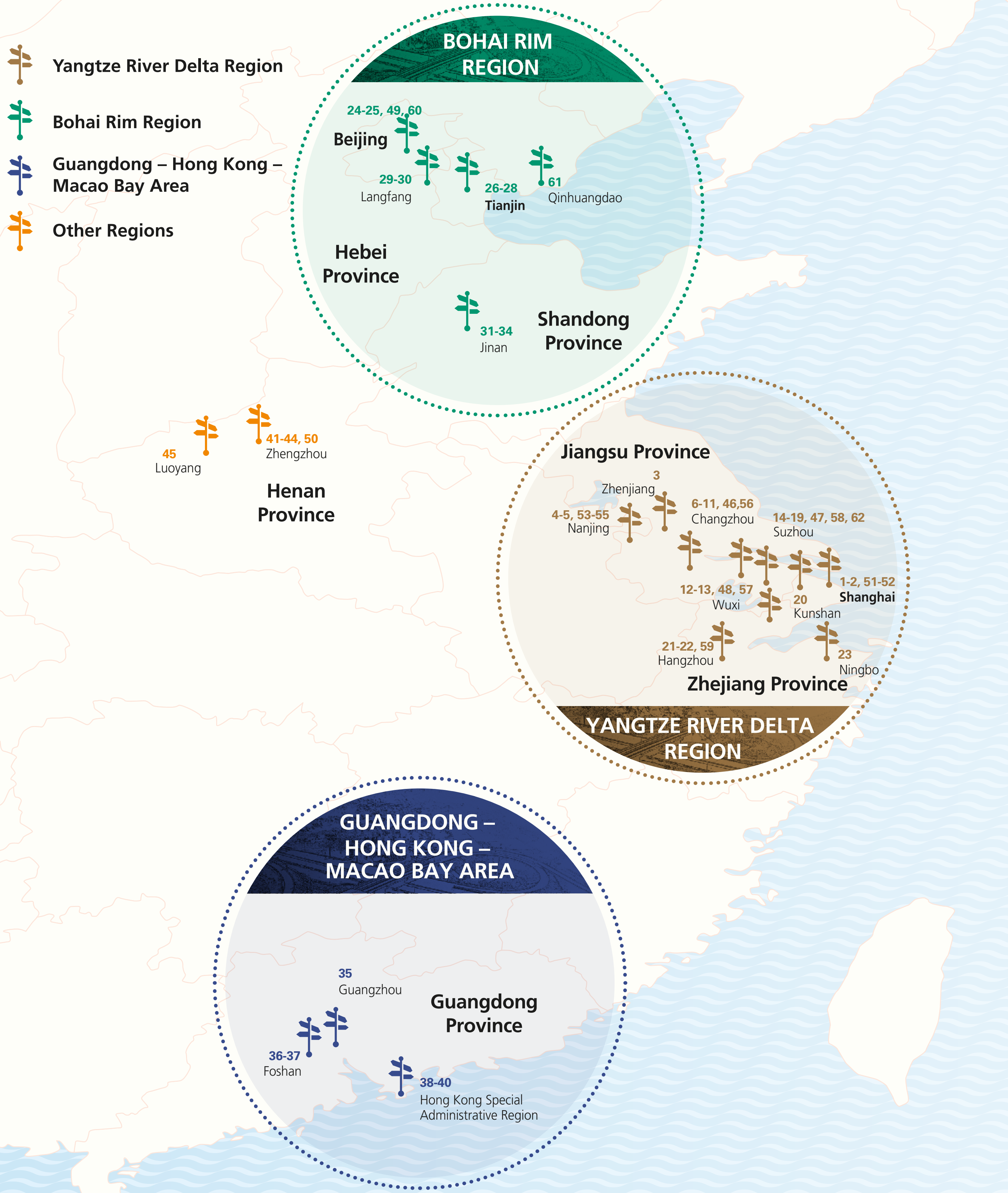
- Shanghai — 2020 China Quality Property – RK Maritime Bay
- Suzhou — 2020 Suzhou Construction and Decoration "Gusu Cup" – Quality Construction Award – RK Phoenix City
  2019 Jiangsu Standardized Star Site for Construction Award – RK One More Time
- Beijing — 2020 World Habitat Competition for Planning and Design of Architecture Comprehensive Golden Award – RK Royal Yard
- Changzhou — 2019 Outstanding Contribution Award
- Tianjin — 2019 Tianjin Construction Works "Haihe Cup" – RK Sunny Town

TOLL ROAD BUSINESS

- Baojin Expressway — 2020 Health Protection and Innovation Studio
- Changyi Expressway — 2020 Hunan Transportation Industry "Furong Biaobing Gang" Award
- Longcheng Expressway — 2020 Demonstration Party Organization
- Tangjin Expressway — 2019 Top 10 of Excellent Team
- SN Expressway — 2020 Special Award as Pioneer in Tree Planting Initiative



PROPERTY PROJECTS



LAND RESERVE

As at 31 December 2020

	Floor Area*	
Region	**sqm**	**Proportion**
Shanghai	377,000	5%
Jiangsu Province	2,822,000	40%
Zhejiang Province	274,000	4%
Yangtze River Delta Region	**3,473,000**	**49%**
Beijing	348,000	5%
Tianjin	514,000	7%
Hebei Province	461,000	7%
Shandong Province	457,000	6%
Bohai Rim Region	**1,780,000**	**25%**
Guangdong Province	312,000	4%
Hong Kong Special Administrative Region	104,000	2%
Guangdong – Hong Kong – Macao Bay Area	**416,000**	**6%**
Henan Province	1,369,000	20%
Other Regions	**1,369,000**	**20%**
Total	**7,038,000**	**100%**
Of which:		
Properties for Sale	6,683,000	95%
Investment Properties	355,000	5%

* Including joint venture and associate projects

MAJOR PROJECTS INFORMATION

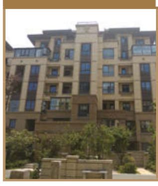
PROPERTIES FOR SALE

As at 31 December 2020

Yangtze River Delta Region

1	RK Sheshan Villa • Dongyuan							
	Floor Area (sqm)	109,000	Nature	Residential and commercial	Stage of Completion (note)	P/S/C	Land Area (sqm)	122,000
	Approximate attributable interest	100%	Target completion	2024	Location	East to Kungang Highway, West to Hexi Street, South to Mianzhanggang River and North to Wennan Road, Xiaokunshan Town, Songjiang District, Shanghai, the People's Republic of China (the "PRC")		

2	RK Maritime Bay							
	Floor Area (sqm)	64,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	46,000
	Approximate attributable interest	65%	Target completion	2021	Location	East to Yinlong Road, South to Miaojing, West to Xiaohengli River, North to Hengtao Road, Jiading District, Shanghai, the PRC		

3	RK City (Zhenjiang)							
	Floor Area (sqm)	221,000	Nature	Residential	Stage of Completion (note)	P/S/C	Land Area (sqm)	257,000
	Approximate attributable interest	100%	Target completion	2024	Location	South of Yihou Road and West of Yandun Shan Road, Dagang Town, Zhenjiang, Jiangsu Province, the PRC		

4	Lakeside Mansion							
	Floor Area (sqm)	95,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	34,000
	Approximate attributable interest	25%	Target completion	2021	Location	Saihongqiao Street, Nanxiying Village, Yuhuatai District, Nanjing, Jiangsu Province, the PRC		

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2020

Yangtze River Delta Region

5	Shanyu Mansion						
Floor Area (sqm)	69,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	39,000
Approximate attributable interest	49%	Target completion	2021	Location	East to Gongnong Road, South to Guihua Hongqi Road, West to Guihua Zhanshu Road, North to Guihua Guanyaoshan North Road, Qixia District, Nanjing, Jiangsu Province, the PRC		

6	RK Taihu Lake Yard						
Floor Area (sqm)	79,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	208,000
Approximate attributable interest	90%	Target completion	2021	Location	West of Fengyuan Bei Road, South of Daoxiang Road, North of Yanzheng Xi Road, East of Luyang Road, Wujin Economic Development District, Changzhou, Jiangsu Province, the PRC		

7	Tang Song						
Floor Area (sqm)	140,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	129,000
Approximate attributable interest	49%	Target completion	2022	Location	Southeast of Dingxiang Road and Zhongwu Avenue, Zhonglou District, Changzhou, Jiangsu Province, the PRC		

8	Guo Shi Jiu Li						
Floor Area (sqm)	113,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	61,000
Approximate attributable interest	50%	Target completion	2021	Location	West of Chechang Road, South of Qingtan West Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC		

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2020

Yangtze River Delta Region

9	Jinmao Palace (Changzhou)						
Floor Area (sqm)	164,000	Nature	Residential	Stage of Completion (note)	P/S	Land Area (sqm)	108,000
Approximate attributable interest	51%	Target completion	2023	Location	South of Yanzheng Middle Avenue, West of Fenglin North Road, Hutang Town, Wujin District, Changzhou, Jiangsu Province, the PRC		

10	RK City Boyue						
Floor Area (sqm)	62,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	40,000
Approximate attributable interest	100%	Target completion	2021	Location	West of Wuyi North Road and North of Juhu East Road, Hutang Town, Wujin District, Changzhou, Jiangsu Province, the PRC		

11	RK Royal Bay						
Floor Area (sqm)	61,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	34,000
Approximate attributable interest	100%	Target completion	2021	Location	East to Xigangtou, South to Chaze Street, West to Miaoqiao River, North to Xiaxi River Tributary, Wujin District, Changzhou, Jiangsu Province, the PRC		

12	Embrace of Glory						
Floor Area (sqm)	85,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	106,000
Approximate attributable interest	33.3%	Target completion	2021	Location	Northwest of the junction of Guanhu Road and Yugang Road, Binhu District, Wuxi, Jiangsu Province, the PRC		

13	Time Boutique						
Floor Area (sqm)	151,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	77,000
Approximate attributable interest	51%	Target completion	2021	Location	Southeast side of the intersection of Xidong Avenue and Zhili Road, Xinwu District, Wuxi, Jiangsu Province, the PRC		

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2020

Yangtze River Delta Region

14	RK Phoenix City						
Floor Area (sqm)	80,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	843,000
Approximate attributable interest	100%	Target completion	2022	Location	Junction of Zhongxin Da Road East and Xieyu Road South, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC		

15	The Legendary One						
Floor Area (sqm)	70,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	95,000
Approximate attributable interest	49%	Target completion	Completed	Location	West of Anyang Road and North of Huhong Road, Huguan Town, Gaoxin District, Suzhou, Jiangsu Province, the PRC		

16	New Lake New City						
Floor Area (sqm)	131,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	173,000
Approximate attributable interest	33%	Target completion	2021	Location	North of Kuaixiang Avenue, East of Xiangshan Bei Road, Wuzhong Taihu National Tourism Resort Zone, Suzhou, Jiangsu Province, the PRC		

17	Wonderful Times						
Floor Area (sqm)	75,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	36,000
Approximate attributable interest	49%	Target completion	2022	Location	South of Sufu Road, East of Suxu Bay, Zhonghai, Mudu Town, Wuzhong District, Suzhou, Jiangsu Province, the PRC		

18	RK Jade Shores						
Floor Area (sqm)	155,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	79,000
Approximate attributable interest	51%	Target completion	2022	Location	East of Kangyang Road, South of Chunguang Road, Huangdai Town, Xiangcheng District, Suzhou, Jiangsu Province, the PRC		

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

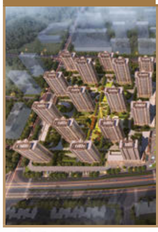
As at 31 December 2020

Yangtze River Delta Region

19	Sipac Zone							
	Floor Area (sqm)	119,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	58,000
	Approximate attributable interest	30%	Target completion	2022	Location	South of Jinsheng Road, East of Xingpu Road, Shengpu Street, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC		

20	Lan Ting Long Yue Hua Yuan							
	Floor Area (sqm)	152,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	71,000
	Approximate attributable interest	49%	Target completion	2021	Location	North of Youyi Road, East of Tongjing Road, Lujia Town, Kunshan, Jiangsu Province, the PRC		

21	Haiyi Cuiting							
	Floor Area (sqm)	75,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	36,000
	Approximate attributable interest	49%	Target completion	2021	Location	East to Sanxianqiao Port, South to Chonghang Street, West to Guihua Road, North to Qiancun Street, Yuhang District, Hangzhou, Zhejiang Province, the PRC		

22	Lanshi Li							
	Floor Area (sqm)	100,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	49,000
	Approximate attributable interest	60%	Target completion	2021	Location	East to Guihua Road, South to Chonghang Street, West to Shangxian Road, North to Qiancun Street, Yuhang District, Hangzhou, Zhejiang Province, the PRC		

23	RK XinTianDi (Ningbo)							
	Floor Area (sqm)	39,000	Nature	Residential and commercial	Stage of Completion (note)	C	Land Area (sqm)	20,000
	Approximate attributable interest	100%	Target completion	Completed	Location	No. 32, Zhengda Lane, Jiangbei District, Ningbo, Zhejiang Province, the PRC		

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2020

Bohai Rim Region

24 RK Yunhe Shangyuan

Floor Area (sqm)	57,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	33,000
Approximate attributable interest	100%	Target completion	2022	Location	Ligezhuang Road, Miyun District, Beijing, the PRC		

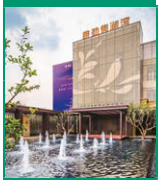
25 RK Royal Yard (formerly known as Daxing District Project)

Floor Area (sqm)	74,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	77,000
Approximate attributable interest	100%	Target completion	2021	Location	East to Shouzhen Road, South to Yujin Street, West to Caifeng Road, North to Yuzhen Street, Caiyu Town, Daxing District, Beijing, the PRC		

26 RK Sunny Town

Floor Area (sqm)	262,000	Nature	Residential	Stage of Completion (note)	P/F/S/C	Land Area (sqm)	811,000
Approximate attributable interest	94.74%	Target completion	2022	Location	Junction of Lushan Road and Helan Road, Hedong District, Tianjin, the PRC		

27 RK Junlan Bay



Floor Area (sqm)	76,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	125,000
Approximate attributable interest	100%	Target completion	Completed	Location	Junction of Chenyong Road and Zhixin Road, Beicang Town, Beichen District, Tianjin, the PRC		

28 Joy Meaningful Residence

Floor Area (sqm)	163,000	Nature	Residential	Stage of Completion (note)	F/S	Land Area (sqm)	109,000
Approximate attributable interest	50%	Target completion	2022	Location	East of Huangzhuang Street and Quanshang Road, Wuqing District, Tianjin, the PRC		

29 RK Grandtown

Floor Area (sqm)	115,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	495,000
Approximate attributable interest	100%	Target completion	Completed	Location	East of Shouchuang Da Street, South of Xinkai Da Street, West of Lidaxian and South to North of Dafubei Road, Xiadian Town, Dachang Hui Autonomous County, Langfang, Hebei Province, the PRC		

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2020

Bohai Rim Region

30	Guan Project						
Floor Area (sqm)	75,000	Nature	Residential and commercial	Stage of Completion (note)	C	Land Area (sqm)	200,000
Approximate attributable interest	45%	Target completion	Completed	Location	West of Neinanchen Village and East of Daguang Highway, Hot Spring Park, Guan County, Langfang, Hebei Province, the PRC		

31	RK City (Jinan) Phase III						
Floor Area (sqm)	102,000	Nature	Residential and commercial	Stage of Completion (note)	S	Land Area (sqm)	17,000
Approximate attributable interest	100%	Target completion	2022	Location	South of Beiyuan Da Street and West of Erhuan East Road, Licheng District, Jinan, Shandong Province, the PRC		

32	Joy Mansion of Glory						
Floor Area (sqm)	132,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	50,000
Approximate attributable interest	50%	Target completion	2021	Location	North of Jingshi Dong Road, Lixia District, Jinan, Shangdong Province, the PRC		

33	Noble Mansion of Glory						
Floor Area (sqm)	60,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	21,000
Approximate attributable interest	50%	Target completion	2021	Location	South of Xinggang Road, Lixia District, Jinan, Shangdong Province, the PRC		

34	Jin Mao Noble Manor						
Floor Area (sqm)	163,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	81,000
Approximate attributable interest	50%	Target completion	2021	Location	North of Feiyue Avenue, East of Hancang River, South of Hancang Avenue, Licheng District, Jinan, Shandong Province, the PRC		

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2020

Guangdong – Hong Kong – Macao Bay Area

35	Phoenix Residence							
	Floor Area (sqm)	154,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	58,000
	Approximate attributable interest	30%	Target completion	2023	Location	East of Phoenix South Road, South of Huadu Lake, Huadu District, Guangzhou, Guangdong Province, the PRC		

36	Elite's Mansion							
	Floor Area (sqm)	107,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	40,000
	Approximate attributable interest	49%	Target completion	2021	Location	North of Ronggui Rongqi Avenue East, West of Xianghe Guojiang Tunnel, Shunde District, Foshan, Guangdong Province, the PRC		

37	RK Rivage Panorama							
	Floor Area (sqm)	51,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	22,000
	Approximate attributable interest	100%	Target completion	2022	Location	No. 27 of Rongqi Avenue East, Ronggui Rongli Neighborhood Committee, Shunde District, Foshan, Guangdong Province, the PRC		

38	Crescent Green							
	Floor Area (sqm)	17,000	Nature	Residential	Stage of Completion (note)	C	Land Area (sqm)	28,000
	Approximate attributable interest	100%	Target completion	Completed	Location	Lot No. 1066 in Demarcation District No. 103, Au Tau, Yuen Long, New Territories, Hong Kong		

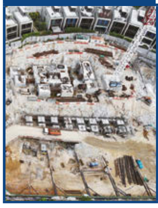
39	Southland							
	Floor Area (sqm)	47,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	11,000
	Approximate attributable interest	50%	Target completion	2022	Location	Site A of Aberdeen Inland Lot No. 467, Hong Kong		

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2020

Guangdong – Hong Kong – Macao Bay Area

40	So Kwun Wat Project							
	Floor Area (sqm)	40,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	12,000
	Approximate attributable interest	50%	Target completion	2023	Location	Tuen Mun Town Lot No. 520, New Territories, Hong Kong		

Other Regions

41	RK International City (Zhengzhou)							
	Floor Area (sqm)	208,000	Nature	Residential	Stage of Completion (note)	S/C	Land Area (sqm)	162,000
	Approximate attributable interest	60%	Target completion	2021	Location	Northeast of the junction of Shangduda Road and Renwen Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC		

42	RK Ninth County							
	Floor Area (sqm)	761,000	Nature	Residential and commercial	Stage of Completion (note)	P/F/S/C	Land Area (sqm)	314,000
	Approximate attributable interest	60%	Target completion	2026	Location	East to Zhongxing Road, West to Guihua Road, South to Dongfeng Road, North to Wenbo Road, Xiaopan Zhuang, Zhongmou County, Zhengzhou, Henan Province, the PRC		

43	Joyful Park							
	Floor Area (sqm)	82,000	Nature	Residential	Stage of Completion (note)	S	Land Area (sqm)	24,000
	Approximate attributable interest	49.9%	Target completion	2022	Location	North of Lingyun Road, East of Yulong Street (Planned road name: Baishi East Street), South of Langxing Road, National Economic and Technological Development Zone, Zhengzhou, Henan Province, the PRC		

MAJOR PROJECTS INFORMATION

PROPERTIES FOR SALE

As at 31 December 2020

Other Regions

44	RK Slow City (Central China)							
	Floor Area (sqm)	246,000	Nature	Residential	Stage of Completion (note)	P/S	Land Area (sqm)	249,000
	Approximate attributable interest	51%	Target completion	2023	Location	North side of Xinmi West Railway Station, North side of Dabei Ring Planning Road, Micun Town, Xinmi City, Zhengzhou, Henan Province, the PRC		

45	RK Leader of Life (Luoyang)							
	Floor Area (sqm)	54,000	Nature	Residential	Stage of Completion (note)	P	Land Area (sqm)	54,000
	Approximate attributable interest	100%	Target completion	2023	Location	Southwest of the junction of Yanhuang Road and Tianzhong Road, Gaoxin District, Luoyang, Henan Province, the PRC		

INVESTMENT PROPERTIES

As at 31 December 2020

Yangtze River Delta Region

46	RK Grand Metropolis (Changzhou)							
	Floor Area (sqm)	113,000	Nature	Commercial	Stage of Completion (note)	C	Land Area (sqm)	67,000
	Approximate attributable interest	100%	Target completion	Completed	Location	No. 33, Huayuan Street, Wujin District, Changzhou, Jiangsu Province, the PRC		

14	RK Phoenix City							
	Floor Area (sqm)	23,000	Nature	Commercial	Stage of Completion (note)	C	Land Area (sqm)	17,000
	Approximate attributable interest	100%	Target completion	Completed	Location	Junction of Zhongxin Da Road East and Xieyu Road South, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC		

MAJOR PROJECTS INFORMATION

INVESTMENT PROPERTIES

As at 31 December 2020

Yangtze River Delta Region

47	RK Grand Metropolis (Suzhou)							
	Floor Area (sqm)	37,000	Nature	Commercial	Stage of Completion (note)	C	Land Area (sqm)	24,000
	Approximate attributable interest	100%	Target completion	Completed	Location	No. 180, Renmin Road, Wujiang District, Suzhou, Jiangsu Province, the PRC		

48	Meili Ancient Town							
	Floor Area (sqm)	51,000	Nature	Commercial	Stage of Completion (note)	C	Land Area (sqm)	54,000
	Approximate attributable interest	60%	Target completion	Completed	Location	Southeast of Xinhua Road and Taibo Avenue, Xinwu District, Wuxi, Jiangsu Province, the PRC		

23	RK XinTianDi (Ningbo)							
	Floor Area (sqm)	37,000	Nature	Commercial	Stage of Completion (note)	C	Land Area (sqm)	7,000
	Approximate attributable interest	100%	Target completion	Completed	Location	No. 32, Zhengda Lane, Jiangbei District, Ningbo, Zhejiang Province, the PRC		

Bohai Rim Region

49	RK World Plaza							
	Floor Area (sqm)	63,000	Nature	Commercial	Stage of Completion (note)	C	Land Area (sqm)	22,000
	Approximate attributable interest	100%	Target completion	Completed	Location	West to Heying Road, East to Heying Xi Road, North to Changhuai Road Southern Line and South to Changhuai Road, Nanshao Town, Changping District, Beijing, the PRC		

26	RK Joy Park							
	Floor Area (sqm)	13,000	Nature	Commercial	Stage of Completion (note)	C	Land Area (sqm)	9,000
	Approximate attributable interest	94.74%	Target completion	Completed	Location	Junction of Longshan Road and Tianshan Bei Road, Hedong District, Tianjin, the PRC		

MAJOR PROJECTS INFORMATION

INVESTMENT PROPERTIES

As at 31 December 2020

Other Regions

50	RK Central Special Zone							
	Floor Area (sqm)	18,000	Nature	Commercial	Stage of Completion (note)	C	Land Area (sqm)	9,000
	Approximate attributable interest	94.74%	Target completion	Completed	Location	Junction of Shangding Road and Nongye Dong Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC		

NEW PROJECTS ACQUIRED IN THE SECOND HALF OF 2020

PROPERTIES FOR SALE

As at 31 December 2020

Yangtze River Delta Region

51	RK Yuemao Mansion (formerly known as Juyuan Project)							
	Floor Area (sqm)	130,000	Nature	Residential and Commercial	Stage of Completion (note)	S	Land Area (sqm)	61,000
	Approximate attributable interest	93.75%	Target completion	2021	Location	East to Hongshi Road, South to Beiqing Road, West to Baiqiang Port, North to Chenjiashan Road, Jiading District, Shanghai, the PRC		

52	Chongming District Project							
	Floor Area (sqm)	74,000	Nature	Residential	Stage of Completion (note)	P	Land Area (sqm)	78,000
	Approximate attributable interest	49%	Target completion	2022	Location	East to Yuyan Road, South to Jinjuan Road, West to Shizhu Road, North to Xueyan Road, Chongming District, Shanghai, the PRC		

53	Breeze Mansion (formerly known as Jiangning District Project)							
	Floor Area (sqm)	177,000	Nature	Residential	Stage of Completion (note)	P	Land Area (sqm)	83,000
	Approximate attributable interest	40%	Target completion	2022	Location	East to Keji Avenue, South to Yanfa Two Road, West to Development Road, North to Dongji Avenue, Jiangning District, Nanjing, Jiangsu Province, the PRC		

54	Hill Mansion I							
	Floor Area (sqm)	49,000	Nature	Residential	Stage of Completion (note)	F	Land Area (sqm)	32,000
	Approximate attributable interest	30%	Target completion	2021	Location	South to Guanyaoshan Road, West to Happy Avenue, North to Guihua Branch Road, Qixia District, Nanjing, Jiangsu Province, the PRC		

MAJOR PROJECTS INFORMATION

NEW PROJECTS ACQUIRED IN THE SECOND HALF OF 2020

PROPERTIES FOR SALE

As at 31 December 2020

Yangtze River Delta Region

55	Hill Mansion II							
	Floor Area (sqm)	46,000	Nature	Residential	Stage of Completion (note)	F	Land Area (sqm)	26,000
	Approximate attributable interest	36%	Target completion	2022	Location	East to Happy Avenue, South to Guihua Cement Factory Road, West to Guihua Guanjiang Road, North to Guihua Jiangnan Road, Qixia District, Nanjing, Jiangsu Province, the PRC		

56	Bamboo Grove One (formerly known as Tianning District Project)							
	Floor Area (sqm)	116,000	Nature	Residential	Stage of Completion (note)	P/F	Land Area (sqm)	52,000
	Approximate attributable interest	51%	Target completion	2022	Location	East to 26 Qinglong Road, South to Zhulin North Road, West to Miaowan Village West Road, North to Hengtangbang, Tianning District, Changzhou, Jiangsu Province, the PRC		

57	Huishan District Project							
	Floor Area (sqm)	94,000	Nature	Residential	Stage of Completion (note)	P	Land Area (sqm)	53,000
	Approximate attributable interest	20%	Target completion	2022	Location	Southwest of the intersection of Shangwei Road and Jingying Road, Qianqiao Street, Huishan District, Wuxi, Jiangsu Province, the PRC		

58	Taihu Resort Zone WG-70 Project							
	Floor Area (sqm)	94,000	Nature	Residential	Stage of Completion (note)	P	Land Area (sqm)	48,000
	Approximate attributable interest	30%	Target completion	2022	Location	South of Sunwu Road, East of Xiangshan North Road, Taihu National Tourism Resort Zone, Wuzhong District, Suzhou, Jiangsu Province, the PRC		

59	RK Xihu Lake Yard							
	Floor Area (sqm)	23,000	Nature	Residential	Stage of Completion (note)	F	Land Area (sqm)	22,000
	Approximate attributable interest	100%	Target completion	2022	Location	East to Guihua Shangchengdai River, South to Guihua Shangchengdai River, West to the Guihua Park Road, North to Longxin Road, West Lake District, Hangzhou, Zhejiang Province, the PRC		

MAJOR PROJECTS INFORMATION

NEW PROJECTS ACQUIRED IN THE SECOND HALF OF 2020

PROPERTIES FOR SALE

As at 31 December 2020

Bohai Rim Region

60	RK Noble Mansion						
Floor Area (sqm)	154,000	Nature	Residential	Stage of Completion (note)	P	Land Area (sqm)	99,000
Approximate attributable interest	51%	Target completion	2022	Location	East to Shunfu Road, South to Renheyuan Four Street, West to Fulin Road, North to Lin Henan Main Street, Renhe Town, Shunyi District, Beijing, the PRC		

61	Nandaihe Project						
Floor Area (sqm)	271,000	Nature	Residential	Stage of Completion (note)	P	Land Area (sqm)	180,000
Approximate attributable interest	27%	Target completion	2025	Location	East of Ninghai Road, South of Weiyi Road, West of Jingyi Road, North of Weisan Road, Beidaihe New District, Qinhuangdao, Hebei Province, the PRC		

NEW PROJECTS ACQUIRED IN 2021 AND UP TO THE DATE OF THIS REPORT

PROPERTIES FOR SALE

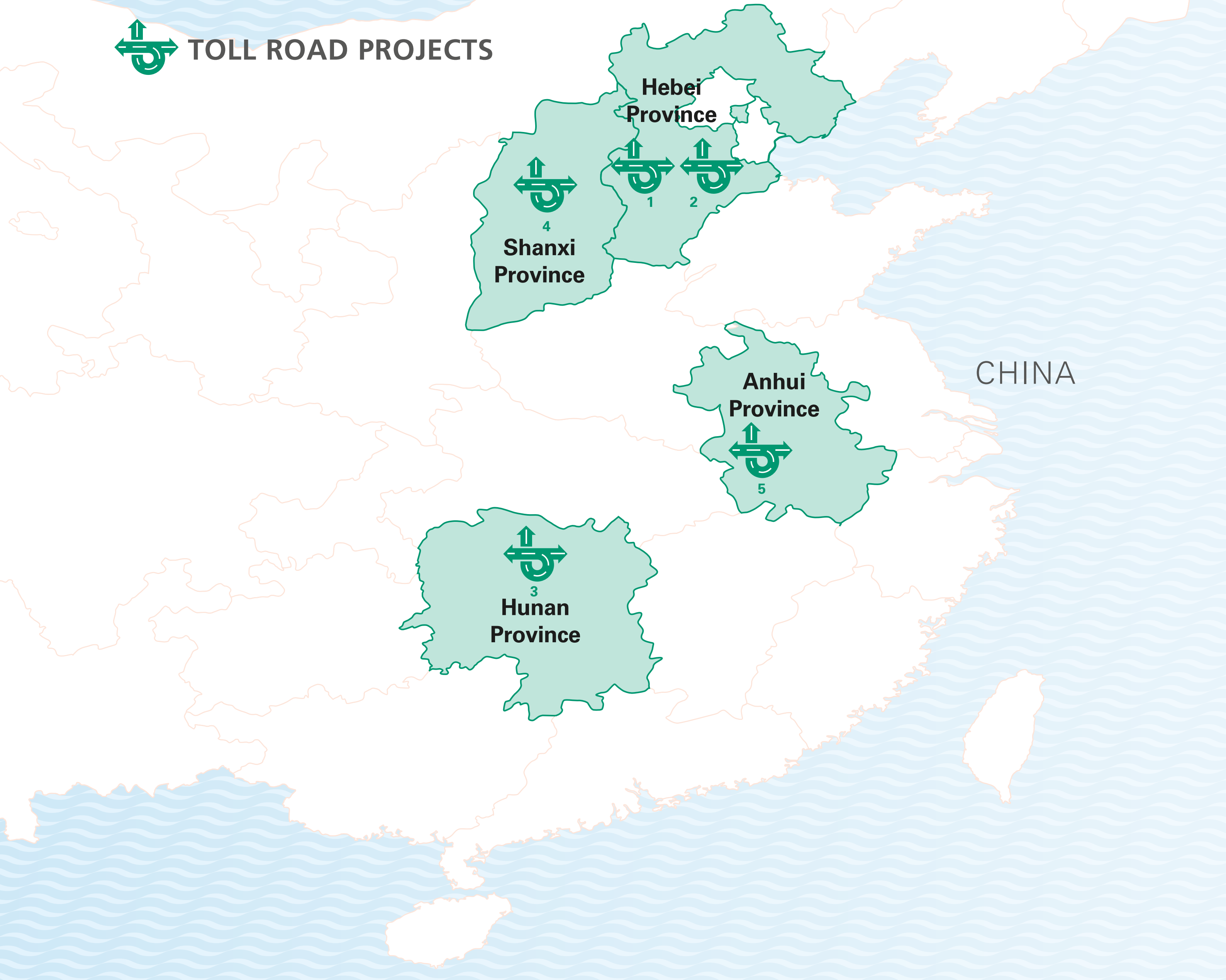
Yangtze River Delta Region

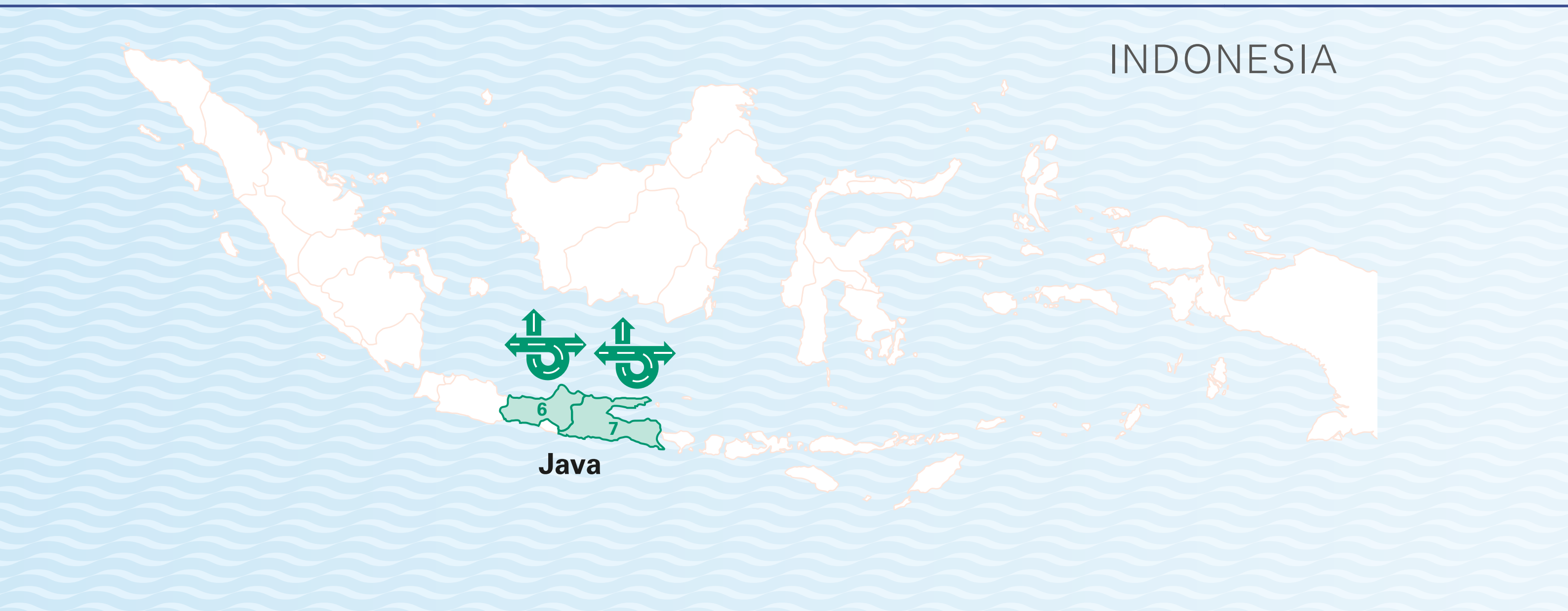
62	Taihu Resort Zone WG-2 Project						
Floor Area (sqm)	97,000	Nature	Residential	Stage of Completion (note)	P	Land Area (sqm)	50,000
Approximate attributable interest	35%	Target completion	2023	Location	East of Xiangshan North Road, North of Houtang Road, Taihu National Tourism Resort Zone, Wuzhong District, Suzhou, Jiangsu Province, the PRC		

Notes:

"P" denotes "Planning and design"
"F" denotes "Foundation"
"S" denotes "Superstructure"
"C" denotes "Completed"

TOLL ROAD PROJECTS





MAJOR PROJECTS INFORMATION

TOLL ROAD PROJECTS

As at 31 December 2020

1	Baojin Expressway					
	Location	Hebei Province	Length	105 km	Equity interest (note)	40%
	Route	National Expressway G18 Baoding-Tianjin ~ 4-lane		Road Rise Investments Limited		

2	Tangjin Expressway					
	Location	Hebei Province	Length	58 km	Equity interest (note)	45%
	Route	National Expressway G25 Tangshan-Tianjin ~ 4/6-lane		Ontex Investments Limited Road Base Investments Limited Road Bond Investments Limited		

3	Changyi Expressway					
	Location	Hunan Province	Length	63 km	Equity interest (note)	43.17%
	Route	National Expressway G5513 Changsha-Yiyang ~ 4-lane		Road Crown Investments Limited Road Express Investments Limited Road Famous Investments Limited Road Glorious Investments Limited Road Grand Investments Limited Road Link Investments Limited		

4	Longcheng Expressway					
	Location	Shanxi Province	Length	72 km	Equity interest (note)	45%
	Route	Provincial Expressway S2002 Yuci Longbai Village-Chengzhao, Qixian ~ 6-lane		Intersafe Investments Limited		

5	Machao Expressway					
	Location	Anhui Province	Length	36 km	Equity interest (note)	49%
	Route	Provincial Expressway S24 Ma'anshan-Chaohu ~ 6-lane		Road King (China) Infrastructure Limited		

MAJOR PROJECTS INFORMATION

TOLL ROAD PROJECTS

As at 31 December 2020

6	SN Expressway					
	Location	Central and East Java, Indonesia	Length	91 km	Equity interest (note)	40%
	Route	Trans Java Expressway Solo Ngawi ~ 4-lane		Kings Key Limited		

7	NKK Expressway					
	Location	East Java, Indonesia	Length	115 km	Equity interest (note)	40%
	Route	Trans Java Expressway Ngawi Kertosono Kediri ~ 4-lane		Kings Key Limited		

Note:

As at 31 December 2020, the toll road projects are indirectly held by Road King Expressway International Holdings Limited, which is 75% held by the Group.

BUSINESS REVIEW

For the year ended 31 December 2020, property sales and toll revenue from expressway projects of the Group (including joint venture and associate projects) were RMB44,047 million and RMB2,725 million respectively, totaling RMB46,772 million. The Group's profit for the year was HK$2,784 million, with earnings per share of HK$2.30 and net assets per share of HK$27.93.

For land reserve replenishment, the Group acquired 15 pieces of land in Mainland China, mainly for residential and commercial purpose, through listing-for-sale and co-development with competent enterprises in 2020, with an aggregate floor area of about 1,540,000 sqm. As of 31 December 2020, the Group had a land reserve of approximately 7,040,000 sqm, and total area of properties pre-sold but yet to be delivered was approximately 1,820,000 sqm.

BUSINESS SEGMENTS ANALYSIS

(I) PROPERTY SEGMENT

In 2020, the central government of Mainland China reaffirmed its policy of "house is for living, not for speculating" and maintained tightened financial regulations on the real estate industry. Upholding the strategy of "city-specific policies" and sticking to the policies of restrictions on home purchase, pricing and mortgage, most of the local governments, in a more flexible manner, rolled out policies in managing the supply and demand sides to regulate the real estate market, so as to maintain the stable operation of the real estate market. The real estate sales market in Mainland China basically stagnated due to the outbreak of the Pandemic at the beginning of the year, and then gradually improved in the second quarter following the effective containment of the Pandemic. The market was basically stable in the second half of the year, albeit notable difference in market performance of various cities. Although property sales were suspended for nearly two months during the year, by closely following the market trend and adhering to the operating principle of ensuring a balance between sales volume and profitability, the operation team of the Group concerted their efforts and drove property sales in Mainland China and Hong Kong of the Property Segment (including joint venture and associate projects) in 2020 to a record high of RMB42,712 million, comprising the contracted sales of RMB39,944 million and outstanding subscribed sales of RMB2,768 million.

Property Sales and Delivery

Set out below is an analysis of the Property Segment's property sales and delivery by region (including joint venture and associate projects) for 2020:

	Sales		Delivery	
Regions (Notes)	**Amount** RMB'million	**Area** sqm	**Amount** RMB'million	**Area** sqm
Yangtze River Delta Region	32,754	1,530,000	22,194	1,348,000
Bohai Rim Region	5,597	316,000	6,476	374,000
Guangdong-Hong Kong-Macao Bay Area	4,097	108,000	3,113	96,000
Other regions	264	26,000	761	95,000
Total (2020)	42,712	1,980,000	32,544	1,913,000
Total (2019)	39,962	2,113,000	30,594	1,874,000

Notes:
Yangtze River Delta Region comprises Shanghai, Jiangsu Province and Zhejiang Province.
Bohai Rim Region comprises Beijing, Tianjin, Hebei Province and Shandong Province.
Guangdong-Hong Kong-Macao Bay Area comprises Guangdong Province and Hong Kong Special Administrative Region.
Other Regions comprise Henan Province.

In 2020, property sales from the Property Segment increased by approximately 7% as compared with 2019. The average selling price increased to approximately RMB21,600 per sqm, representing an increase of approximately 14% as compared with 2019. The sales mainly concentrated in Yangtze River Delta Region, representing about 77% of the total property sales. As at 31 December 2020, the total area of properties pre-sold but yet to be delivered was about 1,610,000 sqm.

Financial Review

Set out below is an analysis of the financial performance of the Group's Property Segment for 2020 and 2019:

	2020 **HK$'million**	2019 HK$'million
Revenue	**24,007**	20,962
Gross profit	**6,485**	7,241
Selling and operating expenses	**(1,485)**	(1,275)
Profit for the year	**3,660**	3,101

In 2020, revenue of the Group's Property Segment was mainly contributed by the delivery of properties in Yangtze River Delta Region, which represented about 68% of the total revenue. The average selling price per sqm was approximately RMB17,000, representing an increase of approximately 4% as compared with 2019. Gross profit margin was 27%. Profit of the Property Segment amounted to HK$3,660 million, representing an increase of approximately 18% as compared with 2019.

Land Reserves

The Group's Property Segment acquired 15 pieces of land for residential and commercial purpose, through listing-for-sale and co-development with competent enterprises in 2020, with an aggregate floor area of about 1,540,000 sqm. Among which, 10 pieces of new land were jointly developed with competent enterprises, enabling the Group to invest in more scalable projects, share higher returns and diversify the Group's financial commitment.

Details of new lands are set out as follows:

Province/Municipalities	Attributable Interest	Land Area	Floor Area	Total consideration
		sqm	sqm	RMB'million
Yangtze River Delta Region				
Shanghai	49% – 93.75%	139,000	204,000	3,826
Jiangsu Province	20% – 100%	426,000	818,000	10,413
Zhejiang Province	100%	22,000	23,000	601
Bohai Rim Region				
Beijing	51% – 100%	176,000	228,000	4,560
Hebei Province	27%	180,000	271,000	659

The Group's land reserve includes properties under planning and construction, properties held for sale and properties held for investment. As at 31 December 2020, the Property Segment's land reserve was approximately 5,660,000 sqm which were mainly located in Yangtze River Delta Region, representing more than 58% of the total land reserve.

In February 2021, the Group further acquired a land parcel in Wuzhong District, Suzhou for residential development through co-development. The site area and the floor area of the project are 50,000 sqm and 97,000 sqm, respectively. The Group is aware of the announcement of a new policy of "Two Concentration Policy" in late February 2021 in respect of centralising the land supply in 22 key cities in Mainland China. However, the impact to the Group is uncertain until more information is released from local governments. The Group will optimise the land reserve portfolio in the Mainland China and Hong Kong in a cautious manner and seek for more development opportunities with business partners in the future.

In 2020, for the Property Segment of the Group, the area under construction was 7,680,000 sqm while the area of completed projects was 2,570,000 sqm. The area under construction and the area of completed projects in 2021 are expected to be 7,300,000 sqm and 3,230,000 sqm, respectively.

Overview of Major Projects

Yangtze River Delta Region

RK Sheshan Villa • Dongyuan, Shanghai
RK Sheshan Villa • Dongyuan is located in Xiaokunshan Town, Songjiang District, Shanghai with two pieces of land for residential and commercial developments adjacent to RK Sheshan Villa. The project has a site area of 122,000 sqm and a floor area of 194,000 sqm.

In 2020, sales of RK Sheshan Villa • Dongyuan was RMB722 million, with an average selling price of approximately RMB36,000 per sqm. In 2020, the value and area of properties delivered were RMB1,311 million and 36,000 sqm, respectively. It is expected that a total area of 6,000 sqm will be delivered in 2021, which had already been pre-sold as at 31 December 2020.

RK Shanghai Style+, Shanghai
RK Shanghai Style+ is located in the prime location in Anting International Automobile City business area in Jiading District, and adjacent to the Shanghai Style project. The project has a site area of 36,000 sqm and a floor area of 61,000 sqm.

In 2020, sales of RK Shanghai Style+ was RMB1,767 million, with an average selling price of approximately RMB35,000 per sqm. In 2020, the value and area of properties delivered were RMB1,587 million and 50,000 sqm, respectively. It is expected that a total area of 1,000 sqm will be delivered in 2021, which had already been pre-sold as at 31 December 2020.

RK Maritime Bay, Shanghai
RK Maritime Bay is located in Waigang Town, Jiading District, across the road from the Shanghai Villa, with the beautiful scenery and is surrounded by water systems in the west and in the south. The project has a site area of 46,000 sqm and a floor area of 64,000 sqm.

In 2020, sales of RK Maritime Bay was RMB1,157 million, with an average selling price of approximately RMB32,000 per sqm. It is expected that a total area of 55,000 sqm will be delivered in 2021, of which 36,000 sqm had already been pre-sold as at 31 December 2020.

Lakeside Mansion, Nanjing
Lakeside Mansion, Nanjing is located in Saihongqiao Street, Yuhuatai District, with a tributary of the Qinhuai River to the west. With established transport facilities as well as extensive commercial, healthcare and educational resources, it is fit for the development of high-quality residence. The project has a site area of 34,000 sqm and a floor area of 95,000 sqm.

In 2020, sales of Lakeside Mansion was RMB4,065 million, with an average selling price of approximately RMB44,000 per sqm. It is expected that a total area of 94,000 sqm will be delivered in 2021, of which 93,000 sqm had already been pre-sold as at 31 December 2020.

Shan Yu Juan Fu, Nanjing

Shan Yu Juan Fu, Nanjing is located on the west side of Gongnong Road, Qixia Street, Qixia District, adjacent to Qixia Mountain Scenic Area. It is rich in human and natural landscape resources and belongs to the cultural tourism industry area that the government has focused on building. It is fit for developing into a high-quality low-density residential area. The project has a site area of 39,000 sqm and a floor area of 69,000 sqm.

In 2020, sales of Shan Yu Juan Fu was RMB1,316 million, with an average selling price of approximately RMB26,000 per sqm. It is expected that a total area of 67,000 sqm will be delivered in 2021, of which 50,000 sqm had already been pre-sold as at 31 December 2020.

RK City Landmark, Changzhou

Located at the commercial and trade hub of Longjiang Road in New Town of Changzhou, which is a key area of development according to government plans, RK City Landmark is well-served with various amenities and the Group plans to develop it into a quality and eco-friendly community. With a site area of 89,000 sqm and a floor area of 217,000 sqm, the project is developed in three phases.

In 2020, sales of RK City Landmark was RMB77 million, with the value and area of properties delivered were RMB1,138 million and 91,000 sqm respectively. It is expected that a total area of 12,000 sqm will be delivered in 2021.

RK Taihu Lake Yard, Changzhou

Located to the north of Xitaihu, Wujin District, Changzhou. RK Taihu Lake Yard is in proximity to Xitaihui scenic area and Jiangsu-Macao industrial zone. Boasting convenient access and comprehensive facilities, the project is surrounded by a beautiful environment fit for developing into a high-end low-density community. The project has a developable site area of 208,000 sqm and a floor area of 197,000 sqm.

In 2020, sales of RK Taihu Lake Yard was RMB1,957 million, with an average selling price of approximately RMB22,000 per sqm. In 2020, the value and area of properties delivered were RMB1,232 million and 64,000 sqm, respectively. It is expected that a total area of 64,000 sqm will be delivered in 2021, of which 46,000 sqm had already been pre-sold as at 31 December 2020.

City Wan Xiang, Changzhou

Located at the east of Longjiang Zhong Road and north of Zhongwu Avenue in Zhonglou District, Changzhou, the City Wan Xiang is adjacent to RK City Signature. Surrounded by quality educational, healthcare and commercial facilities, the land is fit for developing into a low-density residence. The project has a site area of 109,000 sqm and a floor area of 214,000 sqm.

In 2020, sales of City Wan Xiang was RMB241 million, with an average selling price of approximately RMB15,000 per sqm for residential building. In 2020, the value and area of properties delivered were RMB3,080 million and 223,000 sqm, respectively. It is expected that a total area of 20,000 sqm will be delivered in 2021, of which 1,000 sqm had already been pre-sold as at 31 December 2020.

Tang Song, Changzhou
Tang Song is located at southeast of Dingxiang Road and Zhongwu Avenue, Zhonglou District, Changzhou. Surrounded by educational, healthcare, commercial, park and traffic facilities, the land is fit for developing into a high-quality residential project. The project has a site area of 129,000 sqm and a floor area of 232,000 sqm.

In 2020, sales of Tang Song was RMB1,337 million, with an average selling price of approximately RMB17,000 per sqm. In 2020, the value and area of properties delivered were RMB1,521 million and 91,000 sqm, respectively. It is expected that a total area of 39,000 sqm will be delivered in 2021, of which 38,000 sqm had already been pre-sold as at 31 December 2020.

Jinmao Palace, Changzhou
Jinmao Palace (Changzhou) is located at the south of Yanzheng Avenue, west of Fenglin Road, Wujin District, Changzhou, adjacent to Yancheng scenic area and at the prime location of Wujin main city area. Equipped with comprehensive transport, commercial, healthcare and educational facilities, it is fit for developing into a high-quality and low-density residence. The project has a site area of 108,000 sqm and a floor area of 164,000 sqm.

In 2020, sales of Jinmao Palace (Changzhou) was RMB1,552 million, with an average selling price of approximately RMB29,000 per sqm. It is expected that a total area of 59,000 sqm will be delivered in 2021, of which 53,000 sqm had already been pre-sold as at 31 December 2020.

New Lake New City, Suzhou
New Lake New City is located in the Wuzhong Taihu Resort Zone, Suzhou. The land is fit for developing into high-quality residential apartments with convenient access. The project has a site area of 173,000 sqm and a floor area of 356,000 sqm.

In 2020, sales of New Lake New City was RMB2,001 million, with an average selling price of approximately RMB17,000 per sqm. In 2020, the value and area of properties delivered were RMB1,768 million and 114,000 sqm, respectively. It is expected that a total area of 105,000 sqm will be delivered in 2021, of which 81,000 sqm had already been pre-sold as at 31 December 2020.

The Legendary One, Suzhou
The Legendary One is located in Chengtie New Town, Suzhou New District, adjacent to the New District Railway Station, Metro Line 3, and large commercial centres such as IKEA and AEON. The project is fit for developing into high-quality residential apartments with convenient access and comprehensive facilities. The project has a site area of 95,000 sqm and a floor area of 188,000 sqm.

In 2020, sales of The Legendary One was RMB1,761 million, with an average selling price of approximately RMB31,000 per sqm. In 2020, the value and area of properties delivered were RMB1,769 million and 62,000 sqm, respectively. It is expected that a total area of 59,000 sqm will be delivered in 2021, of which 8,000 sqm had already been pre-sold as at 31 December 2020.

RK One More Time, Suzhou
RK One More Time is located to the south of Luzhi Avenue and in proximity of Luzhi Ancient Town of Wuzhong District. The project has convenient transportation and is directly connected to Suzhou Industrial Park via Luzhi Avenue. It is fit for developing into a high-quality residential project. The project has a site area of 45,000 sqm and a floor area of 97,000 sqm.

In 2020, sales of RK One More Time was RMB1,452 million, with an average selling price of approximately RMB23,000 per sqm. In 2020, the value and area of properties delivered were RMB1,882 million and 89,000 sqm, respectively. It is expected that a total area of 8,000 sqm will be delivered in 2021, of which 3,000 sqm had already been pre-sold as at 31 December 2020.

Embrace of Glory, Wuxi
Embrace of Glory is located at the Binhu District, Wuxi and in proximity to Taihu and Lingshan scenic area, with beautiful scenery and excellent natural visual resources. With a strategic location and a strong living atmosphere, the project is fit for developing into middle to high end project. The project has a site area of 106,000 sqm and a floor area of 148,000 sqm.

In 2020, sales of Embrace of Glory was RMB1,041 million, with an average selling price of approximately RMB20,000 per sqm. In 2020, the value and area of properties delivered were RMB685 million and 42,000 sqm, respectively. It is expected that a total area of 65,000 sqm will be delivered in 2021, of which 25,000 sqm had already been pre-sold as at 31 December 2020.

Mei Du Mansion, Wuxi
Mei Du Mansion is located to the northwest of intersection of Taibo Avenue, Meicun Street and Meixi Road, Xinwu District. At the core of the region with convenient transportation and mature supporting facilities, it is fit for developing into a high-quality residential project. The project has a site area of 45,000 sqm and a floor area of 71,000 sqm.

In 2020, sales of Mei Du Mansion was RMB52 million, with an average selling price of approximately RMB19,000 per sqm for residential building. The project has basically completed delivery in 2020, and the value and area of properties delivered were RMB1,186 million and 71,000 sqm, respectively.

Time Boutique, Wuxi
Time Boutique is located in the Hongshan area of Xinwu District, about 3 kilometres away from the Mei Du Mansion. With convenient transportation, it is adjacent to Ruijin Hospital and has great development potential in the future. The project has a site area of 77,000 sqm and a floor area of 151,000 sqm.

In 2020, sales of Time Boutique was RMB1,586 million, with an average selling price of approximately RMB17,000 per sqm. It is expected that a total area of 129,000 sqm will be delivered in 2021, of which 96,000 sqm had already been pre-sold as at 31 December 2020.

Lan Ting Long Yue Hua Yuan, Kunshan

Lan Ting Long Yue Hua Yuan, Kunshan is in proximity of the government office in Lujia Town, Kunshan. People can reach Suzhou Industrial Park, the whole Kunshan City and Shanghai Metro Line 11 through Rail Transit Line S1 under construction. With established commercial, healthcare and educational facilities, excellent living atmosphere with a natural water area nearby, the land is fit for developing into a city improvement benchmark project. The project has a site area of 71,000 sqm and a floor area of 152,000 sqm.

In 2020, sales of Lan Ting Long Yue Hua Yuan was RMB1,849 million, with an average selling price of approximately RMB19,000 per sqm. It is expected that a total area of 152,000 sqm will be delivered in 2021, of which 130,000 sqm had already been pre-sold as at 31 December 2020.

Jinmao Palace, Jiaxing

Located at the Jiaxing Economic and Technological Development Zone, Jinmao Palace (Jiaxing) is surrounded by established commercial, healthcare and educational facilities with the beautiful scenery. It is fit for developing into high-quality residential apartments. The project has a site area of 116,000 sqm and a floor area of 200,000 sqm.

In 2020, sales of Jinmao Palace (Jiaxing) was RMB402 million, with an average selling price of approximately RMB15,000 per sqm for residential building. In 2020, the value and area of properties delivered were RMB3,243 million and 204,000 sqm, respectively. It is expected that a total area of 2,000 sqm will be delivered in 2021, of which 1,000 sqm had already been pre-sold as at 31 December 2020.

Haiyi Cuiting, Hangzhou

Haiyi Cuiting, Hangzhou is located in Chongxian Street, Yuhang District, near the Jiangnan Courtyard. With established commercial, school and healthcare facilities and a strong living atmosphere, the project is fit for developing into a cost-effective residential project. The project has a site area of 36,000 sqm and a floor area of 75,000 sqm.

In 2020, sales of Haiyi Cuiting was RMB1,398 million, with an average selling price of approximately RMB23,000 per sqm for residential building. It is expected that a total area of 73,000 sqm will be delivered in 2021, of which 59,000 sqm had already been pre-sold as at 31 December 2020.

Lanshi Li, Hangzhou

Lanshi Li, Hangzhou is located in Chongxian Street, Yuhang District, near the Jiangnan Courtyard and close to Haiyi Cuiting project. With established commercial, school and healthcare facilities and a strong living atmosphere, the project is fit for developing into a cost-effective residential project. The project has a site area of 49,000 sqm and a floor area of 100,000 sqm.

In 2020, sales of Lanshi Li, was RMB1,831 million, with an average selling price of approximately RMB23,000 per sqm for residential building. It is expected that a total area of 99,000 sqm will be delivered in 2021, of which 78,000 sqm had already been pre-sold as at 31 December 2020.

Bohai Rim Region

RK Sunny Town, Tianjin
Located in Hedong District, Tianjin, RK Sunny Town is adjacent to the Tianjin Metro line. The project has a site area of 820,000 sqm with a floor area of 1,150,000 sqm and is planned to comprise nine phases of low-rise and high-rise residential buildings, coupled with 30,000 sqm of commercial complex, 8,000 sqm of a clubhouse as well as one primary school and one kindergarten.

In 2020, sales of RK Sunny Town was RMB893 million, with an average selling price of approximately RMB28,000 per sqm. In 2020, the value and area of properties delivered were RMB1,950 million and 78,000 sqm, respectively. It is expected that a total area of 64,000 sqm will be delivered in 2021, of which 20,000 sqm had already been pre-sold as at 31 December 2020.

RK Junlan Bay, Tianjin
RK Junlan Bay is located in Beicang Demonstration Town, Beichen District, Tianjin, with a site area of 125,000 sqm and a floor area of 265,000 sqm. The project is at the west of the North Canel scenery belt and the east of residential area and Hebei University of Technology, and it is planned to be developed as an eco-friendly residential community with comprehensive facilities.

In 2020, sales of RK Junlan Bay was RMB304 million, with the value and area of properties delivered were RMB1,371 million and 97,000 sqm respectively. It is expected that a total area of 67,000 sqm will be delivered in 2021, of which 5,000 sqm had already been pre-sold as at 31 December 2020.

RK Fabulous Community, Tianjin
RK Fabulous Community is located at the Haihe Education Park area of Jinnan District, Tianjin. It is connected to Tianjin Avenue via Jingu Highway, offering fast access to the urban area. With a quiet and beautiful surrounding, well-served living amenities and abundant educational resources within 3 kilometres, the land is fit for developing into a medium-density health residential apartment project. The project has a site area of 72,000 sqm and a floor area of 100,000 sqm.

In 2020, sales of RK Fabulous Community was RMB802 million, with an average selling price of approximately RMB19,000 per sqm. In 2020, the value and area of properties delivered were RMB1,383 million and 76,000 sqm, respectively. It is expected that a total area of 23,000 sqm will be delivered in 2021, of which 6,000 sqm had already been pre-sold as at 31 December 2020.

RK Grandtown, Langfang
RK Grandtown located in Dachang County, Langfang, lying to the east of Yanjiao and is adjacent to Tongzhou District, Beijing. The Group plans to develop it as a high-end residential community. The project has a site area of 495,000 sqm with a floor area of 723,000 sqm and is planned to comprise five phases of villas, semi-detached villas and high-rise residential buildings, coupled with 35,000 sqm for commercial complex and 1,000 sqm for clubhouse.

In 2020, sales of RK Grandtown was RMB1,550 million, with an average selling price of approximately RMB17,000 per sqm. In 2020, the value and area of properties delivered were RMB1,711 million and 119,000 sqm, respectively. It is expected that a total area of 103,000 sqm will be delivered in 2021, of which 58,000 sqm had already been pre-sold as at 31 December 2020.

Guangdong-Hong Kong-Macao Bay Area

RK Mont Panorama, Guangzhou
Located at Baohua Road, the core centre of Huadu District, Guangzhou, RK Mont Panorama is adjacent to the developing Metro line 9 and surrounded by Huaguoshan Park, Canton Tower Park, Huadu Stadium and first-class education centres in Guangdong. With a site area of 90,000 sqm and a floor area of 226,000 sqm, the project is planned to be developed as a high-end residential community in three phases.

In 2020, sales of RK Mont Panorama was RMB622 million, with an average selling price of approximately RMB24,000 per sqm for residential building. In 2020, the value and area of properties delivered were RMB873 million and 44,000 sqm, respectively. It is expected that a total area of 25,000 sqm will be delivered in 2021, of which 8,000 sqm had already been pre-sold as at 31 December 2020.

Phoenix Residence, Guangzhou
Located at Phoenix South Road, Huadu District, Guangzhou, Phoenix Residence is a new lakeside residential town in Huadu District. Adjacent to Huadu Lake National Wetland Park, with a good natural environment, it is fit for development of middle to high end residence. The project has a site area of 58,000 sqm and a floor area of 154,000 sqm.

In 2020, sales of Phoenix Residence was RMB1,075 million, with an average selling price of approximately RMB28,000 per sqm. The project is expected to be delivered in the second half of 2022.

Crescent Green, Hong Kong Special Administrative Region
Crescent Green is located in Au Tau, Yuen Long, New Territories. With a site area of 28,000 sqm and a floor area of 31,000 sqm, the project was developed as a high-quality low-density residence.

In 2020, sales of Crescent Green was HK$2,165 million, with an average selling price of approximately HK$140,000 per sqm for residential building. In 2020, the value and area of properties delivered were HK$1,875 million and 14,000 sqm, respectively. It is expected that a total area of 17,000 sqm will be delivered in 2021, of which agreement of sales and purchase for 5,000 sqm had already been signed as at 31 December 2020.

Southland, Hong Kong Special Administrative Region
Southland is located at Wong Chuk Hang Station of the MTR South Island line in proximity to Ocean Park and Aberdeen Marina Club, just two stations from Admiralty Station in the financial hub of Hong Kong. It was also the first high-end railway property development project on Hong Kong Island in almost 30 years. With a site area of 11,000 sqm and a floor area of 47,000 sqm, phase I of the project is planned to be launched in the first half of 2021.

So Kwun Wat Project, Hong Kong Special Administrative Region
Located in So Kwun Wat, Tuen Mun, New Territories and adjacent to Hong Kong Gold Coast, the project is fit for developing into a relatively high-end low-density residence. With a site area of 12,000 sqm and a floor area of 40,000 sqm, the project is planned to be launched in the first half of 2022.

New Projects

Acquired in the second half of 2020:

Yangtze River Delta Region

Bamboo Grove One, Changzhou
In July 2020, the Group acquired a piece of land in Tianning District, Changzhou for residential development through listing-for-sale and will develop the project with a competent enterprise in Mainland China. Located in Tianning District, Changzhou, west of Longcheng Avenue and north of Zhulin North Road, the project is in the prime location of Changzhou main city area. Close to the government building of Tianning District, the project is equipped with healthcare, traffic, educational facilities and natural landscape and offers a favourable living atmosphere, fit for the development of high-quality and comfortable integrated community. The project has a site area and a floor area of 52,000 sqm and 116,000 sqm respectively, and is planned to be launched in the first half of 2021.

Breeze Mansion, Nanjing
In July 2020, the Group acquired a piece of land in Jiangning District, Nanjing for residential development through listing-for-sale and will develop the project with a competent enterprise in Mainland China. Located at the High-Tech Park of Jiangning District, Nanjing, south of Fangqian Road and west of Zhengfang Avenue, the project is situated in the area of Zhengfang New Town, Jiangning District. The project is endowed with extensive transportation network and quality educational facilities. An emerging science and technology industrial park focused on development of software has been established within the area, and the living amenities within the area will be further upgraded in the future, fit for development of high-quality residences. The project has a site area of 83,000 sqm and a floor area of 177,000 sqm, and is planned to be launched in the first half of 2021.

RK Yuemao Mansion, Shanghai

In July 2020, the Group acquired a piece of land in Jiading District, Shanghai for commercial and residential development through listing-for-sale. Located at Juyuan Community, Jiading New Town, Jiading District, Shanghai, the project is at the prime location of Jiading New Town. Jiading Station along Shanghai Rail Transit Line 11 is situated to the north of the project, only 40 meters away, while Jiading District Passenger Terminal is in proximity of the project in the northwest. Adjacent to the water systems of the municipal park, the project is equipped with extensive road network, convenient transportation and comprehensive facilities, fit for development of high-quality premium project. The project has a site area of 61,000 sqm and a floor area of 130,000 sqm, and is planned to be launched in the first half of 2021.

RK Xihu Lake Yard, Hangzhou

In July 2020, the Group acquired a piece of land in Xihu District, Hangzhou for residential development through listing-for-sale. The project is located in Longwu Town, Xihu District, Hangzhou and is close to Longwu Scenic Zone. Adjacent to Zhuantang Town in the south and Longjing Mountain and Qiangtang River in the east, the project enjoyed unique geographical advantages, fit for development of high-quality premium project. The project has a site area of 22,000 sqm and a floor area of 23,000 sqm, and is planned to be launched in the first half of 2021.

Hill Mansion I, Nanjing

In September 2020, the Group acquired a piece of land in Qixia District, Nanjing for residential development through listing-for-sale and will develop the project with a competent enterprise in Mainland China. The project is located at the east of Gongnong Road, Qixia District and north of Guanyao Shan Road and close to Shan Yu Juan Fu. The plot is adjacent to Qixia Mountain Scenic Area, and the surrounding large amusement park Happy Valley has opened. Qixia Mountain International Cruise Terminal is under construction. With quality educational facilities, it belongs to the cultural tourism industry area that the government has focused on development and is fit for developing into a high-quality low-density residential area.The project has a site area of 32,000 sqm and a floor area of 49,000 sqm, and is planned to be launched in the first half of 2021.

Hill Mansion II, Nanjing

In September 2020, the Group acquired a piece of land in Qixia District, Nanjing for residential development through cooperation. The project is located at the west of Gongnong Road, Qixia District and north of Guihua Shuini Road and close to Shan Yu Juan Fu and Hill Mansion I. The plot is adjacent to Qixia Mountain Scenic Area, and the surrounding large amusement park Happy Valley has opened. Qixia Mountain International Cruise Terminal is under construction. With quality educational facilities, it belongs to the cultural tourism industry area that the government has focused on building and is fit for developing into a high-quality low-density residential area. The project has a site area of 26,000 sqm and a floor area of 46,000 sqm, and is planned to be launched in the first half of 2021.

Chongming District Project, Shanghai

In October 2020, the Group acquired a piece of land in Chongming District, Shanghai for residential development through listing-for-sale and will develop the project with a competent enterprise in Mainland China. The project is located in Chenjia Town, Chonging District, Shanghai, and is 1.5 km from the Chenjia Town Station of the Chongming Line (under construction). The site is surrounded by established educational facilities with beautiful scenery and is fit for developing into a high-quality low-density residence. The project has a site area of 78,000 sqm and a floor area of 74,000 sqm, and is planned to be launched in the second half of 2021.

Huishan District Project, Wuxi

In November 2020, the Group acquired a piece of land in Huishan District, Wuxi for residential development through co-development. The project is located in Yangxi Park, Qianqiao, Huishan District, Wuxi. The site is surrounded by established transportation, educational, commercial, and healthcare facilities, as well as water systems in the north and in the east, with beautiful scenery, and is fit for developing into a high-quality residence. The project has a site area of 53,000 sqm and a floor area of 94,000 sqm, and is planned to be launched in the first half of 2021.

Taihu Resort Zone WG-70 Project, Suzhou

In December 2020, the Group acquired a piece of land in the Wuzhong Taihu Resort Zone, Suzhou for residential development through co-development. The project is located in the Wuzhong Taihu Resort Zone, Suzhou, next to New Lake New City and is adjacent to Lake Taihu. The site has beautiful scenery and convenient access, and is fit for developing into a high-quality residence. The project has a site area of 48,000 sqm and a floor area of 94,000 sqm, and is planned to be launched in the second half of 2021.

Bohai Rim Region

路劲御和府
NOBLE MANSION

RK Noble Mansion, Beijing
In August 2020, the Group acquired a piece of land in Shunyi District, Beijing for residential development through listing-for-sale and will develop the project with a competent enterprise in Mainland China. The project is located in the Linhe area of Renhe Town, Shunyi District, Beijing, which is part of the old city of Shunyi, next to the Outer Ring Road to the south, and is connected to the eastern part of Beijing through Line 21, providing convenient access. The land to the north of the site is planned for high school construction, and the site is surrounded by plenty of educational institutions, providing excellent educational facilities for the area. The land to the south of the site is planned for Xinhe Project in the south of the city, which makes it suitable for the project to create quality products based the advantage of the environmental resources. The project has a site area of 99,000 sqm and a floor area of 154,000 sqm, and is planned to be launched in the first half of 2021.

Nandaihe Project, Qinhuangdao
In December 2020, the Group acquired a piece of land in Beidaihe New Area, Qinhuangdao for residential development through listing-for-sale together with an enterprise. The project is located in the core living area of the Nandaihe area of Beidaihe New Area, Qinhuangdao, which is a rare land that is the closest to the coastline in the area. The site is only 1 kilometre away from the direct line of Nandaihe Resort Zone and is close to the high-speed railway station, providing convenient access. The site is also surrounded by residential atmosphere with established facilities, and is fit for developing into a cosy product. The project has a site area of 180,000 sqm and a floor area of 271,000 sqm, and is planned to be launched in the second half of 2021.

Acquired in 2021 and up to the date of this report:

Taihu Resort Zone WG-2 Project, Suzhou
In February 2021, the Group acquired a piece of land in the Wuzhong Taihu Resort Zone, Suzhou for residential development through co-development. The project is located in the Wuzhong Taihu Resort Zone, Suzhou, next to New Lake New City and Taihu Resort Zone WG-70 Project, and is adjacent to Lake Taihu. The site has beautiful scenery and convenient access, and is fit for developing into a high-quality residence. The project has a site area of 50,000 sqm and a floor area of 97,000 sqm, and is planned to be launched in the second half of 2021.

(II) TOLL ROAD SEGMENT

Due to the impact of the Pandemic, the global economy experienced a severe downturn in 2020 and all the major economies around the world experienced negative growth. However, by intensifying supply-side structural reform, fully utilising the advantages of the large-scale market and the demand for domestic potential, and constructing a new pattern of promoting domestic and international dual circulation, China's economy grew by 2.3% against the trend during the year, the national real disposable income per capita increased by 4.7% as compared to last year, or grew 2.1% after deducting the price factor, of which all are in line with the economic growth. On the other hand, Indonesia's economy declined from the end of the first quarter in 2020 due to the impact of the Pandemic.

As affected by the Pandemic, the government of Mainland China has implemented a toll-free policy for all toll roads for the period from 17 February to 5 May 2020 in response to the prevention and control of the Pandemic (the "Toll-free Policy"). In addition, toll-by-class policy for trucks was implemented at the beginning of the year to replace toll-by-weight. These two policies have an adverse impact on the performance of the Group's toll road business in the first half of 2020. As a result of the powerful Pandemic prevention and control measures taken by the government of Mainland China, the Pandemic was alleviated in the second half of 2020 and the economy gradually recovered. Both the traffic volume and the toll revenue of the Group's expressways in the PRC gradually recovered to the level of last year, and recorded a slight increase in traffic volume and toll revenue by 8% and 5%, respectively, as compared with the corresponding period of last year. In the first half of 2020, Indonesia also implemented short-term restriction measures in response to the Pandemic, resulting in a decline in toll revenue. In the second half of the year, the traffic volume and toll revenue significantly resumed growth, with increases of 47% and 44%, respectively, as compared to the first half of the year.

As the government of Mainland China continues to formulate and improve domestic and international dual circulation pattern and plans to introduce a series of economic stimulus measures, it is expected that the economy will continue to grow. The rising household income will lead to an increase in transportation demand. The expressways of the Group are well-located and the economic benefits will further uplift. With the successful re-election of the president of Indonesia, which was beneficial to the continuity of policy implementation of the country, together with the favourable conditions such as the controlled Pandemic, recovered consumer market, and increased government investment, Indonesia's economic outlook for 2021 is expected to be optimistic.

In 2020, the Group took over two expressways, SN Expressway and NKK Expressway, in Indonesia and began to accumulate experience in overseas operations. On 5 March 2021, the Group further entered into conditional sales and purchase agreements to acquire 45% equity interest in an expressway in Indonesia, situated in Sumatra at the consideration of IDR1,236 billion (equivalent to approximately HK$680 million), thereby expanding its portfolio of expressway projects in Indonesia. PT Jasamarga Kualanamu Tol (the "Target Company") holds the concession rights of the Medan-Kualanamu-Tebing Tinggi toll road, which is part of the Trans Sumatra toll expressway network and has a total length of 61.7 km. The toll road has been completed and started in operation progressively since October 2017. Following the completion of the acquisition, the Group will share 45% equity interest in the Target Company.

In 2021, the Group will continue identify expressway projects with ideal returns in Mainland China and the countries along the Belt and Road to further expand the Group's toll road business.

Financial Review

In 2020, the Group received a cash distribution from its expressway joint ventures of HK$465 million, the Group's share of toll revenue from expressway projects amounted to RMB1,164 million, and the share of operating profit (net of income tax and withholding tax) of the joint venture amounted to HK$256 million. The decrease in profit compared to 2019 was mainly due to the implementation of Toll-free policy by the PRC government from 17 February to 5 May 2020 on all toll roads in Mainland China, to prevent and control the Pandemic, and the social restriction measures imposed by the Indonesian government during the Pandemic, which resulted in the decrease in toll revenue.

The Group's average daily traffic volume and toll revenue of the expressway projects for 2020 are as follows:

	Average Daily Traffic Vehicles	Increase/ (Decrease) %	Toll Revenue RMB'million	Decrease %
Expressway projects in Mainland China				
Baojin Expressway	77,000	1	730	(20)
Tangjin Expressway	56,300	(2)	512	(33)
Changyi Expressway	72,000	(3)	450	(37)
Longcheng Expressway	22,900	(2)	399	(20)
Machao Expressway	32,600	13	229	(17)
Total	260,800	–	2,320	(27)
Expressway projects in Indonesia (Note)				
SN Expressway	12,600	N/A	213	N/A
NKK Expressway	11,900	N/A	192	N/A
Total	24,500	N/A	405	N/A
Total (2020)	285,300	10	2,725	(14)
Total (2019)	260,000		3,162	

Note:
As the acquisition of SN Expressway and NKK Expressway in Indonesia was completed on 18 December 2019 and their contributions and operating data had no significant impact on the Group's performance during the year ended 31 December 2019, they are not included in the above analysis report. For the year of 2019 (including the period prior to the Group's acquisition), the average daily traffic volume of SN Expressway and NKK Expressway were approximately 15,600 vehicles and 14,600 vehicles respectively; their toll revenue were RMB273 million and RMB247 million respectively.

In 2020, the total traffic volume of the Group's expressway projects in Mainland China reached 104 million vehicles, with an average daily traffic volume of 285,300 vehicles, representing an increase of 10% as compared with last year; the toll revenue declined in the first half of the year due to the implementation of the toll-free policy, however it gradually recovered to the level of last period and recorded a growth for the second half of the year, and the toll revenue of the year reached RMB2,725 million.

Overview of Projects

Expressway business in Mainland China

Baojin Expressway

In 2020, the traffic volume of Baojin Expressway increased by 1% as compared with the corresponding period of last year, while the toll revenue decreased by 20% as compared with the corresponding period of last year. Due to the disconnection of the provincial expressway S333 Baigou Bridge, the traffic initially on S333 and G112 was diverted to the Baojin Expressway, and due to the impact of the large-scale construction of the Xiong'an New Area in 2020, the traffic volume increased slightly throughout the year. However, the toll revenue decreased as compared with the corresponding period of last year due to the Toll-free Policy. In the second half of the year, the traffic volume of Baojin Expressway increased by 18% as compared with the corresponding period of last year, while the toll revenue increased by 18% as compared with the corresponding period of last year, both restored to pre-pandemic levels and were maintaining a sustained growth momentum. The provincial government has announced a policy to compensate for the loss of toll revenue due to the Toll-free Policy by extending the toll period for 79 days.

Tangjin Expressway

The traffic volume and toll revenue of Tangjin Expressway in 2020 decreased 2% and 33%, respectively. Due to the impact of the Pandemic, the overall number of trucks decreased during the year, with a substantial decrease in traffic volume from January to July, and a rebound from August to December, as compared with the corresponding period of last year. The toll revenue decreased 33% as compared with the corresponding period of last year due to the impact of the Toll-free Policy, as well as the impact of the differentiated toll collection policy for trucks implemented in 2020. In the second half of the year, the traffic volume of Tangjin Expressway increased by 10% as compared with the corresponding period of last year, while the toll revenue increased by 2% as compared with the corresponding period of last year, both restored to pre-pandemic levels and were maintaining a slight increase. The provincial government has announced a policy to compensate for the loss of toll revenue due to the Toll-free Policy by extending the toll period for 79 days.

Changyi Expressway

Changyi Expressway recorded a decrease of 3% and 37% in traffic volume and toll revenue respectively in 2020. The decrease of traffic volume as compared with the corresponding period last year was mainly due to the opening of the Changyi Multiplex on 31 August, and the large-scale construction and maintenance of the Changyi Connection Expressway – Yuelu Highway from late August to early November, resulting in traffic diversion. Apart from the impact from the Toll-free Policy, the Changyi Expressway was also affected by the adverse impacts such as the toll mileage reduction of 6.057 kilometres due to the urbanization development of Changsha and the differentiated toll collection policy for trucks, resulting in the decrease in toll revenue by 37% as compared with the corresponding period of last year. Currently the local government is still working on a compensation plan for the loss of toll revenue arisen from the Toll-free Policy and toll mileage reduction of 6.057 kilometres.

Longcheng Expressway

Longcheng Expressway recorded a decrease of 2% and 20% in traffic volume and toll revenue, respectively, as compared with the corresponding period of last year. The decreases are mainly due to the absence of the two favourable factors from last year, including the maintenance and renovation of the TaiChang Expressway and the closure and renovation works of Jinci Viaduct from January to June of last year that resulted in a significant increase in traffic volume, as the renovation works were completed in this year. However, the closure and maintenance of China National Highway 108 diverted traffic volume to Longcheng Expressway, partially offsetting the negative factors, resulting in a lower magnitude of decline in the overall traffic volume. As a result of the impact of the Toll-free Policy, the toll revenue decreased by 20% as compared with the corresponding period of last year. In the second half of the year, the traffic volume of Longcheng Expressway increased by 9% as compared with the corresponding period of last year, while the toll revenue increased by 20% as compared with the corresponding period of last year, both restored to pre-pandemic levels and were maintaining a sustained growth momentum. In late 2020, the Taiyuan Municipal Government implemented the diversion control of trucks from Taiyuan Ring Expressway, where some trucks were diverted to Longcheng Expressway, and therefore the toll revenue of Longcheng Expressway is expected to have a significant increase in 2021. Currently the local government is still working on a compensation plan for the loss of toll revenue arise from the Toll-free Policy.

Machao Expressway

Machao Expressway recorded an increase of 13% in traffic volume and a decrease of 17% in toll revenue in 2020, as compared with the corresponding period of last year. As a result of the impact of the Toll-free Policy, the changes of traffic volume and toll revenue during the year are not in line with each other. After the resumption of toll collection, the traffic volume increased by 16% as compared with the corresponding period of last year, while the toll revenue increased by 17% as compared with the corresponding period of last year, particularly in the second half of 2020. Both restored to pre-pandemic levels and were maintaining a sustained growth momentum. Currently the local government is still working on a compensation plan for the loss of toll revenue arisen from the Toll-free Policy.

Expressway Business in Indonesia

SN Expressway

Due to the Pandemic and the prevention and control measures, the average daily traffic volume was 12,600 vehicles, and the toll revenue was RMB213 million in 2020. The first half of 2020 was more affected by the Pandemic, rebound began to appear in the second half of the year, with traffic volume and revenue increasing by 48% and 44%, respectively, compared to the first half of the year. SN Expressway is part of a network of expressways across Java that connects eastern and central Java, Indonesia. The total length of the toll road is about 91 kilometres and has been completed and in operation progressively since April 2018, and is entirely open for operation. The concession period of the toll road is extended to a total of 50 years until 2066.

NKK Expressway

Due to the Pandemic and the prevention and control measures, the average daily traffic volume was 11,900 vehicles, and the toll revenue was RMB192 million in 2020. The first half of 2020 was more affected by the Pandemic, rebound began to appear in the second half of the year, with traffic volume and revenue increasing by 47% and 43%, respectively, compared to the first half of the year. NKK Expressway is also part of a network of expressways across Java that connects eastern and central Java, Indonesia. The total length of the toll road is about 115 kilometres, while the length of the section from Ngawi to Kertosono is about 87 kilometres. This section is completed and has commenced operation since April 2018. The length of the remaining section not yet been constructed, i.e. the planned section from Kertosono to Kediri, is about 28 kilometres. It is expected to commence construction work in late 2021. The concession period of the toll road is a total of 50 years until 2066.

(III) IAM SEGMENT

The outbreak of the Pandemic undermined the performance of the investment and asset management businesses during 2020. In 2020, the projects of IAM Segment (including joint venture and associate projects) achieved property sales of approximately RMB1,335 million, and the segment recorded a loss of HK$975 million.

Overview of Major Businesses

Property Fund Business

As markets in many countries have not been able to fully recover from the impact of the Pandemic, the fund business did not make any new investment in 2020. Due to the tightening of macroeconomic controls over the property fund business in Mainland China, the Group will consider whether the fund business can continue to support the development of the Group's property business, and make appropriate arrangements.

Cultural, Tourist and Commercial Business

As a result of the Pandemic, the commercial rental income during the year declined, and the fair value of investment properties decreased. Meili Ancient Town in Wuxi launched in November 2020. The project aims to make use of the unique business mode to build a new model of cultural, tourist and commercial business that is "suitable for tourism, culture, entertainment and business".

Entertainment and Content Development Business

Due to the closure of theme parks and indoor amusement facilities and the implementation of social distancing measures around the world, the entertainment and content development business was severely impacted in 2020. After serious consideration, the Group disposed of its entertainment and content development business in Mainland China in October, and currently still holds 40% equity interest in Holovis in the United Kingdom.

Property Development Business

In 2020, the property development projects of IAM Segment (including joint venture and associate projects) achieved contracted sales of RMB1,032 million and outstanding subscribed sales of approximately RMB303 million.

As at 31 December 2020, the land reserve of IAM Segment was approximately 1,380,000 sqm, which was mainly located in Henan Province. As at 31 December 2020, total area of properties presold but yet to be delivered was 210,000 sqm.

The Pandemic has imposed, to varying degrees, impacts on the investment mode, consumption habit, travel pattern and working style in the long run. During the year, the Group conducted an in-depth review of its investment and asset management business model and made corresponding adjustments, including taking over the cultural, tourist and commercial business and property development business of IAM Segment by our existing Property Segment from 2021 onwards, in order to centralise its management and to restructure the businesses that were most affected by the Pandemic.

FINANCIAL REVIEW OF THE GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The table below extracted major items from the consolidated statement of profit or loss of the Group for each of the two years ended 31 December 2020 and 2019.

	2020 HK$'million	2019 HK$'million
Revenue	**24,196**	21,495
Gross profit	**6,507**	7,509
Interest and other income, net	**588**	495
Selling and operating expenses	**(1,725)**	(1,616)
Share of results of joint ventures and associates	**537**	1,289
Finance costs	**(1,173)**	(917)
Profit before taxation	**4,734**	6,760
Income tax expenses	**(1,950)**	(3,083)
Profit for the year	**2,784**	3,677
Profit attributable to:		
– Owners of the Company	**1,723**	3,028
– Owners of perpetual capital securities	**528**	372
– Non-controlling interests of subsidiaries	**533**	277
	2,784	3,677

REVENUE AND GROSS PROFIT

Revenue and gross profit of the Group for the year were mainly contributed by the Property Segment business. The details are contained in the subsection headed "Financial Review" under "Property Segment".

INTEREST AND OTHER INCOME, NET

The increase of interest and other net income was mainly attributable to the substantial increase of exchange rates of Renminbi during the year. The Group recorded net exchange gains of approximately HK$749 million in 2020 (2019: HK$24 million), but as the Group's interest income from joint ventures during the year decreased by HK$265 million as compared with the corresponding period last year, and the fair value of investment properties held by the Group recorded a decrease of approximately HK$192 million during the year (2019: recorded an increase of fair value of HK$77 million), partially offset the increase in the net exchange gains.

SELLING AND OPERATING EXPENSES

The property market was basically suspended in the first quarter due to the impact of the Pandemic. However, as the Pandemic stabilised, the market gradually picked up in the second quarter and the Group increased its effort to stimulate sales, resulting in a corresponding increase in sales commission and expenses relating to promotional activities.

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES

This represented mainly share of results of infrastructure joint ventures of HK$274 million and share of results of property joint ventures and associates of HK$263 million of the Group during the year. The details are contained in the analysis of each business segment. The decrease in profit was mainly attributable to the outbreak of the Pandemic which led to the extension of the toll-free period for 9 days during the Chinese New Year holidays in Mainland China, and the suspension of toll collection for consecutive 79 days from 17 February to 5 May. These relevant policies have caused a significant decline in the Group's profit from infrastructure joint ventures.

FINANCE COSTS

The increase in finance costs was mainly attributable to the Group's issuance of two offshore guaranteed senior notes with the aggregate principal amount of US$716 million and one syndicated loan amounted to HK$1,500 million during the year, resulting in the increase in interests on borrowings and related finance costs.

INCOME TAX EXPENSES

Income tax expenses mainly comprise profit tax, land appreciation tax and deferred tax. The higher income tax expenses of last year were mainly attributable to the higher profits of properties delivered in 2019 which increased the provision for land appreciation tax.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below summarised the major items of the consolidated statement of financial position of the Group as at 31 December 2020 and 2019.

	2020 **HK$'million**	2019 HK$'million (Restated)
Non-current assets		
– Investments in joint ventures and associates (including shareholders' loans)	**25,146**	20,129
– Investment properties	**4,046**	3,813
– Other non-current assets	**2,116**	1,922
	31,308	25,864
Current assets		
– Inventory of properties (including prepayment for land leases)	**47,865**	41,464
– Bank balances and cash (including pledged bank deposits)	**14,171**	15,173
– Loans to joint ventures	**3,939**	3,244
– Other current assets	**5,998**	5,043
	71,973	64,924
Non-current liabilities		
– Bank and other borrowings	**(24,631)**	(21,822)
– Other current liabilities	**(1,333)**	(1,201)
	(25,964)	(23,023)
Current liabilities		
– Creditors and accrued charges	**(10,685)**	(10,400)
– Loans from joint ventures and associates	**(4,432)**	(2,898)
– Deposits from pre-sale of properties	**(7,819)**	(8,482)
– Bank and other borrowings	**(13,425)**	(8,319)
– Other current liabilities	**(7,914)**	(9,102)
	(44,275)	(39,201)
Total equity (including perpetual capital securities)	**33,042**	28,564

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (INCLUDING SHAREHOLDERS' LOANS)

It mainly represented the Group's interests in infrastructure joint ventures of HK$4,539 million (2019: HK$4,436 million) and interests in property joint ventures and associates of HK$24,546 million (2019: HK$18,937 million), including shareholders' short term loans to joint ventures (included in current assets). The increase in balance was mainly attributable to payment of investment cost and land premiums prepaid for the acquisition of a number of land parcels through joint ventures during the year. The details on new land parcels acquired through joint ventures are contained in the subsections headed "Land Reserve" and "New Projects" under "Property Segment".

The Group entered into the undertaking agreement with an independent third party in 2017, pursuant to which, the Group undertakes for a prompt settlement of 50% of outstanding debts incurred by the property development joint venture, in which the Group held 50% equity interest. As at 31 December 2020, the carrying amount of the liabilities undertaken by the Group amounted to approximately HK$2,778 million (2019: HK$2,729 million). Save for this liability undertaking, details of other guarantees given by the Group to joint ventures were set out in the subsection headed "Contingent Liabilities" under "Financial Review".

INVESTMENT PROPERTIES

This comprises the carrying value of investment properties with the details are set out in note 18 of the consolidated financial statements. During the year, the increase in the leased areas of the Group's commercial properties in Beijing and Ningbo offset the impact of decrease in the fair value of investment properties. As at 31 December 2020, the total floor area of the investment properties of the Group (including joint venture and associate projects) was around 355,000 sqm.

INVENTORY OF PROPERTIES (INCLUDING PREPAYMENT FOR LAND LEASES)

The increase in inventory of properties was mainly due to the payment of land premiums for a number of newly acquired projects by the Group during the year, leading to an increase in the balance of inventory of properties.

BANK BALANCES AND CASH (INCLUDING PLEDGED BANK DEPOSITS)

The decrease in the bank balances and cash was mainly attributable to the payment of land premiums and investment cost for newly acquired projects paid by the Group during the year.

DEPOSITS FROM PRE-SALE OF PROPERTIES

The decrease in deposits from pre-sale of properties was a result of concentration of delivery of the pre-sold properties of the Group's wholly-owned projects in the second half of the year. As at 31 December 2020, the total area of properties (including joint venture and associate projects) pre-sold but yet to be delivered was approximately 1,820,000 sqm.

BANK AND OTHER BORROWINGS AND NON-CURRENT LIABILITIES

Bank and other borrowings and non-current liabilities mainly represented offshore guaranteed senior notes, syndicated loans, domestic bonds and project development loans of the Group.

Details of the Group's loan profile are set out as follows:

	At 31 December	
	2020	2019
	HK$'million	HK$'million
Repayable:		
On demand	**616**	700
Within one year	**12,809**	7,619
After one year but within two years	**9,063**	12,479
After two years but within five years	**14,619**	9,147
More than five years	**949**	196
Total Loans	**38,056**	30,141

Source of Loans

	2020	2019
Short term loans	**35%**	28%
Long term loans	**65%**	72%
Total	**100%**	100%

Nature of Debts

	2020	2019
Unsecured loans	**68%**	67%
Secured loans	**32%**	33%
Total	**100%**	100%

Currency Profile of Loans

	2020	2019
HKD	**9%**	10%
RMB	**39%**	37%
USD	**52%**	53%
Total	**100%**	100%

Type of Loans

	2020	2019
Guaranteed senior notes*	**48%**	47%
Other offshore loans	**13%**	17%
	61%	64%
Domestic bonds	**5%**	5%
Other onshore loans	**34%**	31%
	39%	36%
Total	**100%**	100%

* Excluding perpetual capital securities (Classified to equity)

Interest Rates Basis

	2020	2019
Floating rate	**46%**	33%
Fixed rate	**54%**	67%
Total	**100%**	100%

By the end of 2020, certain of the Group's loans were on a fixed rate basis, which included US$2,312 million of guaranteed senior notes (annual rate ranging from 4.7% to 7.875%) and RMB1,500 million 7% domestic bonds, of which US$300 million 5.9% guaranteed senior notes and US$416 million 6% guaranteed senior notes were issued in March and September 2020, respectively.

Apart from the above loans, the Group also issued the following three senior guaranteed perpetual capital securities:

(a) US$300 million 7.95% senior guaranteed perpetual capital securities;

(b) US$300 million 7% senior guaranteed perpetual capital securities; and

(c) US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities.

As at 31 December 2020, the net gearing ratio and the net capitalisation ratio of the Group were 72% and 42% respectively. Net gearing ratio represents the difference between the Group's total interest bearing borrowings (excluding amounts due to non-controlling interests of subsidiaries) and the bank balances and cash (including pledged bank deposits) ("Net Debt") to the total equity. The net capitalisation ratio represents the Net Debt to the sum of Net Debt and total equity.

In January 2021, the Group issued US$500 million 5.2% guaranteed senior notes to support the Group's business development and to refinance the existing debts including the outstanding balance of US$215.6 million of the US$400 million 7.75% guaranteed senior notes redeemed in February 2021.

CONSOLIDATED STATEMENT OF CASH FLOWS

The table below summarised the major items of the consolidated statement of cash flows of the Group for the years ended 31 December 2020 and 2019.

	2020 HK$'million	2019 HK$'million
Payment for land leases	**(13,621)**	(11,161)
Net cash from (used in) operating activities, other than payment for land leases	**9,304**	(1,950)
Net cash (used in) from investing activities, other than payment for land leases	**(1,993)**	3,661
Net cash from financing activities	**4,574**	12,312
Effect of change in exchange rates	**680**	(296)
Cash and cash equivalents at 1 January	**13,239**	10,673
Cash and cash equivalents at 31 December	**12,183**	13,239

PAYMENT FOR LAND LEASES (INCLUDING PAYMENT THROUGH JOINT VENTURES ARRANGEMENT)

During the year, the payment of land premiums were mainly for projects newly acquired in Beijing, Suzhou, Shanghai, Changzhou, Hangzhou, Wuxi and Nanjing. The details on new land parcels acquired are contained in the subsections headed "Land Reserve" and "New Projects" under "Property Segment".

NET CASH FROM (USED IN) OPERATING ACTIVITIES, OTHER THAN PAYMENT FOR LAND LEASES

The increase in net cash generated from operating activities as compared with last year was mainly due to the increase in cash generated from the pre-sales and sales of properties during the year.

NET CASH (USED IN) FROM OPERATING ACTIVITIES, OTHER THAN PAYMENT FOR LAND LEASES

The increase in net cash used in investing activities was mainly due to the increase in the loans to non-controlling interests and joint ventures of the Group during the year and a decrease in the cash distributed or dividends received from the infrastructure joint venture projects as compared with last year as affected by the Pandemic.

The net cash inflow from investing activities last year was mainly attributed to the additional cash inflow arisen from the acquisition of the subsidiary in Shanghai.

NET CASH FROM FINANCING ACTIVITIES

The decrease in net cash from financing activities was mainly attributable to the outbreak of the Pandemic at the beginning of the year and the tightening of property financial regulations in Mainland China, which delayed and reduced the amount of new loans during the year compared to last year. Furthermore, the Group's offshore issuance of a perpetual capital securities of US$300 million in 2019, therefore, the net cash flow from financing activities was relatively high.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the equity attributable to owners of the Company was HK$20,928 million (2019: HK$18,866 million). Net assets per share attributable to owners of the Company was HK$27.93 (2019: HK$25.18).

As at 31 December 2020, the Group's total assets were HK$103,281 million (2019: HK$90,788 million) and bank balances and cash were HK$14,056 million (2019: HK$14,451 million), of which about 84% was denominated in Renminbi and the remaining 16% was mainly denominated in US dollars or HK dollars.

During the year, the Group drew down various offshore bonds, offshore bank loans and project development loans in Hong Kong and Mainland China in an aggregate amount equivalent to HK$18,515 million. The drawdown of new loans was offset by refinancing or repayment of certain bank loans.

The Group continues to adopt prudent financing and treasury policies, with all financing and treasury activities centrally managed and controlled. Implementation of the Group's related policies is made under collective and extensive considerations on liquidity risk, financing costs and exchange rate risk. Going forward, the Group will continue to maintain healthy treasury strategy and explore and broaden financing channels, so as to manage financing costs and enhance cash flows of the Group.

CHARGES ON ASSETS

As at 31 December 2020, bank balances of HK$115 million (2019: HK$722 million) were pledged as security in favour of banks for certain mortgage facilities granted to customers of the Group's property projects and bank credit facilities granted to the Group. In addition to these charged bank deposits, properties with carrying value of HK$12,279 million (2019: HK$8,548 million) were pledged as securities for certain loan facilities.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS AND INTEREST RATES

The Group's borrowings are mainly denominated in Renminbi and US dollar but the cash flow is mainly generated from projects whose earnings are denominated in Renminbi. As a result, the Group is exposed to the foreign exchange risk on the fluctuation of Renminbi and US dollar. In 2020, the Group recorded net exchange gains of approximately HK$749 million. To minimise the impacts arisen from fluctuation of exchange rate between US dollar and Renminbi on the Group, the Group has entered into capped forward swap contracts and range forward swap contracts for parts of offshore US dollar debts. The Group will pay close attention to the impact of changes in Sino-US trade relations on exchange rate fluctuations, and will expand foreign currency forward contracts to hedge the foreign exchange risks, when appropriate.

The Group's exposure to interest rate risk is mainly from fluctuation in interest rates relating to its borrowings denominated in Renminbi and US dollar. Although the monetary policies implemented by Mainland China and the US governments continue to have a major impact on the Group's results and operation, the Directors of the Company ("the Directors") consider that the interest rate fluctuation caused by the fluidity and instability of the global economy and financial systems also has an impact on the operation of the Group. To minimise the impacts arisen from the fluctuation of the US dollar interest rate, the Group has entered into interest rate swap contracts for parts of offshore US dollar obligations.

Save for the aforesaid, the Group has no significant exposure to foreign exchange risk and interest rate risk. The Group will continue to closely monitor the above risks and may arrange hedging against the risks exposed as and when necessary and appropriate.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had provided guarantees of HK$8,880 million (2019: HK$7,977 million) to banks in respect of the mortgage loans of the purchasers of the Group's properties. The guarantees would be released after the purchasers have pledged their property ownership certificates as securities to the banks for the mortgage loans granted.

In addition, the Group had provided guarantees of HK$3,181 million (2019: HK$3,002 million) for banking facilities granted to the joint ventures of the Group as at 31 December 2020.

Details of the Group's undertaking for a property joint venture were set out in the subsection headed under "Financial Review".

EMPLOYEES

Excluding the staff of joint ventures and associates, the Group had 4,826 employees as at 31 December 2020. Expenditure on staff (excluding Directors' emoluments and share-based payment) for the year under review amounted to HK$1,134 million. Employees are remunerated according to their performance and contribution. Other employee benefits include provident fund, insurance, medical cover and training programs, as well as share option scheme. During the year, no share option was granted.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zen Wei Peu, Derek
(aged 68, Chairman)

Mr. Zen has been an Executive Director of the Company since its establishment and was re-designated as the Chairman of the Company since January 2021. He is the Chairman of the Nomination Committee, a member of the Remuneration Committee of the Company and a director of various companies of the Group. He is also the Vice Chairman and the Chief Executive Officer of Wai Kee Holdings Limited (HK stock code: 610) and the Chairman of Build King Holdings Limited (HK stock code: 240). He is a Director of Emmaus Life Sciences, Inc., whose shares are traded on the OTC Market. He holds a Bachelor of Science degree in Engineering and a Master of Business Administration degree. He is a Chartered Engineer, a member of the Institution of Civil Engineers, the United Kingdom and a fellow of The Institute of Quarrying, the United Kingdom. Mr. Zen has over 45 years of experience in civil engineering industry. He is the uncle of Mr. Zen Chung Hei, Hayley.

Mr. Ko Yuk Bing
(aged 65, Deputy Chairman, Managing Director and Chief Executive Officer)

Mr. Ko joined the Company in 1995 and is a director of various companies of the Group. He holds a Master of Science degree in Engineering. He is a Chartered Engineer and a fellow of the Institution of Civil Engineers, the United Kingdom, The Institution of Structural Engineers, the United Kingdom and The Hong Kong Institution of Engineers. Mr. Ko has extensive experience in infrastructure and property development in Hong Kong and the PRC, and has over 31 years of experience in business development and operation in the PRC. He is the spouse of Ms. Chuk Wing Suet, Josephine.

Mr. Fong Shiu Leung, Keter
(aged 58, Deputy Chief Executive Officer and Finance Director)

Mr. Fong has been appointed as an Executive Director of the Company since July 2000 and is a director of various companies of the Group. He holds a Bachelor of Arts degree in Accountancy. He is a Certified Practising Accountant in Australia and a fellow of the Hong Kong Institute of Certified Public Accountants. He has over 35 years of experience in auditing, accounting and business advisory profession. Prior to joining the Company, he was an audit principal of an international accounting firm.

NON-EXECUTIVE DIRECTORS

Mr. Mou Yong
(aged 58)

Mr. Mou has been appointed as a Non-executive Director of the Company since December 2015. He was an Executive Director of Shenzhen Investment Limited (HK stock code: 604), a Director of Shum Yip Holdings Company Limited and 深業集團有限公司 and held the positions of the head of Enterprise Leadership Personnel Management and the chief of General Office at The Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission. Mr. Mou graduated from Shaanxi University of Technology with a major in Chinese Language and Literature and holds an advanced Master of Business Administration degree from Peking University. He is a lawyer of The People's Republic of China and an arbitrator of The Shenzhen Arbitration Commission. Mr. Mou has extensive experience in corporate governance and administrative management.

Mr. Dong Fang
(aged 48)

Mr. Dong has been appointed as a Non-executive Director of the Company since December 2015. He is the Executive Director and the Vice President of Shenzhen Investment Limited (HK stock code: 604). He is also the Vice President of 深業集團有限公司 and Shum Yip Holdings Company Limited. He is a Director of Shahe Industrial Co., Ltd. (Shenzhen stock code: SZ000014). Mr. Dong served as a general manager of the real estate department and investment department in Shenzhen Investment Limited, and a deputy general manager of 惠州廣河高速公路有限公司. He also worked in the Transport Commission of Shenzhen Municipality. Mr. Dong graduated from Hunan University and holds a Master degree and a senior engineer qualification. He has extensive experience in corporate management, property investment and operation management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Sai Yung
(aged 73)

Mr. Lau has been appointed as an Independent Non-executive Director of the Company since August 2004. He is the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. He is the sole-proprietor of Lau SY & Co., Certified Public Accountants, the Executive Chairman of Union Alpha CPA Limited, the Managing Director of Union Alpha CAAP Certified Public Accountants Limited, an Honorary Fellow of The Chinese University of Hong Kong, an Affiliated Fellow cum Overseer of Wu Yee Sun College, The Chinese University of Hong Kong. He also holds honorary positions in various schools, charitable and non-profit-making organisations. He was a Non-executive Director of Dezhan Healthcare Company Limited (formerly known as Xinjiang Tianshan Wool Textile Co., Ltd.) (Shenzhen stock code: SZ000813). He holds a Bachelor degree in Business Administration from The Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a fellow of the Association of Chartered Certified Accountants of the United Kingdom, The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in England and Wales, The Society of Chinese Accountants and Auditors, Hong Kong, and The Taxation Institute of Hong Kong, an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute of the United Kingdom, and Chartered Tax Adviser. Mr. Lau has over 45 years of experience in the profession of accounting.

Mr. Tse Chee On, Raymond (former name, Tse Chi On)
(aged 70)

Mr. Tse has been appointed as an Independent Non-executive Director of the Company since October 2012. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. From 1989 to 1997, he was the Managing Director of Wheelock and Company Limited (HK stock code: 20), the Chairman and Managing Director of Wheelock Properties Limited, a Director of New Asia Realty & Trust Company, Limited and Realty Development Corporation Limited. Mr. Tse holds a Bachelor degree in Business Administration from the University of Montreal, Canada. He has over 35 years of experience in property development and investment, architectural planning and design consulting, property business consulting, international brand licensing and commercial property business in Hong Kong and the PRC.

Mr. Wong Wai Ho
(aged 71)

Mr. Wong has been appointed as an Independent Non-executive Director of the Company since May 2014. He is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is an Independent Non-executive Director of Hang Chi Holdings Limited (HK stock code: 8405). He was a consultant of Jumbo Land Resources Limited. Moreover, Mr. Wong was appointed by Jardine Fleming responsible for the management of the world's first ever direct investment focusing on finding investment opportunities in the Greater China region and was appointed by Kleinwort Benson and Advent International Corporation as a director and a managing director respectively. Prior to that, he worked for the Hong Kong Trade Development Council responsible for the promotion of Hong Kong's external trade for 13 years. Mr. Wong has been involved in the public services; he was a member of the Board of Trustees of Chung Chi College, The Chinese University of Hong Kong and a member of The Chinese History and Culture Educational Foundation for Youth. In the Expo 2010 Shanghai, Mr. Wong was appointed as the deputy pavilion director of the World Trade Centers Association Pavilion. Mr. Wong holds a Bachelor degree in Business Administration (major in accounting) from The Chinese University of Hong Kong and a Master in Law degree from the People's University of China (also known as Renmin University of China). He has extensive experience in trade promotion, fund investment and investment consultancy.

SENIOR MANAGEMENT

Ms. Chuk Wing Suet, Josephine
(aged 49)

Ms. Chuk, joined the Group in 1994, is a Deputy Chief Operating Officer of the Group and a Director of RK Properties Holdings Limited, and responsible for the property development projects in Shanghai, Jiangsu and Zhejiang. She holds a Bachelor of Social Science degree and a Master of Business Administration degree. Ms. Chuk has over 27 years of experience in business investment, operation, development and promotion in Hong Kong and the PRC. She is the spouse of Mr. Ko Yuk Bing.

Mr. Zen Chung Hei, Hayley
(aged 46)

Mr. Zen, joined the Group in 2006, is the Executive Director of the Investment and Asset Management Division. He holds a Bachelor of Commerce degree in Accounting, a Bachelor of Science degree in Computer Science and a Master of Business Administration degree. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Chartered Accountants Australia and New Zealand. Mr. Zen has 25 years of experience in finance, accounting, business investment and development in the United States, Hong Kong and the PRC. He is the nephew of Mr. Zen Wei Peu, Derek.

Mr. Zhang Nan
(aged 48)

Mr. Zhang, joined the Group in 2007, is the regional Director of the property development projects in Suzhou, Wuxi and Zhenjiang. He holds a Bachelor of Engineering Management degree and an Executive Master of Business Administration degree, and is a Registered Costing Engineer in the PRC. Mr. Zhang has over 25 years of experience in property development and management in the PRC.

Ms. Diao Lu, Amy
(aged 46)

Ms. Diao, joined the Group in 2007, is the regional Director of the property development projects in Beijing, Hebei and Shandong, and oversees the corporate communication function of the Group. She holds a Bachelor of International Finance degree and an Executive Master of Business Administration degree. Ms. Diao has substantial years of experience in managerial positions in property development companies as well as Fortune 500 multi-national companies, in particular, in the area of human resources and corporate communication and public affairs.

Mr. Chu Kwok Kit
(aged 60)

Mr. Chu, joined the Group in 2018, is the regional Director overseeing the Hong Kong property development projects. He holds a Bachelor of Arts in Architectural Studies degree and a Bachelor of Architecture degree. He is an Authorized Person (List of Architect), a Registered Architect in Hong Kong and a member of The Hong Kong Institute of Architects. He has over 34 years of experience in property development industry. Prior to joining the Group, Mr. Chu worked in a well-known property development company for 26 years.

Mr. Zhao Min
(aged 51)

Mr. Zhao, joined the Group in 2011, is the regional Director of the property development projects in Tianjin. He holds a Bachelor degree in Industrial and Civil Engineering and is a Registered Engineer in the PRC. He has 29 years of engineering and project management experience in the PRC and Singapore. Prior to joining the Group, Mr. Zhao worked for several renowned property developers.

Mr. Lee Tak Fai, Kennedy
(aged 55)

Mr. Lee, joined the Group in 2007, is the Senior Vice President of the Group responsible for the corporate finance and legal functions. He holds a Bachelor of Social Science degree and a Master of Science degree in Finance. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He has over 29 years of experience in accounting, assurance, financing and business advisory services. Prior to joining the Group, Mr. Lee worked for a number of international accounting firms and was previously the financial controller and the assistant general manager of the corporate finance department of several companies listed on the main board of the Stock Exchange.

Mr. Ng Fun Hung
(aged 48)

Mr. Ng, joined the Group in 2011, is the Senior Vice President of the Group responsible for the accounting and tax functions. He holds a Bachelor of Business Administration degree and a Master of Applied Finance degree. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst of the United States, a Certified Information System Auditor of the United States and a Chartered Governance Professional of the United Kingdom. Mr. Ng has over 24 years of experience in accounting, assurance and financial management. Prior to joining the Group, Mr. Ng worked for an international accounting firm and was previously the financial controller of a listed company in Hong Kong.

Mr. Gao Da Peng
(aged 43)

Mr. Gao, joined the Group in 2007, is the Senior Vice President and the General Manager of Shanghai and Zhejiang regions. He holds an Executive Master of Business Administration degree. Mr. Gao has 21 years of experience in property development, operation and sales management in the PRC.

Mr. Chen Xue Ming
(aged 45)

Mr. Chen, joined the Group in 2019, is the Senior Vice President and the General Manager of Nanjing and Changzhou regions. He holds a Master of Business Administration degree. Prior to joining the Group, Mr. Chen worked for several renowned property developers and has 24 years of experience in property development, operation and sales management in the PRC.

Mr. Fu Qi
(aged 44)

Mr. Fu, joined the Group in 2014, is the Vice President of the Group responsible for the Sales and Marketing Centre. Prior to that, Mr. Fu held senior sales positions in several renowned property developers. Altogether, he has 22 years of experience in property sales management in the PRC. Mr. Fu holds a Bachelor of Civil Engineering degree from Tsinghua University and a Master of Business Administration degree from Fudan University and is a Registered Real Estate Valuer and a Registered Real Estate Agent in the PRC.

Mr. Sun Xiang Jun
(aged 50)

Mr. Sun, joined the Group in 2007, is the Vice President of the Group responsible for the Design Centre. He holds a Bachelor Degree in Architecture, a Master Degree in Economics, a Master degree in Management and an Executive Master of Business Administration degree from China Europe International Business School. Mr. Sun is a Project Management Professional, Registered First-class Registered Architect, Registered Quantity Surveyor, Registered Engineer in the PRC and a member of Royal Institute of Chartered Surveyors. He has 29 years of experience in the area of project design and management.

Mr. Luo Liang Shang
(aged 52)

Mr. Luo, joined the Group in 2020, is the Vice President of the Group responsible for the Engineering & Cost Management Centre. He holds Master degree in Engineering Management and an Executive Master of Business Administration degree. Prior to joining the Group, Mr. Luo worked in several well-known property developers and has 28 years of experience in the area of project engineering and development management.

Mr. Ren Yuan Liang
(aged 43)

Mr. Ren, joined the Group in 2019, is the Vice President of the Group responsible for the Human Resources and Administration Centre and IT department. He holds a Bachelor degree in English and has 19 years of experience in the area of human resources and administration. Prior to joining the Group, Mr. Ren was the head of human resources and administration department of renowned companies.

Mr. Zhou Liang Hua
(aged 39)

Mr. Zhou, joined the Group in 2019, is the Vice President of the Group responsible for the Land Development Centre. He holds Master degree in Land Resources Management. Prior to joining the Group, Mr. Zhou worked in several well-known property developers and has 14 years of experience in the area of project investment.

DIRECTORS' REPORT

The Directors present herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group, including the joint ventures and associates, are the operation of property development, investment and asset management businesses in the PRC and Hong Kong and the investment in, development, operation and management of toll road projects in the PRC and Southeast Asia. Details of the Group's principal subsidiaries, joint ventures and associates are set out in notes 53, 20 and 19 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages F-8 and F-9 respectively.

An interim dividend of HK$0.20 per share amounting to approximately HK$150 million was paid to the shareholders of the Company in September 2020.

The Directors recommend the payment of a final dividend of HK$0.55 per share to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 2 June 2021 amounting to approximately HK$412 million subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM"). It is expected that the final dividend will be paid on or before Wednesday, 30 June 2021, if approved.

INTRODUCTION OF HYBRID AGM

Due to the volatility of the Pandemic, the Company will conduct a hybrid AGM with the combination of In-Room Meeting and Virtual Meeting. Hybrid Meeting allows shareholders of the Company to attend either in person or via an online platform which allows shareholders of the Company to attend, submit questions, vote electronically in real time and view live streaming of the AGM.

CLOSURES OF REGISTER OF MEMBERS

TO BE ELIGIBLE TO ATTEND AND VOTE AT THE FORTHCOMING AGM

The register of members of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 18 May 2021 for registration.

TO QUALIFY FOR THE PROPOSED FINAL DIVIDEND

The register of members of the Company will also be closed from Tuesday, 1 June 2021 to Wednesday, 2 June 2021, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 31 May 2021 for registration.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is set out in the sections headed "Financial Highlights", "Chairman's Statement", "Chief Executive Officer's Report", "Management Discussion and Analysis", "Corporate Governance Report", "Consolidated Financial Statements" and "Financial Summary" on pages 2 to 3, pages 4 to 9, pages 10 to 11, pages 14 to 61, pages 84 to 100, pages F-8 to F-151 and page F-152 respectively. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company during the year are set out in notes 29 and 30 to the consolidated financial statements respectively.

During the year, there was no movement in the share capital and share options of the Company.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page F-12 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

In addition to the accumulated profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than its liabilities.

The reserves of the Company which were available for distribution to the shareholders of the Company as at 31 December 2020 were approximately HK$2,212 million.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTIES FOR SALE

Details of the movements in the investment properties of the Group during the year are set out in note 18 to the consolidated financial statements. Particulars of the investment properties and properties for sale are shown under the section headed "Major Projects Information" of "Management Discussion and Analysis".

GUARANTEED SENIOR NOTES AND COMMERCIAL MORTGAGE-BACKED SECURITIES

RKPF Overseas 2019 (A) Limited, a wholly-owned subsidiary of the Company, issued US$300 million 5.9% guaranteed senior notes due 2025 in March 2020. The net proceeds of the issue of the notes were used for acquisition of or investment in property projects or general corporate purposes.

RKPF Overseas 2019 (A) Limited, a wholly-owned subsidiary of the Company, issued US$416 million 6% guaranteed senior notes due 2025 in September 2020. The net proceeds of the notes were used for refinancing and general corporate purposes.

Subsequent to 31 December 2020, RKPF Overseas 2020 (A) Limited, a wholly-owned subsidiary of the Company, issued US$500 million 5.2% guaranteed senior notes due 2026 in January 2021. The net proceeds of the issue of the notes were used for refinancing and general corporate purposes.

In addition, 常州宏智房地產開發有限公司 (Changzhou Greatmind Properties Developments Ltd.*), 蘇州雋御地產有限公司 (Suzhou Junyu Properties Ltd.*), 鄭州客屬房地產有限公司 (Zhengzhou Keshu Real Estate Co., Ltd.*) and 常州路勁商業管理有限公司 (Changzhou RK Commercial Management Ltd.*), all being subsidiaries of the Company incorporated in the PRC, issued an aggregate principal amount of RMB710 million commercial mortgage-backed securities (''CMBS'') (comprising RMB270 million 5.5% CMBS due 2024 and RMB440 million 6.5% CMBS due 2024) in January 2021.

* for identification purpose only

BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Group are set out in note 31 to the consolidated financial statements.

RETIREMENT BENEFIT PLANS

Particulars of the retirement benefit plans of the Group are set out in note 41 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page F-152 of this annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate amount of purchases and revenue from property business attributable to the Group's five largest suppliers and customers were less than 30% of the total value of the Group's purchases and revenue from property business respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

EXECUTIVE DIRECTORS:

Zen Wei Pao, William* (resigned with effect from 1 January 2021)
Zen Wei Peu, Derek** *(Chairman)* (re-designated as the Chairman with effect from 1 January 2021)
Ko Yuk Bing *(Deputy Chairman, Managing Director and Chief Executive Officer)*
Fong Shiu Leung, Keter *(Deputy Chief Executive Officer and Finance Director)*

NON-EXECUTIVE DIRECTORS:

Mou Yong
Dong Fang

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Lau Sai Yung
Tse Chee On, Raymond
Wong Wai Ho

* Mr. Zen Wei Pao, William resigned as the Co-Chairman and an Executive Director of the Company with effect from 1 January 2021.

** Mr. Zen Wei Peu, Derek was the Co-Chairman of the Company during the year ended 31 December 2020. He was re-designated as the Chairman of the Company with effect from 1 January 2021.

Pursuant to Bye-law 87 of the Company's Bye-laws (the "Bye-laws"), Messrs. Mou Yong, Tse Chee On, Raymond and Wong Wai Ho will retire from office by rotation at the forthcoming AGM. Except for Mr. Mou Yong, who will not offer himself for re-election, the other retiring Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions", there were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or 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.

The Company has arranged appropriate directors and officers liability insurance coverage for its Directors and officers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following Directors are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

Name of Directors	**Name of entities**	**Description of principal activities**	**Nature of interest of the Directors in the entities**
Zen Wei Pao, William*	CMP Investment Group Limited	Property development in the PRC	Director and shareholder
Mou Yong**	Shenzhen Investment Limited group of companies (including its holding companies)	Property development, investment and management in the PRC	Director
Dong Fang	Shenzhen Investment Limited group of companies (including its holding companies)	Property development, investment and management in the PRC	Director
	Shahe Industrial Co., Ltd.	Property development, investment and management in the PRC	Director

* Mr. Zen Wei Pao, William resigned as an Executive Director of the Company with effect from 1 January 2021.

** Mr. Mou Yong resigned as an Executive Director of Shenzhen Investment Limited with effect from 26 May 2020 and a director of its controlling companies with effect from 23 September 2020. He does not held any directorships in Shenzhen Investment Limited group of companies as at 31 December 2020.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31 December 2020, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(I) Shares

			Number of shares held		
Name of Directors	**Nature of interest**	**Notes**	**Long position**	**Short position**	**Percentage of holding**
					% (Note 3)
Zen Wei Peu, Derek	Personal	1 & 2	24,649,000	–	3.29
Fong Shiu Leung, Keter	Personal	1	260,000	–	0.03

Notes:

1. Long position in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. Included in the balance is 1,000,000 shares of the Company held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

3. The percentage was calculated based on 749,336,566 shares of the Company in issue as at 31 December 2020.

(II) Underlying Shares – Share Options

The share option scheme was adopted by the Company on 8 May 2013. Particulars of the share option scheme are set out in note 30 to the consolidated financial statements.

During the year ended 31 December 2020, there were no outstanding share options under the share option scheme.

(III) Debenture of Associated Corporation

Name of Director	Name of Company	Nature of interest	Type of debenture	Principal amount held
Zen Wei Peu, Derek	RKI Overseas Finance 2017 (A) Limited	Personal	US$300 million 7% senior guaranteed perpetual capital securities	US$800,000 (note) (long position)

Note:

A principal amount of US$400,000 of US$300 million 7% senior guaranteed perpetual capital securities was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

Save as disclosed above, none of the Directors or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Directors or their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme as mentioned earlier, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of the shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2020, the interests or short positions of every person, other than the Directors, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Nature of interest	Number of shares held Long position (Note 1)	Number of shares held Short position	Percentage of holding % (Note 11)
Wai Kee Holdings Limited (Note 2)	Interest in controlled corporation	330,915,428	–	44.16
Wai Kee (Zens) Holding Limited (Note 3)	Interest in controlled corporation	330,915,428	–	44.16
Groove Trading Limited (Note 4)	Beneficial owner	76,187,000	–	10.17
Wai Kee China Investments (BVI) Company Limited (Note 4)	Interest in controlled corporation	251,728,428	–	33.59
Wai Kee China Investments Company Limited (Note 5)	Interest in controlled corporation	251,728,428	–	33.59
ZWP Investments Limited (Note 6)	Beneficial owner	251,728,428	–	33.59
深業集團有限公司 (Shum Yip Group Limited*) (Note 7)	Interest in controlled corporation	202,334,142	–	27.00
Shum Yip Holdings Company Limited (Note 8)	Interest in controlled corporation	202,334,142	–	27.00
Shenzhen Investment Limited (Note 9)	Interest in controlled corporation	202,334,142	–	27.00
Brightful Investment Holding Limited (Note 10)	Beneficial owner	202,334,142	–	27.00

Notes:

1. Long position in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. Wai Kee Holdings Limited is deemed to be interested in the shares of the Company through its interests in (i) its wholly-owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Groove Trading Limited, Wai Kee China Investments (BVI) Company Limited, Wai Kee China Investments Company Limited, ZWP Investments Limited and Top Horizon Holdings Limited; and (ii) its subsidiaries, namely Build King Holdings Limited, Top Tactic Holdings Limited, Amazing Reward Group Limited, Build King Management Limited and Build King Civil Engineering Limited, which beneficially held 3,000,000 shares of the Company.

3. Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee Holdings Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of Wai Kee (Zens) Holding Limited.

4. Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited are direct wholly-owned subsidiaries of Wai Kee (Zens) Holding Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited.

5. Wai Kee China Investments Company Limited is a direct wholly-owned subsidiary of Wai Kee China Investments (BVI) Company Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of Wai Kee China Investments Company Limited.

6. ZWP Investments Limited is a direct wholly-owned subsidiary of Wai Kee China Investments Company Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of ZWP Investments Limited.

7. 深業集團有限公司 (Shum Yip Group Limited*) (incorporated in the PRC) is deemed to be interested in the shares of the Company through its 100% interests in Shum Yip Holdings Company Limited (incorporated in Hong Kong).

8. Shum Yip Holdings Company Limited (incorporated in Hong Kong) is deemed to be interested in the shares of the Company through its approximately 63.18% interests in Shenzhen Investment Limited.

9. Shenzhen Investment Limited is deemed to be interested in the shares of the Company through its interests in its wholly-owned subsidiary, namely Brightful Investment Holding Limited. Mr. Dong Fang is a director of Shenzhen Investment Limited.

10. Brightful Investment Holding Limited is a direct wholly-owned subsidiary of Shenzhen Investment Limited.

11. The percentage was calculated based on 749,336,566 shares of the Company in issue as at 31 December 2020.

Save as disclosed above, no other person (other than the Directors) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

* for identification purpose only

CONTINUING CONNECTED TRANSACTIONS

On 24 November 2017, the Company and Build King Holdings Limited ("Build King"), a non-wholly owned subsidiary of Wai Kee Holdings Limited which is the substantial shareholder of the Company, entered into the Framework Agreement with a term of three years starting from 1 January 2018 in respect of the engagement of member(s) of Build King and its subsidiaries (the "Build King Group"), subject to successful tender, as the main contractor for the construction works of the Group's present and future property development projects in Hong Kong. The annual caps under the Framework Agreement for the three years ended 31 December 2020 were HK$650 million, HK$2,460 million and HK$2,880 million respectively. The annual caps were approved by the independent shareholders at the Company's special general meeting held on 15 December 2017.

By entering into agreements with Build King Group in 2018, the Company has engaged Build King Group as the main contractor for Crescent Green main construction works and for certain construction works of Southland respectively.

For the financial year ended 31 December 2020, the aggregate amount of the continuing connected transactions was approximately HK$317,868,000. Particulars of the transactions are set out in note 51 to the consolidated financial statements.

The Independent Non-executive Directors have reviewed the continuing connected transactions and confirmed that the transactions have been entered into:

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

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

During the year, the Company (i) repurchased an aggregate principal amount of US$15 million of US$400 million 7.75% guaranteed senior notes due 2021 issued by RKPF Overseas 2019 (B) Limited (the "2021 Notes"), subsequent to which the outstanding principal amount of 2021 Notes was US$385 million; and (ii) settled the exchange and tender offer in relation to the 2021 Notes (details of which are set out in the announcement of the Company dated 7 September 2020), subsequent to which the outstanding principal amount of 2021 Notes was US$215.6 million.

Subsequent to the reporting year, the Company further redeemed all outstanding 2021 Notes in the principal amount of US$215.6 million. Following the redemption, the 2021 Notes were cancelled.

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

DONATIONS

During the year, donations made by the Group were approximately HK$2 million.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set by the Remuneration Committee of the Company on the basis of merit, qualification and competence.

The emoluments of all Executive Directors are decided by the Remuneration Committee, having regard to the Company's performance, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of the scheme are set out in note 30 to the consolidated financial statements.

CONTINUING DISCLOSURE OF THE LISTING RULES

In compliance with continuing disclosure obligations of the Listing Rules, the following information is disclosed:

1. PURSUANT TO RULE 13.22 OF THE LISTING RULES:

(a) A summary of aggregate financial information of the affiliated companies, based on the financial statements prepared under the accounting principles generally accepted in Hong Kong, as at 31 December 2020, is as follows:

	At 31 December 2020 HK$'million
Statement of Financial Position	
Non-current assets	**12,486**
Current assets	**41,859**
Current liabilities	**(25,774)**
Net current assets	**16,085**
Non-current liabilities	**(19,663)**
Net assets	**8,908**

(b) Details of the affiliated companies are as follows:

	The Group's attributable interest in the affiliated companies	Amount of guarantee given by the Group HK$'million	Amount of commitment for amounts advanced or to be advanced by the Group HK$'million
Suzhou Zhongjiao RK Properties Co., Ltd.*	49%	–	548
Nanjing Zhongjin Properties Developments Ltd.*	40%	–	841
Shanghai Junyue Real Estate Ltd.*	49%	–	411
Hebei Jiantou Road King Urbanization Construction & Development Co., Ltd.*	45%	–	466
Hebei Jiantou Junhui Properties Developments Ltd.*	27%	–	294
Tianjin Junda Corporate Management Co., Ltd.*	50%	–	617
Nanjing Jingrui Properties Investments Co., Ltd.*	25%	–	30
Guangzhou Runhe Real Estate Co., Ltd.*	30%	–	359
Shum King Company Limited	50%	677	2,323
Foshan Qihui Properties Co., Ltd.*	49%	–	1,007
Jinan Junsheng Properties Developments Co., Ltd.*	50%	–	995
Jinan Yajun Properties Developments Co., Ltd.*	50%	–	299
Wuxi Xisheng Properties Developments Co., Ltd.*	20%	–	77
Nanjing Jinsheng Properties Developments Co., Ltd.*	30%	–	12
Nanjing Zhaoying Properties Developments Co., Ltd.*	36%	–	278
Suzhou Huyue Properties Developments Co., Ltd.*	30%	–	191
Wuxi Jinfeng Investments Co., Ltd.*	33.3%	106	–
Tianjin Juntai Properties Developments Co., Ltd.*	50%	321	–
Zhengzhou Junzheng Properties Developments Co., Ltd.*	49.9%	262	–
Holovis International Ltd	40%	–	54
Anhui Machao Expressway Co., Ltd.* *(note)*	49%	286	1
PT Jasamarga Solo Ngawi *(note)*	40%	–	82
PT Jasamarga Ngawi Kertosono Kediri *(note)*	40%	–	44
		1,652	8,929

Note:

As at 31 December 2020, the interests in those infrastructure joint ventures are indirectly held by Road King Expressway International Holdings Limited, which is 75% held by the Group.

* for identification purpose only

2. PURSUANT TO RULE 13.18 OF THE LISTING RULES:

Guaranteed Senior Notes and Senior Guaranteed Perpetual Capital Securities

The Company is obliged to make an offer to repurchase and redeem the following guaranteed senior notes and senior guaranteed perpetual capital securities then outstanding at a rate equal to 101% of the principal amount, plus accrued and unpaid interest, if any, up to (but not including) the date of repurchase, and together with any distribution accrued to the date fixed for redemption, including any deferred distribution and any additional distribution payable on it, respectively upon the occurrence of a change of control triggering event and a decline in the rating of the notes and the securities:

(a) US$500 million 4.7% notes due 2021 (issued in September 2016);

(b) US$400 million 7.875% notes due 2023 (issued in February 2019);

(c) US$480 million 6.7% notes due 2024 (issued in September 2019);

(d) US$300 million 5.9% notes due 2025 (issued in March 2020);

(e) US$416 million 6% notes due 2025 (issued in September 2020);

(f) US$500 million 5.2% notes due 2026 (issued in January 2021);

(g) US$300 million 7.95% perpetual capital securities (issued in February 2017);

(h) US$300 million 7% perpetual capital securities (issued in June 2017); and

(i) US$300 million 7.75% fixed-spread perpetual capital securities (issued in November 2019).

During the year and up to the date of this report, US$400 million 7.75% guaranteed senior notes due 2021 issued by RKPF Overseas 2019 (B) Limited, was cancelled and delisted from the Singapore Exchange Securities Trading Limited. For details, please refer to the section headed "Repurchase, Sale or Redemption of Listed Securities of the Group".

3. PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES:

Upon specific enquiry by the Company, save as disclosed below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report:

Name of Directors	Details of changes
Mr. Zen Wei Peu, Derek	He was re-designated as the Chairman of the Company and was appointed as the Chairman of the Nomination Committee of the Company with effect from 1 January 2021.
Mr. Ko Yuk Bing	His annual basic salary will be revised from HK$6,511,200 to HK$6,577,200 with effect from 1 April 2021.
Mr. Fong Shiu Leung, Keter	His annual basic salary will be revised from HK$4,500,000 to HK$4,545,600 with effect from 1 April 2021.
Mr. Mou Yong	He resigned as a director of Shum Yip Holdings Company Limited with effect from 23 September 2020.
Mr. Tse Chee On, Raymond	He was appointed as the member of the Nomination Committee of the Company with effect from 1 January 2021.

Save as disclosed above, there is no other continuing disclosure required to be made by the Company pursuant to Chapter 13 of the Listing Rules.

AUDITOR

A resolution will be proposed at the forthcoming AGM of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor.

On behalf of the Board
Zen Wei Peu, Derek
Chairman

Hong Kong, 23 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is dedicated to maintaining the highest standard of corporate governance as it believes that good corporate governance practices are fundamental to the smooth and effective operation of a company and can enhance the shareholders' value as well as safeguard the shareholders' interests. The Company places strong emphasis on an effective Board of Directors (the "Board"), accountability, sound internal control, appropriate risk-assessment, monitoring procedures and transparency to all shareholders and stakeholders.

Throughout 2020, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules.

THE BOARD

COMPOSITION

The Board has a balanced composition of members to ensure independent viewpoints in all discussions. During the year ended 31 December 2020 and as at the date of this annual report, the Board comprises the following Directors:

Board		
Executive Directors	**Non-executive Directors**	**Independent Non-executive Directors**
Zen Wei Pao, William*	Mou Yong	Lau Sai Yung
Zen Wei Peu, Derek** *(Chairman)*	Dong Fang	Tse Chee On, Raymond
Ko Yuk Bing *(Deputy Chairman, Managing Director and Chief Executive Officer)*		Wong Wai Ho
Fong Shiu Leung, Keter *(Deputy Chief Executive Officer and Finance Director)*		

* Mr. Zen Wei Pao, William resigned as the Co-Chairman and an Executive Director of the Company with effect from 1 January 2021.

** Mr. Zen Wei Peu, Derek was the Co-Chairman of the Company during the year ended 31 December 2020. He was re-designated as the Chairman of the Company with effect from 1 January 2021.

As at the date of this annual report, there are eight Directors including three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. With the expertise contributed by each of the Directors, the Board has a wide spectrum of valuable business experience, knowledge and professionalism for its efficient and effective functioning. Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report. An updated list of the Directors and their respective roles and functions are maintained on the websites of the Company and the Stock Exchange.

During the year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three Independent Non-executive Directors including one Independent Non-executive Director with accounting or related financial management expertise and the number of Independent Non-executive Directors representing at least one-third of the Board.

Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek, Co-Chairmen of the Company during the year ended 31 December 2020, are brothers. Save as disclosed above, there is no relationship (including financial, business and family relationship or other material relevant relationships) between members of the Board, and between each of the Co-Chairmen (for the year ended 31 December 2020) or Chairman and the Chief Executive Officer.

APPOINTMENT AND RE-ELECTION

Pursuant to the Bye-laws, the Board may appoint a director either to fill a casual vacancy or as an addition to the Board from time to time during the year following the recommendation from the Nomination Committee of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, at each annual general meeting, at least one-third of the Directors for the time being shall retire from office by rotation and are eligible for re-election.

NON-EXECUTIVE DIRECTORS

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All the Non-executive Directors and Independent Non-executive Directors entered into letters of appointment separately with the Company for a specific term of not more than three years, subject to re-election at the general meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written confirmation of independence from each of the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board considers them to be independent in accordance with the Listing Rules.

ROLE AND DELEGATION

The primary role of the Board is to protect and enhance long-term shareholders' value. It assumes the responsibility for providing effective and responsible leadership and control of the Company, and directing and supervising the Company's affairs in pursuit of the Group's strategic objectives.

The Board, led by the Chairman, approves and monitors the Group's strategies and policies, evaluates the performance of the Group and supervises the management. In addition, the Board reserved for its decisions all major matters of the Company, including approval and monitoring of budgets, internal control and risk management systems, dividend payout, material transaction (in particular those may involve conflict of interests), preparation and release of financial information, appointment of Directors, replenishment of land reserves, other significant financial and operational matters.

In order to enhance efficiency, the Board has delegated to the Chief Executive Officer the day-to-day leadership and management of the existing business in toll road and property development of the Group. The management of the Group is therefore responsible for day-to-day operations of the Group under the supervision of the Chief Executive Officer.

The Board also ensures that good corporate governance policies and practices are implemented within the Group and is responsible for performing the corporate governance duties including the following:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct manual applicable to employees and the Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2020 and up to the date of this annual report, the Board reviewed the Company's compliance with the Code for the years ended 31 December 2019 and 2020 together with six months ended 30 June 2020, and the Company's disclosures in the Corporate Governance Reports for the years ended 31 December 2019 and 2020.

The Group has adopted a number of policies and procedures of the Company, all of which have been documented and communicated to the Directors and employees via Employees' Handbooks and individual departmental handbooks to ensure good corporate governance practices and high standard of business conducts and ethics of the Group. The effectiveness of these policies is reviewed on a regular basis.

BOARD MEETINGS

The Board meets regularly at least four times each year. In addition, ad hoc Board meetings are held for major and important matters in which Board resolutions are required. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion.

During the year ended 31 December 2020, the Company held seven Board meetings. Directors' attendance records at Board and Board Committee meetings and the annual general meeting held on 22 May 2020 are set out below:

	Meetings attended/held				
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting held on 22 May 2020**
Executive Directors					
Zen Wei Pao, William (Note)	7/7	–	1/1	1/1	0/1
Zen Wei Peu, Derek	7/7	–	–	1/1	1/1
Ko Yuk Bing	6/7	–	–	–	1/1
Fong Shiu Leung, Keter	7/7	–	–	–	1/1
Non-executive Directors					
Mou Yong	0/7	–	–	–	0/1
Dong Fang	6/7	–	–	–	0/1
Independent Non-executive Directors					
Lau Sai Yung	7/7	3/3	1/1	1/1	1/1
Tse Chee On, Raymond	7/7	3/3	–	1/1	0/1
Wong Wai Ho	7/7	3/3	1/1	1/1	1/1

Note:

Mr. Zen Wei Pao, William resigned as an Executive Director of the Company with effect from 1 January 2021.

"–": Not Applicable

Notice of regular Board meetings is given to all Directors at least 14 days before each meeting, and all Directors are given the opportunity to include matters in the agenda for discussion at the Board meetings. The agenda and meeting materials, including relevant background information and supporting analysis, are normally sent to all Directors at least three days before the regular Board meetings (and so far as practicable for such other Board meetings) to ensure that they have sufficient time and attention to the affairs of the Company.

In order to have an effective Board, all Directors are provided with information on activities and developments in the Group's business on a monthly basis to keep them apprised of the latest developments of the Group. They have full access to information on the Group and are able to invite management and professional advisers, where appropriate, to attend Board meetings.

All Directors have direct access to the Company Secretary who is responsible for advising the Board on corporate governance and compliance issues. The Company Secretary is also responsible for taking the minutes of the Board and Board Committees' meetings. Such minutes are open for inspection by the Directors.

Each Director is required to make disclosure of his interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by the Directors at the Board and Board Committees' meetings. Any Director shall not vote on any resolution of the Board and Board Committees approving any contract or arrangement or any other proposal in which he (or his associate) is materially interested nor shall he be counted in the quorum present at such meeting.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors should keep abreast of their collective responsibilities. Each newly appointed Director would receive a comprehensive induction package covering the Group's business and the statutory and regulatory obligations of a director of a listed company. The Group also provides seminars and trainings to develop and refresh the Directors' knowledge and skills. The Group continuously updates the Directors on the latest developments regarding the Listing Rules and applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Group provided seminars, training courses and site visits to the Directors and management.

All Directors are requested to provide the Company with their respective training records pursuant to the Code. According to the training records maintained by the Company, the trainings received by each of the Directors during the year ended 31 December 2020 are summarised as follows:

Name of Directors	Type of continuous professional development
Executive Directors	
Zen Wei Pao, William*	A,B
Zen Wei Peu, Derek	A,B
Ko Yuk Bing	A,B
Fong Shiu Leung, Keter	A,B
Non-executive Directors	
Mou Yong	A,B
Dong Fang	A,B
Independent Non-executive Directors	
Lau Sai Yung	A,B
Tse Chee On, Raymond	B
Wong Wai Ho	A,B

A: attending seminars and/or conferences and/or forums and/or site visits
B: reading newspapers, newsletters, journals and updates relating to the economy, general business, real estate, laws, rules and regulations, etc.

* Mr. Zen Wei Pao, William resigned as an Executive Director of the Company with effect from 1 January 2021.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

CO-CHAIRMEN/CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Co-Chairmen of the Company were Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek for the year ended 31 December 2020. Following Mr. Zen Wei Pao, William's resignation with effect from 1 January 2021, Mr. Zen Wei Peu, Derek was re-designated as the Chairman. The Chief Executive Officer is Mr. Ko Yuk Bing.

To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer of the Company are performed by different individuals with separate duties. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

The role of the Chairman is to oversee the functioning of the Board and ensure the establishment of strategic direction of the Group. The Chairman provides leadership for the Board and ensures that the Company establishes sound corporate governance practices and procedures. He also encourages all Directors to make a full and active contribution to the affairs of the Board.

The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and focuses on handling the day-to-day operations of the property development of the Group.

Detailed duties and responsibilities of the Chairman and the Chief Executive Officer are available on the website of the Company.

BOARD DIVERSITY POLICY

The Board adopted a Board Diversity Policy. The Policy aims to set out the approach to achieve diversity of the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. During the year, there were no additions to the Board.

BOARD AND MANAGEMENT COMMITTEES

To facilitate the work of the Board, the Board has delegated responsibilities to three Board Committees, namely Audit, Nomination and Remuneration Committees, to oversee particular aspects of the Company's affairs, and Property Business Management Committee led by the Chief Executive Officer to deal with the day-to-day operations of property development business of the Group. The terms of reference of the Audit, Nomination and Remuneration Committees are available on the websites of the Company and the Stock Exchange.

AUDIT COMMITTEE

Composition

The Audit Committee comprises three members, namely Messrs. Lau Sai Yung (Chairman of the Audit Committee), Tse Chee On, Raymond and Wong Wai Ho. All members are Independent Non-executive Directors.

Role and Function

The main responsibilities of the Audit Committee are to review the consolidated financial statements and the auditor's report, and to monitor the integrity of the consolidated financial statements. It also assists the Board to oversee internal control systems, risk management and internal and external audit functions. The Committee meets at least twice a year with the Company's external auditor to discuss the audit process and accounting issues.

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2020 and up to the date of this annual report:

- Approval of the remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31 December 2019 and 2020, and the interim results of the Group for the six months ended 30 June 2020;
- Review of the Group's financial information, financial reporting procedures, internal control systems, risk management, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to supply non-audit services;
- Review of the audit plan for financial year ended 31 December 2020;
- Review of adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting and internal audit functions;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;
- Recommendation to the Board to re-appoint the external auditor at the 2020 and 2021 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Approval of the 2021 internal audit plan;
- Review of the findings in the internal control report;
- Review of reporting mechanism for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Company;
- Meetings with the external auditor, in the absence of Executive Directors and Management; and
- Review of Risk Management Report.

NOMINATION COMMITTEE

Composition

During the year ended 31 December 2020, the Nomination Committee comprised three members, namely Messrs. Zen Wei Pao, William (Chairman of the Nomination Committee), Lau Sai Yung and Wong Wai Ho. Subsequent to Mr. Zen Wei Pao, William's resignation with effect from 1 January 2021, Mr. Zen Wei Peu, Derek was appointed as the Chairman of the Nomination Committee, and Mr. Tse Chee On, Raymond was appointed as a member of the Nomination Committee. At the date of this annual report, except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

The Nomination Committee was established to ensure that there are deliberative, considered and transparent procedures for the appointment of the Directors. The duties of the Committee include reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually and the Nomination Policy, and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Directors and selecting, or making recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Committee shall consider candidates on merit and against the objective criteria with due regard for benefits of diversity of the Board.

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2020 and up to the date of this annual report:

- Review of the structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board;
- Assessment of the independence of the Independent Non-executive Directors;
- Review of the Nomination Policy and Board Diversity Policy (the "Policies");
- Review of the measurable objectives for implementing the Policies; and
- Determination the rotation of the Directors at the annual general meetings.

Nomination Policy

The Company has a Nomination Policy for the nomination of Directors. The Policy aims to set out the approach to guide the Nomination Committee in relation to the identification of individuals suitably qualified to become Directors and selection or making recommendation to the Board on the selection of individuals nominated for directorships and re-election.

Nomination Procedures

Appointment of new Directors is first considered by the Nomination Committee. In considering the appointment of a Director, the Committee applies criteria such as relevant experience, professional and educational background, reputation for integrity and independence as well as the diversity of the Board as mentioned in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

For the retiring Directors to be re-elected at annual general meeting, other than the consideration of selection criteria and the diversity of the Board mentioned above, the Committee will evaluate their overall contribution and service to the Company.

The recommendation of the Committee is then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election by the shareholders at the general meeting after his/her appointment. During the year, there were no additions to the Board.

REMUNERATION COMMITTEE

Composition

During the year ended 31 December 2020, the Remuneration Committee comprised five members, namely Messrs. Tse Chee On, Raymond (Chairman of the Remuneration Committee), Zen Wei Pao, William, Zen Wei Peu, Derek, Lau Sai Yung and Wong Wai Ho. Mr. Zen Wei Pao, William ceased to be a member of the Remuneration Committee subsequent to his resignation with effect from 1 January 2021. At the date of this annual report, except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

The Remuneration Committee has been established to ensure that there are formal and transparent procedures to assist the Board in determining the remuneration policy of the Company and structuring the remuneration of all Directors and senior management. The Committee is responsible for making recommendation to the Board on the Company's policy and structuring for all Directors' and senior management's remuneration, and reviewing and approving the management's remuneration proposal with reference to the Board's corporate goals and objectives. It also determines, with delegated responsibility, remuneration packages of individual Executive Directors and senior management, and makes recommendations on the remuneration of Non-executive Directors and Independent Non-executive Directors.

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2020 and up to the date of this annual report:

- Review and approval of the Company's remuneration policy for 2020 and 2021;
- Approval of emoluments of the Executive Directors (where Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek abstained from voting in determining their own remuneration) and senior management;
- Approval of remuneration package of the Executive Directors;
- Approval of year end bonus of the Executive Directors and senior management;
- Review of remuneration and bonus policy of senior management;
- Approval of salary adjustment of staff; and
- Approval of remuneration for newly recruited senior staff.

Remuneration Policy

The Company ensures that the remuneration offered in appropriate for the duties, in line with market practice and pay levels, and effective in attracting, retaining and motivating employees (including Executive Directors). For Non-executive Directors, the Company ensures that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Company. No individual determines his own remuneration.

The remuneration of a Director is determined with reference to his duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of the Directors during the year ended 31 December 2020 are set out in note 12 to the consolidated financial statements of this annual report. The emoluments paid/payable to the senior management for the year ended 31 December 2020 were within the following bands:

	Number of Senior Management
Up to HK$4,000,000	7
HK$4,000,001 to HK$6,000,000	2
HK$6,000,001 to HK$8,000,000	2
HK$8,000,001 to HK$10,000,000	1
HK$10,000,001 to HK$12,000,000	2
HK$20,000,001 to HK$22,000,000	1

PROPERTY BUSINESS MANAGEMENT COMMITTEE

Composition

As at the date of this annual report, the Property Business Management Committee currently comprises seven members, including three Executive Directors, namely Messrs. Ko Yuk Bing (Chairman of the Property Business Management Committee), Zen Wei Peu, Derek and Fong Shiu Leung, Keter and four members of senior management, namely Ms. Chuk Wing Suet, Josephine, Mr. Zhang Nan, Ms. Diao Lu, Amy and Mr. Zhao Min.

Role and Function

The Property Business Management Committee was formed in 2006 to supervise, monitor and handle major matters arising from the daily operations of the property development business in various cities in the PRC.

In order to cope with the competitive and complex nature of the business, four functional sub-committees, namely Market, Product, Engineering and Property Service, were subsequently established to provide professional recommendations and solutions to the Property Business Management Committee for major matters as well as to execute and make decisions in areas delegated by the Property Business Management Committee.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has also adopted a code of conduct, on terms no less exacting than the Model Code, governing securities transactions by relevant employees who are likely to be in possession of unpublished inside information in relation to the Group or its securities because of their offices or employment.

Formal notifications are sent by the Company to all Directors and relevant employees before commencement of "black out period" specified in the Model Code to remind them not to deal in the securities of the Group. No incident of non-compliance with the Model Code by the Directors or relevant employees was noted by the Company during the year ended 31 December 2020.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility, with the support from the Finance and Accounting Department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorises their publication as and when required.

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu had been re-appointed as the Company's external auditor at the annual general meeting of 2020 until the conclusion of the next annual general meeting.

The fees paid/payable to external auditor for audit and non-audit services for the year ended 31 December 2020 are as follows:

Type of Services	**Fee paid/payable** HK$
Audit fee	4,980,000
Non-audit services	
Interim review fee	1,700,000
Other services	1,080,000
Total	7,760,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages F-1 to F-7.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining sound and effective risk management and internal control systems (including reviewing their effectiveness) to safeguard shareholders' investment and the Company's assets. The Group has established and developed the risk management system, which is defined by the Risk Management Policy comprising the roles and responsibilities of the Audit Committee, approach and methodology in establishing the risk assessment mechanism with references to international standards and best market practices. A Risk Management Taskforce (the "RMTF") has been set up to oversee the risk management program and assesses the program processes and makes decisions on risk management issues.

The Company has adopted the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO") 2013 framework. The management allocates resources for the internal control and risk management systems compatible with the COSO to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. The risk assessment comprises five core stages including risk identification, risk assessment and prioritization, risk response, risk monitoring and risk reporting.

The Audit Committee, which was delegated by the Board, assisted by the RMTF has reviewed and evaluated the effectiveness of the Group's risk management system for the year ended 31 December 2020. The Audit Committee considered the risk management system of the Company and its subsidiaries was effective and adequate.

The internal control system comprises a defined organisational structure and comprehensive policies and standards. Responsibilities of each business and operational unit are defined to ensure effective check and balance.

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's internal control system put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2020. The Audit Committee considered the internal control system of the Company and its subsidiaries was effective and adequate.

During the year, the internal audit team conducts systematic reviews of the Group's internal control system by using a risk-based audit approach and reviews the effectiveness of the Group's system of internal control against the COSO 2013 framework in order to provide reasonable assurance of the effectiveness of the system. The team reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and controlling system. The team summarises audit findings and control weaknesses and reports to the Audit Committee on a quarterly basis.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, shareholders holding not less than one-twentieth of the total voting rights or not less than 100 shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting.

Any vote of the shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and the Stock Exchange on the day of the general meeting. Since May 2017, there were no changes to the memorandum of association of the Company and the Bye-laws. The updated versions of the memorandum of association of the Company and the Bye-laws are available on the websites of the Company and the Stock Exchange.

Detailed procedures for the shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board has established a shareholders' communication policy setting out various channels of communication, with the objective of enabling the shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its shareholders' meeting as an important means of communication with the shareholders in which the shareholders will be able to have an open dialogue with the Board. The Board members, in particular, the Chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. External auditor also attends the Company's annual general meetings and addresses queries from the shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

Apart from holding shareholders' meeting, the Company also endeavours to maintain effective communication with all shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the Stock Exchange.

Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

DIVIDEND POLICY

The Company has adopted a Dividend Policy. It aims to provide shareholders with stable and sustainable returns. In proposing any dividend payout, the Board shall take into account, inter alia, the Group's financial condition, working capital requirements and future expansion plans, actual operations and liquidity position, the Company's retained earnings, distributable reserves and cash flow situation, general economic condition and other factors that the Board considers appropriate.

INVESTOR RELATIONS

The Company pursues a proactive policy of promoting investor relations and communications with the shareholders. To this end, the Company maintains an open dialogue with the shareholders and investors through the Company's financial reports, press releases, road shows, conferences, annual general meetings and general meetings that may be convened, as well as making available all the disclosures submitted to the Stock Exchange to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

The Company has issued newsletters on a quarterly basis. These newsletters set out the latest developments of the Group's projects, and the quarterly performance of property sales and toll road projects. All the newsletters and publications of the Company issued in 2020 can be retrieved from the website of the Company. Going forward, the Company will continue to improve its transparency to ensure the shareholders and investors are kept abreast of the Company's latest development on a timely basis.

During the year, the Company's investor relations team arranged analyst meetings and regular meetings and interviews with the shareholders, investors and analysts.

SOCIAL RESPONSIBILITY

The Group is committed to make contributions to the community since its establishment. In addition to fulfilling corporate responsibility in its day to day operations, the Group also proactively participates in social welfare activities and donations. For details, please refer to the subsection headed "Community Investment" under "Building Sustainable Community" of the "Environmental, Social and Governance Report" of this annual report.

ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report (the "ESG Report") of Road King Infrastructure Limited ("Road King" or the "Company", and together with its subsidiaries, joint ventures and associates "We", "Our" or the "Group"), serves as a summary of the Group's ESG strategy, policies and achievements. It illustrates how Road King pursues its mission to become the best performing investor and operator in the PRC through dedication in quality products and services while managing its ESG risks and impacts.

REPORTING SCOPE

This ESG Report provides an overview of the ESG progress of the Group for the period from 1 January 2020 to 31 December 2020 (the "Reporting Period"). Unless otherwise specified, this report covers the Group's property development and investment businesses in Mainland China and Hong Kong, (which represent the Group's principal business operations). The total gross floor area of the entities covered in this report represents the principal gross floor area of the Group's property development and investment projects during the reporting period, adequately reflecting the Group's overall ESG performance.

REPORTING STANDARD

This report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") of the Listing Rules on the Stock Exchange.

REPORTING PRINCIPLES

With the aim to offer stakeholders a fair view of the Group's effort in ESG as well as useful information for decision making, this report, in its preparation, strictly adhered to the following principles:

Materiality:
Important and relevant information to stakeholders on different ESG aspects is covered in this report, relative importance of ESG topics has been determined through materiality assessment and approved by the Board.

Quantitative:
Quantitative information is provided in this report, and where appropriate, with narrative and comparative data to assist readers in meaningful interpretation of figures and enable them to perform fair assessment of the Group's ESG performance.

Consistency:
Consistent methodologies (as previous reports) are used to prepare and present ESG data provided in this report, unless otherwise specified.

Balance:
Unbiased information is provided in this report, without the inappropriate use of selections, omissions and presentation formats that would mislead the readers.

ESG PERFORMANCE HIGHLIGHT

Despite the challenges posed by the Pandemic and rapidly changing business environment during the Reporting Period, the Group continued its efforts to improve overall ESG performance in different aspects. Please see below some key highlights of results achieved:

Emphasize environmental protection	Focus on staff training and development	Committed to community contribution and investment
Total Recycling **13,310**kg	Staff Training Rate **87**%	Donation approximately HK$ **2M**
Resource Recycling Rate **28**%	Average Training Hours of Trained Employee **17.4** hours	Substantial support the Underserved Childern **7** years

ESG GOVERNANCE

ESG risks and opportunities are considered at corporate level, with the Board having overall responsibility for determining the Group's ESG risks and ensuring effective risk management and internal control systems are in place. In addition, the Board sets the direction and targets of the Group regarding ESG with reference to the Group's business objectives and operation needs, and where appropriate formulates strategies to incorporate ESG into the Group's businesses.

The Board maintains oversight on the Group's ESG performance and progress, while the management of the Company (the "Management") is responsible for monitoring and managing ESG risks, and to provide confirmation to the Board on the effectiveness of risk management and internal control systems. The Management is also responsible for reviewing and executing ESG strategies developed by the Board, through establishment of implementation plan with adequate delegation and guidance to relevant personnel, and reporting to the Board on progress made regularly for review.

Moreover, ESG risks have been integrated into the Group's enterprise risk management framework. An external adviser has been engaged to assist in annual risk assessment, through which key business and operational risks (including ESG-related risks) are identified and prioritised. Risk owners will be assigned and mitigation plans will be formulated accordingly to ensure the relevant risks can be effectively managed. The results of the risk assessment exercise will be confirmed by the Management and the Board.

STAKEHOLDER ENGAGEMENT

The Group understands that its operations will affect, as well as be affected by different groups of stakeholders. The key stakeholders of the Group are identified by the Management by considering their degree of dependency and influence on the Group, and they are constantly engaged through various channels as summarized below:

Stakeholder Groups	Engagement Channels
Employees	• Meetings and Briefings • Training Sessions • Internal Emails and Publications • Employee Activities • Surveys and Interviews
Customers	• Corporate Website • Surveys • Property Sales Activities • Property Management Work
Suppliers and Business Partners	• Screening and Assessments • Business Meetings • Surveys
Investors and Shareholders	• Annual General Meeting • Analyst Briefings and Announcements
Government and Regulators	• Consultations
Community	• Community Events
Media	• Press Releases

The Group will continue to communicate with its stakeholders on ESG approach and measures, and use the feedback received to improve its strategy and policies to better meet stakeholders' expectation.

MATERIALITY ASSESSMENT

The Group faces a vast number of ESG issues relating to its operations that are of varying importance to stakeholders. To prioritize the important issues for meaningful reporting and resource allocation, the Group conducted a materiality assessment during the Reporting Period. Such activity consisted of 4 stages as shown below:

1 **Issue Identification**

Identify ESG issues relating to the Group's operations by the Management, with reference to previous stakeholders' feedbacks, market research, peers benchmarking and ESG Reporting Guide; and establish a preliminary issue list

2 **Stakeholders Questionnaire**

Distribute questionnaires to stakeholders that have great dependency or influence on the Group's operations, for assessing relative importance of the ESG issues

3 **Materiality Ranking**

Consolidate the questionnaire results and prepare the materiality ranking of the issues

4 **Confirmation**

Review the materiality ranking from stage 3 and confirm the final results by the Management and the Board

Both internal and external stakeholders were invited to complete the questionnaire for assessing relative importance of the 21 issues identified in stage 1. The results are mapped into a materiality matrix shown below. 7 issues are classified as highly important, 11 issues are classified as important and 3 issues are classified as moderately important. All topics are covered in later sections of this report.

Materiality Matrix

Material Issues

Value Chain	Labour	Environment
1 Supplier/Contractor Management	8 Recruitment and Promotion	15 Air Emissions and Water Discharges
2 Product and Service Responsibility	9 Working Hours	16 Greenhouse Gas Emissions
3 Marketing Ethics	10 Remuneration	17 Waste Management
4 Data Privacy	11 Equal Opportunity	18 Energy Conservation
5 Anti-Corruption and Money Laundering	12 Workplace Health and Safety	19 Water Conservation
6 Whistle-Blowing Mechanism	13 Staff Training	20 Environmental Risk Management
7 Social Responsibility	14 Anti-Child and Forced Labour	21 Construction Materials

ESG APPROACH

With over 60 property development projects in more than 15 cities, the Group is a prominent property developer in the PRC. Possessing significant influence, the Group has contributed greatly to the economic development of the regions where it operates through providing quality residential and commercial properties as well as creating numerous job opportunities. While in recent years public awareness and demand on corporate social responsibility have risen considerably, the Group recognizes and embraces this trend with the determination to contribute to the inclusiveness and sustainable development of the community.

Accordingly the Group has established its ESG approach with 3 focuses:

I. Offering Quality Properties and Services

- Through socially and environmentally responsible construction practices and production processes.
- With highest standards of business ethic.
- In response to customers' demand and suppliers' request.

II. Establishing Constructive Workplace

- Through desirable employment practices and career development opportunities.
- With comfortable and supportive working environment.
- In response to employees' needs and contribution.

III. Building Sustainable Community

- Through continuous community involvement and social participation.
- With targeted community investment.
- In response to public expectation.

I. OFFERING QUALITY PROPERTIES AND SERVICES

The Group is committed to providing quality properties and services in a socially and environmentally responsible manner, with the core objective to generate sustainable values to customers and society. From the beginning of a property development project comprising property design and supplier selection, to the end of it which is often marked by the sales and handover of apartment or other forms of commencement of operation and management of the property. Every single ESG issue in this production process is taken seriously by the Group.

Addressing Your Concerns

How does Road King approach Building Design and Supplier Selection?

- Building design and supplier selection marks the start of property development project. Satisfying customers' needs is the objective, suppliers are engaged serving this end within the Group's supply chain framework. Whenever appropriate, the Group incorporates green building elements to enhance the environmental performance and sustainability of the properties.

How does Road King conduct Construction Planning and Construction Work?

- Construction planning and construction work is the crucial stage of production. During which a significant part of environmental and social impacts are managed. The Group strives to reduce emission and energy consumption, as well as maintaining construction site safety in this phase.

How does Road King ensure Quality Management?

- Quality management concerns not just the quality of properties built or services provided, but also product health and safety issues. The Group places customers' interests at heart when establishing and executing quality management policies and procedures.

How does Road King manage Property Sales and Customer Relationship?

- Property sales and customer relationship are also the Group's priority. With ethical and professional business practices, the Group is able to maintain the confidence and loyalty of our customers.

There were no material non-compliance cases noted relating to environment, labour health and safety, as well as product responsibility during the Reporting Period. The Group's production process, sales practices, products and services offered were in compliance with relevant local environmental, labour, product and customer-related laws and regulations.

Building Design and Supplier Selection

Green Building Design

The Group's core principle in terms of building design is to satisfy customers and end users' needs, while establishing a comfortable living environment. Furthermore, the Group makes effort to incorporate green elements into building design as possible. Such as the installation of solar panel and water heating system to utilize sun energy; use of heat preservation materials in exterior wall to enhance heat insulation and reduce the need for air-conditioning; as well as adoption of "Sponge City" concept to better conserve water resources. The Group's effort in designing green building has been recognized. For instance, one of the Group's residential development projects, The Legendary One of the Group located in Suzhou was awarded the title of Suzhou "Garden Cup" for outstanding landscaping projects, and RK Noble Mansion located in Beijing was awarded the Award for Excellence in Residential Planning and Design. Southland located in Wong Chuk Hang, Hong Kong, and the RK City located in Zhenjiang were also awarded similar awards. Details of the awards are as follows:

Green Buildings

The Legendary One, Suzhou

The judges of the Suzhou "Garden Cup" for outstanding landscaping projects, Bureau of Gardens and Greening Management of Suzhou, assessed all garden landscaping projects on their design and display effects for comprehensive evaluation. The award is the most professional and representative award in the field of gardening and green projects in Suzhou.

The landscape plan of The Legendary One is exquisitely designed, with a pleasant scale of space and has comprehensive decoration with functions. The Group paid attention to details during the construction process, combining with the road network to create an exquisite landscape combination. As for the greening aspects, there are flowers in all seasons, allowing the scenery to change in every step. With the aim to blend the community landscape into nature, fully demonstrating the people-oriented designs intended to hide liveliness in the shades in order to bring tranquility to the minds.

RK City, Zhenjiang

The "Site of Civilized Green Construction – Zhenjiang" assessment is an important part of Zhenjiang's construction projects throughout the process of creating excellence, as the award is the highest honor for green and civilized construction of construction projects in Zhenjiang.

According to the selection criteria, the project was assessed mainly on five aspects, namely safety management, safety protection, temporary electricity and mechanical equipment, green and civilized construction, and safe construction, and the total assessment score of the RK City was above 90 points, as a result, it was awarded with the title of the "Site of Civilized Green Construction – Zhenjiang".

Green Construction

RK Noble Mansion, Beijing

During the assessment of the 17th Elite Habitat Award, RK Noble Mansion was awarded the Award of Excellence in Residential Planning and Design. The assessment of the Elite Habitat Award was approved by the National Science and Technology Award Office and the Ministry of Science and Technology, and was organized and judged by the Elite Habitat Award Committee. It is an authoritative award in the field of habitat and urban construction.

RK Noble Mansion fully respects the natural environment and conditions of the sites in planning and design of the residential area, emphasized on the design concept of "balance, ecology and harmony", focused on the design of supporting facilities and living space and adopted a design of alternating heights and depths, to create an urban space with variety.

Southland, Hong Kong

The Wong Chuk Hang MTR Phase I property development project located in Hong Kong was rated as Provisional Gold in BEAM Plus (version 1.2) by Hong Kong Green Building Council Limited on 1 August 2019, with a total score of 72. It achieved outstanding results in the areas of site, energy use and quality of indoor environment.

In terms of sustainability, the project incorporated a variety of green elements. Its greenery and water features occupied 40% of the site area, electric car charging facilities installed in all standard parking spaces, over 50% of the wood products made with wood from sustainably managed forests, and food waste machines are available to project users.

Supplier and Contractor Management

Fine building design needs to be complemented by high-standard construction work in order to produce quality properties, therefore supplier and contractor management is a crucial part of the Group's quality control. The Group implements a strict supplier and contractor selection process, to ensure the competence and suitability of them in terms of delivering quality work. Factors considered in this process include but not limited to experience, reputation as well as possession of relevant licenses. After qualified suppliers and contractors are identified and engaged, regular evaluation will be conducted throughout the contract period to ensure suppliers are performing the contractual duties as intended. An overall performance assessment will also be conducted at the end of contractual relationship to serve as a reference for supplier selection in the future. The Group maintains a close and long-term relationship with qualified suppliers and contractors to guarantee a stable supply chain.

As at 31 December 2020, the Group had a total of 144 major suppliers (2019:130 suppliers) that were directly related to the Group's core operations in property development. These included but not limited to construction contractors and construction material providers. Out of which about 113 suppliers (2019: 110 suppliers) were located in Mainland China and about 31 suppliers (2019: 20 suppliers) were located in Hong Kong. (Please note the figures above do not include minor suppliers such as those providing selling, marketing and administrative office supplies.)

Green Supply Chain

In addition to the quality aspect, sustainable development considerations have also been incorporated into the Group's supply chain management. The Group expects and requires all suppliers and contractors to share the same values as the Group in terms of corporate social responsibility. Accordingly, ESG performance is incorporated as one of the assessment criteria during the supplier and contractor selection process, as to provide incentives to suppliers to adopt socially and environmentally preferable practices. To better control ESG risks along the supply chain, issues such as human rights, forced labour and pollutions are identified and considered, with specific terms and conditions relating to these matters added to contract as appropriate. Regular review is performed to ensure the issues identified remain relevant and material over time. The Group also strictly prohibits the use of child and forced labour in its operation and would not engage suppliers and contractors who are known to employ such labours.

ESG performance is continuously monitored and evaluated when suppliers and contractors are carrying out their contractual duties. They are required to follow the Group's policy regarding corporate social responsibility in all material aspects. Unsatisfactory or inadequate commitment on environmental and social performance by contractors will be reflected negatively on performance evaluation, affecting their chance of being engaged again in the future.

Construction Planning and Construction Work

The Group recognises that construction activities usually consume significant amount of resources and result in considerable amount of emissions and wastes. Negative external impacts may also be posed to neighboring parties and the natural environment through noise and light pollutions. Despite not having direct control over the outsourced construction work, the Group takes a monitoring role in managing contractors' environmental practices and strives to minimise the potential environmental impacts.

Environmental Risk Management

The Group strictly monitors the environmental risks related to its construction sites by performing environmental assessments and implementing preventive measures to control the risks. If significant environmental risks are identified, respective mitigating measures would be formulated to address the root causes or lessen the impacts. For instance, the Group requires contractors to implement effective noise and light nuisance control measures, such as installation of acoustic panels for sound blocking. Level of noise is also recorded from time to time for control purpose. In addition, construction activities have been properly planned to avoid noise and light nuisance at night while site noises have been closely monitored.

During the Reporting Period, some of the Group's projects were accredited by the relevant authority for their endeavors in environmental protection. For instance, RK City in Zhenjiang was awarded "Site of Civilized Green Construction – Zhenjiang".

Furthermore, all property development projects of the Group in Hong Kong have participated in the BEAM Plus programme to reduce environmental impacts arising from the construction work.

Noise dosimeters are installed at construction site to monitor noise level. Meter reading is recorded few times a day at random intervals serving as random inspections.

Climate Change

In addition to the potential negative impacts on construction work may impose to external environment, the Group also realised the risks posed by external environment to construction activities. The Group is particularly concerned with the effects of climate change, which results in more frequent extreme weather conditions such as extreme temperature, flooding and typhoon. As these events may disrupt construction activities, cause damage to the Group's properties and most importantly, threaten the safety of construction workers and construction site.

To control for these external risks, the Group closely monitors the weather conditions and climate change related issues of the districts where construction sites locate, and requires its contractors to develop emergency plans and perform regular examination on construction equipment to ensure they meet the safety standards. Besides, the Group is also aware of the difficulties in carrying out construction activities during winter, due to low temperature and intense air pollution (e.g. smog). Accordingly, the Group requires contractors to complete standardized preparation work before starting construction in winter. This includes the installation of relevant heating and warming equipments as well as other heat preservation measures to protect construction machinery, ensuring that they can operate normally. Formal procedures have also been established to regulate the construction work during winter. For instance, specific temperature requirements on different construction materials and processes are set out, the time intervals for regular temperature check are specified, and methodologies for heat preservation are provided. In addition, contractors are also required to provide trainings to construction site managers and other relevant personnel to ensure they have the required knowledge for monitoring and managing construction activities in winter.

Energy Conservation

Further to environmental risk management, during the preparation stage of construction work, different preventive measures are adopted with the aim to enhance energy efficiency.

During the planning stage of construction work, work procedures are carefully designed to avoid unnecessary steps that would lead to energy consumption; logistics of raw materials is set up in a way optimising capacity and frequency of transportation so as to improve fuel efficiency. Regarding the use of equipment, electrical construction machinery with high energy efficiency (as compared to diesel ones) are deployed as possible, and solar panels are installed in certain locations to support the lighting systems at the construction site. As for personnel, different communications (such as posters, signs and memos) are launched to raise construction workers' awareness on energy conservation, and site supervisors are assigned to record and monitor the electricity usage and formulate corresponding energy conservation plan.

Water Conservation

Equal importance is also placed on water conservation during the preparation stage. The Group requires its contractors to implement certain measures such as installing sediment tanks and reflux pipes to collect sewage and rainwater, which will be reused after sedimentation for washing trucks and machinery as well as sprinkling roads to reduce dust.

Adoption of measures mentioned above during the preparation stage provides a good foundation for managing negative impacts to external environment as well as conserving energy and water.

Waste Management

At the construction stage, the Group pays close attention to the wastes and emissions generated, and requires its contractors to implement effective control and mitigation measures. Construction site waste management consists of 5 areas, namely, monitoring, reduction, handling, storage and disposal, respective control measures are summarized below:

Monitoring

- Assign site supervisors to record and monitor the daily waste amount and formulate corresponding control measures

Reduction

- Reuse construction materials to reduce waste generation (e.g. inert wastes such as construction debris and rubles are recycled for land formation)
- Cover construction materials properly to avoid deterioration caused by weather which will lead to unnecessary disposal
- Carry out construction work with proper procedures, advanced techniques (e.g. use of pre-cast materials) and precision to reduce wastage

Handling

- Separate domestic and construction wastes (which are further categorized into inert and non-inert wastes) for handling in accordance with environmental regulations
- Prohibit the use of Asbestos (a traditional hazardous construction material)

Storage

- Arrange designated areas with clear signs for temporary storage of construction wastes
- Store hazardous construction wastes in covered or sealed containers with proper labels for identification before collection by qualified contractors

Disposal

- Dispose non-hazardous construction wastes to designated municipal landfills
- Appoint qualified contractors to collect and process hazardous construction wastes
- Install Global Positioning System (GPS) locators on trucks to detect any disposal of construction wastes at unauthorized sites

The measures mentioned above are reviewed by the Group regularly to ensure compliance to relevant laws such as the Environmental Protection Law of the People's Republic of China and the Waste Disposal Ordinance (Cap. 354) of Hong Kong.

Air Emissions

Regarding air emissions at construction site, the Group places special attention to the control of blowing dust, which is a significant source of air and water pollution. The Group requires contractors to implement control measures, as appropriate, to ensure dust generation and dispersion to external environment are minimised. Relevant measures include:

Reduce dust generation

1. Prohibition of on-site mortar mixing
2. Use of commercial mortar
3. Use of appropriate materials for pavements at construction site
4. Proper maintenance on construction site pavements
5. Assignment of supervisors to monitor the loading of soil from earth excavation onto the trucks

Prevent dust dispersion

1. Use of barriers to contain construction site area
2. Use of water sprinkler systems
3. Covering of cargo compartments of trucks that transport dust generating materials
4. Covering of newly reclaimed land
5. Regular cleaning of construction machinery and trucks
6. Prohibition of dust generating works under strong wind

Example of covering up of construction area.

Example of using water sprinkler system to prevent dust dispersion.

To further reduce overall air emissions, the Group requires contractors to use electrical construction machinery that does not generate air emissions, and cleaner fuels (e.g. ultralow Sulphur diesel) that generate less air emissions, where feasible. Meanwhile, contractors are prohibited from burning construction waste onsite and required to collect and dispose inflammable wastes timely. CCTV and air quality gauges have been installed to monitor air quality, to ensure that level of air pollution is fulfilling the standards set by BEAM Plus and other relevant regulations including the Atmospheric Pollution Prevention and Control Law of the People's Republic of China and the Air Pollution Control Ordinance (Cap. 311) of Hong Kong.

Water Discharges

As for water discharges, the Group strictly prohibits any illegal discharges that result in pollution of nearby environment, and complies with applicable laws such as the Water Pollution Prevention and Control Law of the People's Republic of China and the Water Pollution Control Ordinance (Cap. 358) of Hong Kong. Contractors are required to discharge water to designated municipal drainage systems after treatment in accordance with the environmental regulations, where water discharge quality has to be accredited by relevant governmental authorities. The Group also requires contractors to obtain relevant license as commanded by drainage-related authority and perform regular inspections to ensure compliance with discharge standards. Besides, the Group requires contractors to use a 3-tier water discharge control system, consisting of drainage system, storing tank and sediment tank, where possible, for more effective control of water discharge; and perform regular cleaning of sediment tanks.

Construction Health and Safety

Besides the environmental aspect of construction activities, the health and safety of construction workers are of paramount importance to the Group. The Group requires contractors to set up construction safety management working group and deploy sufficient safety supervisors or responsible personnel in construction site to constantly monitor the situation. The Group also requests contractors to provide construction health and safety manual and procedures for review and approval. For example, the project contractor of the Southland in Wong Chuk Hang, Hong Kong will provide site safety training, seminars on toolboxes, special safety training and external seminars to all new employees; as well as safety training focusing on high-risk work procedures and related regulatory updates to all relevant employees. The project contractor of the So Kwun Wat Project in Tuen Mun requires all staff and workers to review the on-boarding safety training every six months. Contractors of the Group's projects in Mainland China also conduct regular safety training and occupational health training for their staff. In specific, safety training covers topics such as responding to tilting operational platform, emergency rescue, integrated electricity use, firefighting demonstrations, falls from height or into a hole, safety helmet collision and VR experiences. Occupational health training covers topics such as preventing high temperature injuries, dust inhalation, injuries from collision, fall and poisoning and hearing protection.

On top of that, the Group enforces a comprehensive set of construction health and safety standards, stipulating the requirements on areas such as safety equipment, worker behaviors and construction work procedures etc. Contractors are subject to penalties should they fail to meet these standards. The project contractor of the Southland in Wong Chuk Hang, Hong Kong targets to have zero fatal accident and an accident rate below 0.236 per 100,000 man-hours, and so far the construction site has maintained an accident rate that is lower than the target. The project contractor of the So Kwun Wat Project in Tuen Mun targets to have zero fatal accident and an accident rate of less than 0.21 per 100,000 man-hours. Both of these contractors hold the ISO45001 Occupational Health and Safety certification. Most of the Group's contractors in Mainland China also hold occupational health and safety related certifications such as ISO45001, GB/T 45001 or GB/T28001, and are committed to achieving the target of 0 to 1.5% casualty rate. Meanwhile, the Group requires strict compliance to relevant local regulations including the Construction Law of the People's Republic of China and Construction Sites (Safety) Regulations (Cap. 59I) of Hong Kong. On top of that, the Group has established clear construction site environment and sanitation requirements to ensure proper working and living conditions of construction workers. For instance, the dormitory must have good moisture-proof function, ventilation and daylighting; sufficient number of toilets has to be set up (no less than 1 toilet per 50 males and 1 toilet per 25 females); designated resting areas and appropriate facilities have to be provided such that construction workers can take proper rest when needed.

Stairs and balconies edges are equipped with protective facilities such as stable railings to protect workers' construction safety.

Example of living area with washrooms, canteens, toilets and bedrooms.

Example of resting facilities: pantry and smoking zone.

In order to ascertain effective controls are in place to mitigate health and safety risks at construction sites, the Group takes the initiative in monitoring the measures implemented by the contractors and organizing the construction inspection of the projects. Meanwhile, the Group publicizes and enforces contractor's occupation health and safety-related training in the form of regular supervising meetings, and ensures that they have implemented effective measures to reduce health and safety risks in construction site. Their performance in this regard is also taken into account during the contractor selection and evaluation processes to provide incentives for maintaining and improving living and working conditions of construction workers.

Achievements

RK Sunny Town 9+A6 (Haoyangyuan) Phase 2 was awarded 2019 Tianjin civilized construction demonstration site.

RK Sunny Town 9+A6 (Haoyangyuan) Phase 1 with residential blocks #1, 2, 12, 13 and 14 achieved 2019 "Haihe Cup" awards. (The picture is an example of #1 residential award)

Quality Management

Construction Quality

Strict construction quality management is a key success factor of the Group. The Group assumes the responsibilities for ensuring the property is safe for use with high quality before delivering it to customers. As such, the Group has established its Construction Quality Management Policy, setting out the principles of construction quality management, the responsibilities of different personnel, the areas subject to quality check (including construction equipment, construction work procedures, as well as the finished components of property such as doors and windows) and the methodologies for quality check (e.g. by sampling). Where qualified engineers and third parties are appointed to perform such quality assurance procedures. These standards are strictly enforced in every property development project, and reviewed constantly to ensure they are in compliance with applicable laws and remain effective over time. The Group does not accept any quality defects that would potentially impair the health and safety of customers. If such defects are identified, the Group requires corrective actions to be taken promptly before handover of property by construction contractors. Also, before the delivery of property to customers, the Group arranges buyer inspection to ensure the quality is satisfactory before accepting the apartments. To further safeguard the interests of property buyers, the Group issues letter of guarantee on the quality of brand new apartments, which specifies the Group's commitment to free repair services on certain items and components with quality defects (that occur under normal operation of property) up to specific years since the date of project completion acceptance, subjecting to specific terms and conditions.

Product Health and Safety

The Group also concerns about the health and safety impacts arising from the construction materials used. To ensure indoor air quality, the Group requires the use of construction materials to follow requirements of the "Code for Indoor Environmental Pollution Control of Civil Building Engineering"（《民用建築工程室內環境污染控制規範》）in the People's Republic of China. Third parties are also engaged to perform quality check on construction materials when necessary. Materials imposing harmful effects on human health or environment are strictly prohibited, for instance, moisture proof agents consist of asphalt cannot be used on wooden materials.

During the Reporting Period, the Group did not receive any significant health and safety related complaints for the residential properties delivered to customers.

Property Management amid the Pandemic

The health and safety of customers and tenants are of paramount importance to the Group. Different precautionary measures have been implemented to ensure safe and orderly resumption of economic activities at the Group's properties, including performance of temperature check at entrance, strengthening of disinfection work in common areas of the properties, provision of hand sanitizers and adherence to stricter visitor registration processes. The Group will continue to closely monitor the Pandemic situation, and adjust the response plans as appropriate.

Property Sales and Customer Relationship

The Group pays significant attention to customer relations and customer satisfaction, and as a result, the Group conducted a systematic customer satisfaction survey on the property management business in 2020. The scope included the Group's property management companies in Beijing, Changzhou, Guangzhou, Suzhou, Tianjin, Wuxi, Zhenjiang, Henan, Jinan and Shanghai, covering areas such as community activities, daily maintenance, cleaning and hygiene, safety management and services during the Pandemic. The results revealed that the overall customer satisfaction has increased continuously over the past five years. Moreover, the Group is actively analyzing and discussing the survey results, strives to improve the weaknesses and maintain the advantages on its services in the future, in order to foster good customer relationships.

Responsible Sales Practices

The Group aims at building long-term relationship with its customers. On top of delivering quality properties and services in a responsible manner, the Group is committed to ethical sales practices to protect customer interests. As a control measure, the Group reviews all information on its advertisements and promotion materials before publication to ensure there is no untrue or misleading information used. The Group strictly prohibits the use of any illegitimate marketing tactics, and requires its entities to comply with all relevant local laws on property sales including the Urban Real Estate Administration Law of the People's Republic of China and the Residential Properties (First-hand Sales) Ordinance (Cap. 621) of Hong Kong.

Customer Data Privacy

The Group respects customer privacy and maintains the highest level of accuracy, security and confidentiality when handling customer data. To this end, the Group has applied the six common data protection principles for the purpose of preventing inappropriate collection, holding, processing or use of the customer data that would harm the interests of customers.

Six Data Protection Principles

Collection Purpose and Means: Collect adequate but not excessive data through lawful and fair means for a purpose directly related to the Group's business operations.	***Data Security:*** Implement effective security system and apply adequate security measures to protect customer data from unauthorized access.
Data Accuracy and Retention: Ensure customer data held are accurate and up-to-date. Data will not be kept after the purpose of data collection is fulfilled.	***Data Openness:*** Disclose to the customer the kind of personal data held, as well as the policies and guidelines on handling such data.
Use of Data: Use customer data only for the purpose of data collection as previously communicated to and consented by customers, unless new consent is obtained	***Data Access and Correction:*** Provide a copy of personal data held to the customer upon request. Correct the data record in accordance to the customer's demand.

Policies and procedures on customer data management have been established accordingly to provide detailed guidance to employees on handling customer data. Such policies and procedures are also regularly reviewed to ensure they are sufficient to counter evolving threats on customer data privacy (e.g. cyberattack) and compliant with increasingly stringent customer data privacy laws. Relevant laws include but not limited to the Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong.

II. ESTABLISHING CONSTRUCTIVE WORKPLACE

The Group highly values its employees, for their contributions to the Group's development and success. The Group takes talent management as top priority and aims at providing a constructive workplace where employees can work efficiently and effectively with job satisfaction. In addition, the operations of such workplace shall also be environmentally friendly. The first step towards this goal is attracting the right talents, then supporting them at work with stable development, at last promoting environmentally friendly practices at workplace.

Addressing Your Concerns

How does Road King approach Talent Attraction and Retention?

- Talent attraction and retention are crucial to developing a sustainable talent pool. The objective is to identify the suitable candidates, recruit and retain them ethically.

How does Road King manage Staff Development and Support?

- Staff development and support are important factors of employee productivity and satisfaction. The Group offers tailored-made trainings to employees of different business functions and seniorities.

How does Road King maintain Environmentally Friendly Workplace?

- Environmentally friendly workplace with active employee participation could help us better protect our planet. The Group adopts various green office measures to reduce wastes and energy consumption.

There were no material non-compliance cases noted relating to the Group's employment practices and labour standards during the Reporting Period. The Group's human resource policies and operations were in compliance with relevant local labour laws and regulations.

Talent Attraction and Retention

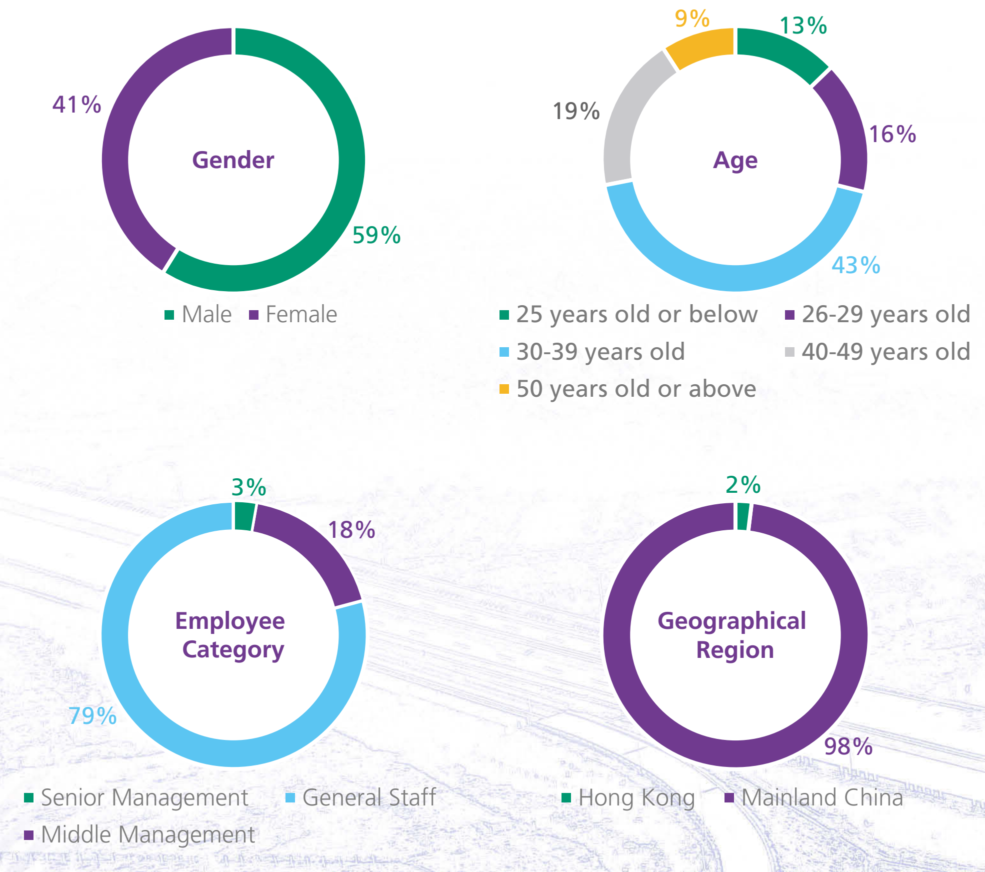
The Group aims at attracting the right talents who possess the suitable skills and knowledges, as well as share the mission and values of the Group. They are the important internal resources the Group can leverage on for the purpose of business operation and development.

Recruitment, Promotion, Compensation and Termination

The Group understands that there are two key elements in talent management. First, the Group has to identify the suitable talents, which is achieved through a carefully designed recruitment process with different means of assessment. Then it has to attract and retain them to serve the Group. In this respect, the Group sets out clear career paths and offers comprehensive opportunities to employees, helping them to gain exposure and achieve their career aspirations. In addition, the Group provides competitive remuneration packages to employees in accordance with their performance, relevant skills, experience and contribution; other benefits include provident fund, medical insurance, training programmes and bonuses. Meal subsidies and travel allowance are provided under certain circumstances including outbound business trip and overtime work. Meanwhile, the Group also offers different types of leave to address employees' need on personal time for events such as exam, marriage and maternity etc. The Group received awards for being a responsible employer[1]. All related employment practices adopted by the Group, including termination, are in compliance with relevant labour laws including the Labour Law of the People's Republic of China and the Employment ordinance (Cap. 57) of Hong Kong.

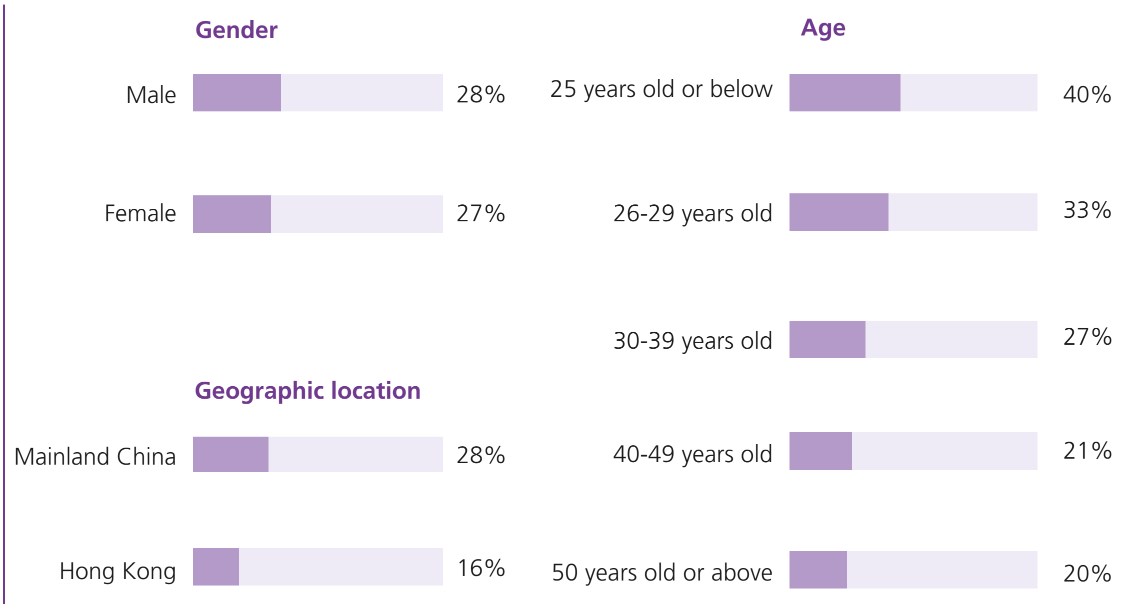
As at 31 December 2020, the Group (including those major joint ventures and associates the Group was directly involved in management) had 5,410 employees[2], out of which more than 99% were full time employees. Further distributions of the Group's employees are shown below:

Total Workforce



Meanwhile, the Group strives to retain talents and takes employee turnover as a performance indicator in this regard. Optimal level of employee turnover implies strong employee loyalty, which indeed benefits the Group's development. Total employee turnover during the Reporting Period was 1,493 employees. Please refer to the graphs below for details of employee turnover of the Group during the Reporting Period:

Employees Turnover



% represented the percentage of the employees turnover number over the total workforce in each group as at the end of the reporting period.

[1] Road King Infrastructure Limited and Road King Infrastructure Management Limited were honored as the Good Employer Charter 2020 of the Labour Department of Hong Kong, and both were honored as the Good MPF Employer by Hong Kong Mandatory Provident Fund Schemes Authority and received MPF Support Award. In Mainland China, RK Properties Holdings Limited was awarded 2020 China Real Estate Best Employer Enterprise Award by the China Real Estate Association.

Road King Infrastructure Management Limited being a signatory of the Good Employer charter 2020

Road King Infrastructure Limited being a signatory of the Good Employer charter 2020

RK Properties Holding Limited received the 2020 China Real Estate Best Employer Enterprise Award issued by the China Real Estate Association

Road King Infrastructure Management Limited is honored as Good MPF Employer

Road King Infrastructure Limited is honored as Good MPF Employer

2 The consultation conclusions issued by the Stock Exchange in December 2019 on review of the environmental, social and governance reporting guide proposed to upgrade the disclosure obligation of all social KPIs to "comply or explain", and the new requirements will be effective for financial years commencing on or after 1 July 2020 (i.e. next financial year for the Group).

The Group attaches great importance to the amendments and has therefore adopted some of their recommendations for appropriate disclosure during the reporting year. The Group will continue to enhance its reporting standards in the future to meet the expectations of its stakeholders and the latest guidelines from the Stock Exchange to be effective in the next financial year.

Anti-Child and Forced Labour

The Group respects talents and is convinced that the right talents can only be attracted, recruited and retained through legal and ethical employment practices. Concerning the skills and knowledge required to perform job duties for the Group, child labour will not be suitable employees for the Group and the risk of employing such labour is low. Nevertheless, the use of child labour is strictly forbidden, and control measures including requirement of proof of identity and age are in place. Use of forced labour is also strictly prohibited, while it remains a low risk issue to the Group, employees are encouraged to report any cases relating to forced labour practices. The Group constantly reviews and assesses its employment practices, as well as engaging employees, to avoid child and forced labour and ensure compliance with relevant laws such as the Labour Law and Provisions on the Prohibition of Using Child Labour of the People's Republic of China, as well as the Employment Ordinance (Cap. 57) of Hong Kong.

Staff Development and Support

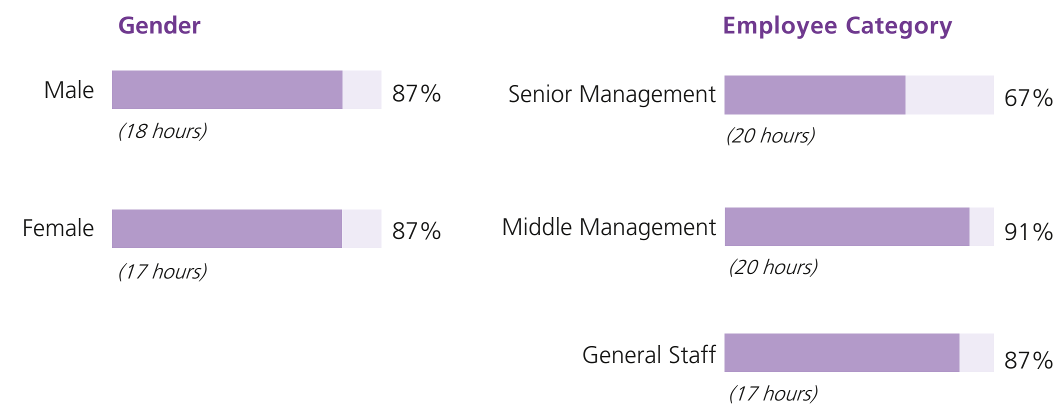
The Group takes responsibilities to support its employees at work, with the aims to enhance their productivity and sense of belonging to the Group.

Training and Development

Training programmes are designed for employees according to the needs of different functions and positions, so as to ensure that the materials used, topics covered as well as skills and knowledge taught in the programmes are relevant. Coaching by supervisors and job shadowing are also offered to help employees better perform their job duties. On top of that, the Group offers various development opportunities, including job rotation, with the objective to nurture talents for sustaining and growing the Group's business. As an enduring effort to enhance the programme design, the Group collects and reviews feedback from employees to identify potential improvement areas regarding these training and development programmes. Furthermore, the Group provides subsidies on certain relevant external training courses to eligible employees, as to encourage them to continuously develop knowledge and skills that can contribute to the Group's operations as well as their own career.

As at 31 December 2020, a total number of 4,726 employees were trained. Details of percentage of employees trained by gender and employee category and respective average training hours completed (per trained employee) are as follows:

Employees Trained



'Average training hours per trained employee' in bracket ( ).

Employee Wellbeing

While work performance is a critical aspect of human resource management, the Group equally values employee wellbeing and believes that it is the key of inducing employee loyalty. Working hours and rest periods are set in accordance with the guidelines issued by the local labour authorities. Besides, the Group offers flexible working hours for certain positions with special requirements on working hours. In addition, the Group organizes various recreational activities each year for employees to participate.

Workplace Health and Safety

The Group also strives to build and maintain a working environment that is free of workplace health and safety incidents. Health insurance is provided to employees and different workplace health and safety practices are constantly communicated and promoted to employees. Besides, various control measures are in place to prevent electrical and fire hazards, and regular office housekeeping is also performed to keep office environment clean and tidy. Other policies have also been established in accordance to relevant workplace health and safety laws such as the Labour Law of the People's Republic of China and the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong to ensure compliance. Meanwhile, occupational health and safety risk should be moderate for the Group's employees, as they mainly work at administrative offices. Regarding construction site health and safety, please refer to the section "Construction Planning and Construction Work".

During the Reporting Period, a total of 1,309 lost days due to work injury were recorded. There was no case of work-related fatalities occurred over the past three years regarding the Group's employees.

Safeguarding Employees' Health and Safety amid the Pandemic

The outbreak of the Pandemic caused an international public health crisis and resulted in global economic downturn. As a responsible employer, the Group has adopted various measures to protect employees' physical and mental well-being, which include implementation of flexible and remote work arrangements, provision of face masks and hand sanitizer, tracking of employees' health status, increase in office cleaning frequency, education on personal hygiene. The Group will continue to provide appropriate assistance to employees to jointly overcome the challenges brought about by the Pandemic.

Anti-discrimination and Equal Opportunity

The Group makes every effort to provide an inclusive workplace free of discrimination and harassment in all forms, with the belief that an inclusive workplace fosters collaboration between employees and creates harmony. The Group promotes diversity and respects individual differences. Equal opportunities on employment and promotion are provided to employees regardless of their gender, race, ethnic origin, religion, marital status or disabilities as stipulated in the Group's employee handbook; where employees are assessed with objective criteria. The Group is particularly concerned with sexual harassment at workplace, where relating complaints will be handled by Admin and Human Resource departments with strict confidentiality. All anti-discrimination and equal opportunity policies established are in alignment with applicable laws such as the Labour Law of the People's Republic of China and the Sex Discrimination Ordinance (Cap. 480) of Hong Kong.

Environmental Friendly Workplace

The Group is committed to operate its workplace and offices in an environmentally responsible manner, and aims at reducing wastes and improving efficiency in the use of resources. (Where the Group's operations including its offices and properties under management do not generate material amount of emissions, respective disclosures on policies and data are not applicable except for greenhouse gas emissions). Due to the outbreak of the Pandemic in 2020, certain business activities of the Group were suspended for some period of time. Consequently, key environmental data such as the amount of waste generated, resource consumption and greenhouse gas emissions decreased significantly this year, which may not be directly comparable to last year. The Group will continue to monitor relevant data and implement effective measures to gradually improve its environmental performance.

Waste Management

Regarding waste management, the Group adopts the 4R-principle of "reduce", "reuse", "recycle" and "replace" at workplace and establishes different measures accordingly. The major type of waste at workplace is paper with some other non-hazardous wastes such as ink cartridge and carton box of smaller amounts, while hazardous wastes produced are of immaterial amount. Several measures targeted at reducing the use of paper include: digitalizing work process with the use of electronic approval as appropriate, encouraging staff to use double-sided printing while collecting single-side printed papers for reuse, as well as promoting the use of recycled papers. To further reduce overall waste generation at workplace, the Group has implemented other measures. For instance, recycling facilities are provided in offices to separately collect different types of recyclable waste which will be passed to qualified contractors for further processing, where records of recycling are maintained and evaluated regularly to identify improvement areas. Besides, only durable food containers, cutlery and cups are used in office, and staff are also encouraged to bring their own utensils. The Group recognizes the importance of staff participation in this respect, and will continue to raise their awareness on waste management while providing support through different measures.

Details of amount of paper and other non-hazardous wastes disposed and recycled by the Group directly during the Reporting Period are as follows:

Non-hazardous Wastes[3]	**2020**	**2019**
Paper Disposed (kg)	**41,987**	62,680
Intensity per Headcount[4] (kg)	**18.5**	27.9
Paper Recycled (kg)	**10,651**	21,015
Intensity per Headcount (kg)	**4.7**	9.4
Other Non-hazardous Wastes Disposed[5] (kg)	**5,883**	7,253
Intensity per Headcount (kg)	**2.6**	3.2
Other Non-hazardous Wastes Recycled (kg)	**2,659**	3,993
Intensity per Headcount (kg)	**1.2**	1.8

3 Environmental data provided in this report is adjusted according to the Group's shareholding percentage in its joint ventures and associates to reflect actual ownership.

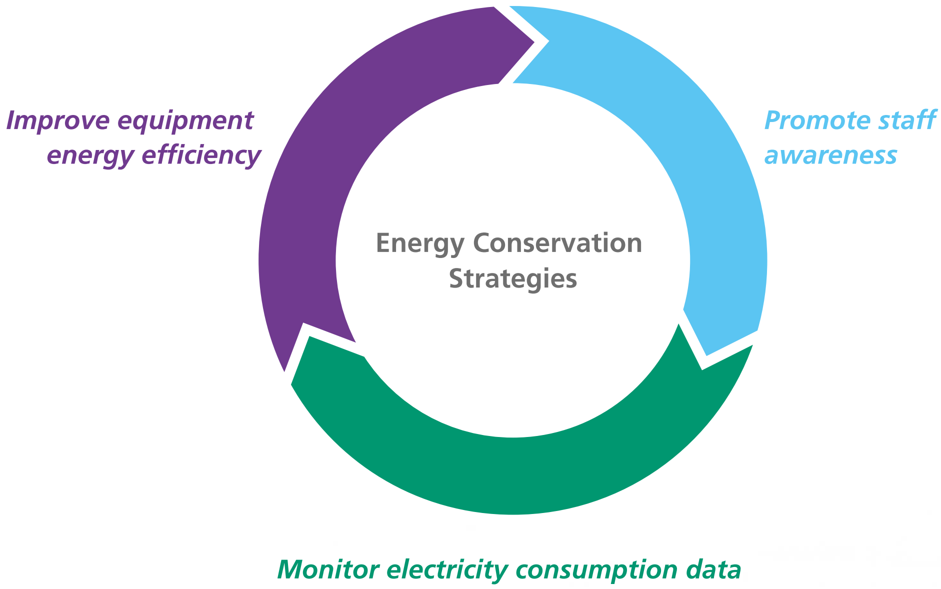
4 Unless otherwise specified, intensity in this report is calculated as amount per headcount (Includes employees involved in energy consumption/emissions related activities) that generated the wastes and emissions/consumed the energy.

5 Other Non-hazardous Wastes include ink cartridges, carton boxes, plastic, glass bottles as well as other general wastes.

Efficient Use of Resources

To improve the efficiency of the use of resources at workplace, the Group establishes practical and specific resources consumption targets, encourages behavioral changes of employees and implements various resource conservation measures in operations.

Understanding energy consumption is the major source of GHG emissions as well as a significant part of operating costs, the Group strives to reduce its energy consumption from both environmental and financial perspectives. The strategies of energy conservation include: improve equipment's energy efficiency through installing energy-efficient electrical appliances and devices such as LED light, and setting indoor temperature within a specific range to reduce energy consumption of air-conditioning systems; promote staff awareness by posting memos next to power switches for reminding them to switch off idle electrical appliances; and monitor consumption data by assigning coordinators to inspect unnecessary energy consumption, and recording fuel consumption of vehicles to serve as a performance indicator of drivers' performance evaluation.



During the Reporting Period, the major types of energy consumed by the Group were petrol and electricity. Details on consumption amount are as follows:

Energy Consumption[6, 7]	**2020**	**2019**
Petrol (liter)	**225,647**	274,268
Intensity per Headcount (liter)	**99**	122
Electricity (kWh)	**4,387,740**	4,963,344
Intensity per Headcount (kWh)	**1,929**	2,212

6 Environmental data provided in this report is adjusted according to the Group's shareholding percentage in its joint ventures and associates to reflect actual ownership.

7 The amounts represent the energy directly controlled and consumed by the Group during the Reporting Period. Indirect energy consumptions (i.e. those consumed by its contractors, agents and other third parties engaged by the Group) are excluded.

The Group places equal importance on water conservation in terms of efficient use of resources. Several measures, such as regular check of unused running taps and leakage from water pipes or faucets, installation of induction faucets washrooms and display of posters advocating water conservation at prominent places, are implemented at workplace for saving water. Details of water consumption are as follows:

Water Consumption[8, 9]	2020	2019
Water (cubic meter)	**316,580**	455,739
Intensity per Headcount (cubic meter)	**139**	203

8 Environmental data provided in this report is adjusted according to the Group's shareholding percentage in its joint ventures and associates to reflect actual ownership.

9 The amounts represent the water directly controlled and consumed by the Group during the Reporting Period. Indirect water consumptions (i.e. those consumed by its contractors, agents and other third parties engaged by the Group) are excluded.

Greenhouse Gas Emissions

During the Reporting Period, the Group's GHG emissions were mainly resulted from consumption of energy. Whereas consumption of water and production of paper waste contributed a smaller amount as represented by Other Indirect (Scope 3) Emissions.

Greenhouse Gas Emissions[10,11, 12]	2020	2019
Direct (Scope 1) Emissions (kg CO2e)	**611,021**	742,680
Intensity per Headcount (kg CO2e)	**269**	331
Indirect (Scope 2) Emissions (kg CO2e)	**2,723,751**	3,259,758
Intensity per Headcount (kg CO2e)	**1,197**	1,453
Other Indirect (Scope 3) Emissions (kg CO2e)	**484,899**	679,737
Intensity per Headcount (kg CO2e)	**213**	303

10 Environmental data provided in this report is adjusted according to the Group's shareholding percentage in its joint ventures and associates to reflect actual ownership.

11 The GHG emissions are calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the "2019 China Regional Power Grid Baseline Emission Factors For Emission Reduction Project" issued by the Ministry of Ecology and Environment of the PRC and the "Greenhouse gas reporting: conversion factors 2020" issued by the Department for Business, Energy & Industrial Strategy of the UK Government.

12 Scope 1 emissions include direct emissions from the combustion of unleaded gasoline. Scope 2 emissions include indirect emissions from purchased electricity. Scope 3 emissions include emissions from the Group's disposal of paper, commercial and industrial waste, as well as water consumption.

III. BUILDING SUSTAINABLE COMMUNITY

The Group recognizes the importance of sustainable community development. While certain stakeholder groups such as customers, suppliers and employees are directly engaged with the Group in its business operations, other community stakeholders are equally important to the Group. The Group is determined to operate in a responsible manner which avoids harming the interests of these stakeholders and generates positive values to them. Accordingly, the Group endorses market competition through various means and makes community investment.

Addressing Your Concerns

How does Road King approach Fair Competition?

- Fair competition is the basis of innovation and economic growth which should be supported by all corporates. The Group adheres to the highest standards of business ethics and implements various controls to eliminate corruption.

How does Road King view Community Investment?

- Community Investment is a crucial way for a corporate to give back to society.
  The Group strives to promote inclusive growth of the community while honoring its mandate to generate financial returns for investors.

There were no material non-compliance cases noted relating to corruption, bribery, extortion, fraud and money laundering during the Reporting Period. The Group's operations were in compliance to relevant local anti-corruption laws and regulations.

Fair Competition

The Group believes that fair competition is the basis of innovation and economic development. As such, the Group considers that integrity and honesty are of paramount importance to gain the trust and respect from stakeholders of the Group.

Anti-Corruption and Whistle-Blowing Channel

The Group upholds the highest standard of integrity throughout its operations. Prudent policies and procedures have been established to provide guidance to employees on upholding business ethics, so as to reduce the risk of unethical or inappropriate business practices resulted from inadequate or unclear internal instructions. Code of conduct has been stipulated in the staff handbook to communicate with staff the proper behaviors and prohibited acts. For examples, all employees are prohibited to accept improper personal benefits in the course of performing their duties with the company; directors and employees must not use the confidential information obtained through their duties with the company or during work for acquiring personal benefits. Anti-corruption trainings were also provided, during the Reporting Period, to directors and staff with reference to the contents of employee handbook. In particular, the Group strictly prohibits all falsifying documents or business records and any soliciting or accepting of advantages to or from clients, suppliers and business partners. Special attention is paid on the supplier selection process to ensure it is fairly carried out to serve its intended purposes. The Group reviews its policies and practices regularly to ensure compliance to relevant laws such as the Criminal Law and Anti-Money Laundering Law of the People's Republic of China; and the Prevention of Bribery Ordinance (Cap. 201) of Hong Kong.

The Group strengthens the publicity of "integrity" through explaining relevant provisions of the employee handbook. To facilitate identification of suspected cases of corruption, money laundering and other misconducts, the Group has established a reporting channel to encourage its staff and business partners to take the initiative in reporting irregularities and suspected cases of fraud, criminal offense as well as non-compliance to laws or internal guidelines to the management for further investigation. Management personnel independent of the involved functions will be assigned to follow-up on the reported cases to ensure impartiality. For serious occasions, investigation results will be reported to the board. The Group is committed to protecting the interests of the reporter, and the reported cases will be handled with strict confidentiality.

Intellectual Property Rights

The Group respects intellectual property rights. Employees are required to follow the Group's policies and procedures regarding intellectual property right when making use of materials, pictures, contents as well as all other forms of private intellectual property that are not produced by their own or possessed by the Group in order to comply with relevant laws such as the Patent Law of People's Republic of China and the Patents Ordinance (Cap. 514) of Hong Kong. Besides, the Group has registered its trademark and retained a detailed record of the intellectual property rights it possesses and has in place a system to protect its intellectual property rights.

Community Investment

2019/20 Corporate and Employee Contribution Programme Silver Award

The Group is dedicated to building a sustainable community where members of all groups are able to share the benefits brought by social and economic development. As such, in addition to fulfilling corporate responsibility in its day-to-day operations, the Group proactively participates in social welfare activities and makes donations. The Group's effort in this regard is recognized, for instance, a silver award was received from The Community Chest of Hong Kong. In 2020, the Group donated approximately HK$2 million.

For the purpose of enhancing resource allocation efficiency, the Group focuses on sponsoring education, helping children in poverty and supporting people with disabilities.

Education

The Group believes that education is vital in enhancing people's human capital, and subsequently creating more opportunities to them for a better future. The community will also benefit in due course by having more educated citizens. Therefore, the Group is enthusiastic in sponsoring education for teenagers. Over the years, the Group has offered various scholarship programmes to a number of universities in Mainland China and Hong Kong, arranged interactive activities between students and enterprises, and sponsored tertiary academic activities, namely the "Peking University China Finance 40 Forum Road King Scholarship (北京大學中國金融四十人路勁獎學金班) jointly launched by the Group, China Finance Academic Think Tank – China Finance 40 Forum and National School of Development of Peking University since 2009, which aims to nurture talents for the society, the programmes of which are supported by China Finance 40 Forum. For the year 2020, the Group sponsored RMB400,000 to China Finance 40 Forum for scholarships, benefitting 45 students.

On 06 November 2020, the inauguration ceremony for the class of "Peking University China Finance 40 Forum Road King Scholarship (北京大學中國金融四十人路勁獎學金班)" was held at National School of Development of Peking University.

Supporting the Underserved Children

Further, the Group places equal emphasis on helping children in poverty with the aim to offer them equal opportunities as children from more financially capable families. Since 2013, the Group has joined hands with China Real Estate Chamber of Commerce and Elite Habitat Development Foundation to launch the ELITE Child Plan, which targets to improve the living and growth environment for those staying in orphanage schools and village kindergarten in the ethnic community of the western regions through various means including donations. As a recognition of the Group's contribution, in 2016, China Real Estate Chamber of Commerce and Elite Habitat Development Foundation awarded the Group "ELITE Public Welfare Pioneer".

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE

General Disclosures and KPIs	Description	Reference (Page Number)
Environmental		
Aspect A1: Emissions		
General Disclosure		Offering Quality Properties and Services (P.112-114); Establishing Constructive Workplace (P.124-127)
KPI A1.1	The types of emissions and respective emissions data	N/A (Note 1)
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Establishing Constructive Workplace (P.127)
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	N/A (Note 2)
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	Establishing Constructive Workplace (P.125)
KPI A1.5	Description of measures to mitigate emissions and results achieved	Offering Quality Properties and Services (P.112-114); Establishing Constructive Workplace (P.126)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Offering Quality Properties and Services (P.108-109, 111); Establishing Constructive Workplace (P.125)
Aspect A2: Use of Resources		
General Disclosure		Offering Quality Properties and Services (P.108-109, 111-112); Establishing Constructive Workplace (P.126-127)
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Establishing Constructive Workplace (P.126)
KPI A2.2	Water consumption in total and intensity	Establishing Constructive Workplace (P.127)
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Offering Quality Properties and Services (P.108-109); Establishing Constructive Workplace (P.126)
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Offering Quality Properties and Services (P.111); Establishing Constructive Workplace (P.127)
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	N/A (Note 3)

General Disclosures and KPIs	Description	Reference (Page Number)
Aspect A3: The Environment and Natural Resources		
General Disclosure		Offering Quality Properties and Services (P.110-111)
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them	Offering Quality Properties and Services (P.110-111)
Social		
Aspect B1: Employment		
General Disclosure		Establishing Constructive Workplace (P.120-121)
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Establishing Constructive Workplace (P.120)
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Establishing Constructive Workplace (P.121)
Aspect B2: Health and Safety		
General Disclosure		Offering Quality Properties and Services (P.114-116); Establishing Constructive Workplace (P.124)
KPI B2.1	Number and rate of work-related fatalities	Establishing Constructive Workplace (P.124)
KPI B2.2	Lost days due to work injury	Establishing Constructive Workplace (P.124)
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Offering Quality Properties and Services (P.114-116); Establishing Constructive Workplace (P.124)
Aspect B3: Development and Training		
General Disclosure		Establishing Constructive Workplace (P.123)
KPI B3.1	The percentage of employees trained by gender and employee category	Establishing Constructive Workplace (P.123)
KPI B3.2	The average training hours completed per employee by gender and employee category	Establishing Constructive Workplace (P.123)

General Disclosures and KPIs	Description	Reference (Page Number)
Aspect B4: Labour Standards		
General Disclosure		Establishing Constructive Workplace (P.122)
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Establishing Constructive Workplace (P.122)
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Establishing Constructive Workplace (P.122)
Aspect B5: Supply Chain Management		
General Disclosure		Offering Quality Properties and Services (P.109-110)
KPI B5.1	Number of suppliers by geographical region	Offering Quality Properties and Services (P.109)
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Offering Quality Properties and Services (P.109-110)
Aspect B6: Product Responsibility		
General Disclosure		Offering Quality Properties and Services (P.117-118); Building Sustainable Community (P.129)
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	N/A (Note 4)
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Offering Quality Properties and Services (P.117)
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Building Sustainable Community (P.129)
KPI B6.4	Description of quality assurance process and recall procedures	Offering Quality Properties and Services (P.116-117)
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Offering Quality Properties and Services (P.118)

General Disclosures and KPIs	Description	Reference (Page Number)
Aspect B7: Anti-corruption		
General Disclosure		Building Sustainable Community (P.129)
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Building Sustainable Community (P.129)
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Building Sustainable Community (P.129)
Aspect B8: Community Investment		
General Disclosure		Building Sustainable Community (P.130)
KPI B8.1	Focus areas of contribution	Building Sustainable Community (P.130)
KPI B8.2	Resources contributed to the focus area	Building Sustainable Community (P.130)

Notes:

1. Immaterial amount of air emissions and water discharges from the Group's office and properties under management.

2. Immaterial amount of hazardous wastes produced by the Group's offices and properties under management.

3. Immaterial amount of packaging materials used by the Group.

4. Product recall is immaterial to the Group.

EXECUTIVE DIRECTORS

Zen Wei Peu, Derek *(Chairman)*
Ko Yuk Bing *(Deputy Chairman, Managing Director and Chief Executive Officer)*
Fong Shiu Leung, Keter *(Deputy Chief Executive Officer and Finance Director)*

NON-EXECUTIVE DIRECTORS

Mou Yong
Dong Fang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lau Sai Yung
Tse Chee On, Raymond
Wong Wai Ho

PROPERTY BUSINESS MANAGEMENT COMMITTEE

Ko Yuk Bing *(Chairman)*
Zen Wei Peu, Derek
Fong Shiu Leung, Keter
Chuk Wing Suet, Josephine
Zhang Nan
Diao Lu, Amy
Zhao Min

AUDIT COMMITTEE

Lau Sai Yung *(Chairman)*
Tse Chee On, Raymond
Wong Wai Ho

NOMINATION COMMITTEE

Zen Wei Peu, Derek *(Chairman)*
Lau Sai Yung
Wong Wai Ho
Tse Chee On, Raymond

REMUNERATION COMMITTEE

Tse Chee On, Raymond *(Chairman)*
Zen Wei Peu, Derek
Lau Sai Yung
Wong Wai Ho

COMPANY SECRETARY

Fong Shiu Leung, Keter

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITORS

Beijing Global Law Office
Conyers, Dill & Pearman
Reed Smith Richards Butler

PRINCIPAL BANKERS

MAINLAND CHINA

Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
PingAn Bank Co., Ltd.

HONG KONG

China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 501, 5th Floor
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

SHARE LISTING

The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 1098)

NOTES, SECURITIES AND BONDS LISTING

The following notes are listed on The Stock Exchange of Hong Kong Limited

- US$500 million 4.7% guaranteed senior notes due 2021 (Stock Code: 4309)

The following notes and securities are listed on the Singapore Exchange Securities Trading Limited

- US$400 million 7.875% guaranteed senior notes due 2023
- US$480 million 6.7% guaranteed senior notes due 2024
- US$300 million 5.9% guaranteed senior notes due 2025
- US$416 million 6% guaranteed senior notes due 2025
- US$500 million 5.2% guaranteed senior notes due 2026
- US$300 million 7.95% senior guaranteed perpetual capital securities
- US$300 million 7% senior guaranteed perpetual capital securities
- US$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities

The following bonds are listed on the Shanghai Stock Exchange

- RMB1.5 billion 7% domestic bonds

The following commercial mortgage-backed securities ("CMBS") are listed on the Shenzhen Stock Exchange

- RMB270 million 5.5% CMBS due 2024
- RMB440 million 6.5% CMBS due 2024

INVESTOR RELATIONS

Contact Persons:	Lee Tak Fai, Kennedy Tsoi Yuk Gee, Melissa
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Facsimile:	(852) 2375 2477
E-mail address:	ir@roadking.com.hk

WEBSITES

http://www.roadking.com.hk
http://www.rkph.com

Deloitte. 德勤

To the Shareholders of Road King Infrastructure Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Road King Infrastructure Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages F-8 to F-151, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from sale of completed properties held for sale	
We identified revenue recognised from sale of completed properties held for sale as a key audit matter as it is quantitatively significant to the consolidated statement of profit or loss. The Group's revenue from sale of completed properties held for sale for the year ended 31 December 2020 amounted to approximately HK$23,279 million, which is disclosed in Note 6 to the consolidated financial statements, representing 96% of the Group's total revenue. As disclosed in Note 4 to the consolidated financial statements, revenue from sale of completed properties held for sale is recognised when control of completed properties is transferred to customer, being at the point that customers obtain control of the completed properties and the Group has a present right to payment and collection of the consideration is probable.	Our procedures in relation to revenue recognised from sale of completed properties held for sale included: • Understanding and assessing the effectiveness of the Group's internal control over the revenue recognition of sale for completed properties held for sale; • Inspecting, on a sample basis, the terms set out in sale and purchase agreements to understand the point that customers obtain the control of the completed properties and the Group has present right to payment and collection of the consideration is probable; and • Evaluating whether control of completed properties has been transferred to customers by checking, on a sample basis, to the terms of sale and purchase agreements, the relevant completion certificate for construction work and the delivery notice sent to customers.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventory of properties	
We identified the valuation of inventory of properties, which includes properties under development for sale (the "PUD") and completed properties held for sale (the "PFS") (collectively referred to as the "Properties") as a key audit matter as it is significant to the consolidated statement of financial position and significant judgments are involved in the determination of net realisable value (the "NRV") of the Properties. As disclosed in Note 24 to the consolidated financial statements, the Group's PUD of approximately HK$37,356 million and PFS of approximately HK$10,509 million are situated in the People's of Republic China (the "PRC") and Hong Kong as at 31 December 2020. As set out in Note 5 to the consolidated financial statements, management of the Group determined the NRV of the PUD with reference to the current market price of properties of a comparable standard and location, and construction costs to be incurred to complete the development based on existing asset structure and construction material price lists. Management determined the NRV of the PFS with reference to the estimated selling price in the ordinary course of business, less estimated cost to completion and the estimated costs necessary to make the sale.	Our procedures in relation to valuation of inventory of properties included: • Understanding management's process of estimating construction costs to be incurred to complete the development of the PUD and estimating the NRV of the Properties; • Evaluating the reasonableness of estimated costs to completion of the PUD, on a sample basis, by comparing budgeted construction costs, to the signed contracts with subcontractors, and actual development costs similar completed properties of the Group and comparing the adjustments made by management, on a sample basis, to current market data; and • Assessing the appropriateness of estimated selling price of the Properties, on a sample basis, by comparing it to the recent market prices achieved in the same project or comparable properties.

Key audit matter	How our audit addressed the key audit matter
Amortisation of toll road operation rights of the infrastructure joint ventures ("JVs")	
We identified amortisation of toll road operation rights of the JVs as a key audit matter because amortisation involves a significant degree of judgement by management of the Group. As disclosed in Note 9 to the consolidated financial statements, amortisation of toll road operation rights of the JVs for the year ended 31 December 2020 amounted to approximately HK$287 million. As set out in Note 5 to the consolidated financial statements, amortisation of toll road operation rights of the JVs is calculated based on the traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective toll roads. Estimation of total traffic volume over the remaining concession periods is reviewed by management at the end of each reporting period taking into consideration of the actual traffic volume in the recent periods, the current and future development of the transportation network and government policies related to the toll road operations, as well as forecasted economic growth in the region. In calculating the amortisation, management exercised a significant degree of judgement in considering the changes of the estimation on total traffic volume based on the factors above which may affect both the carrying value of the concession intangible assets of the JVs and the amortisation charges for the remaining concession period. Under the equity method of accounting, it may consequentially cause material adjustment on the share of results of the JVs and interests in the JVs stated in the consolidated financial statements.	Our procedures in relation to the amortisation of toll road operation rights of the JVs included: • Assessing the reasonableness of management's estimation of future traffic volumes and determination of the related amortisation by making reference to the traffic flow projection prepared by management, in particular the appropriateness of key assumptions, including the growth rate applied on the projected traffic flow for the remaining concession periods, the development of the transportation network and the forecasted economic growth, as well as government policies related to the toll road operations in the region; and • Checking the accuracy of significant data, including historical pattern of actual traffic volume underpinning the calculation of amortisation of concession intangible assets used by management of the Group, on a sample basis, by agreeing the historic number of traffic used in the calculation to the actual traffic volume in the traffic flow projection prepared by management.

OTHER INFORMATION

The directors of the Company ("Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

We communicate with 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.

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 the independent auditor’s report is Wong Kuen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue			
Property sales and service income		**24,055,542**	21,178,057
Other revenue		**140,561**	316,739
Total revenue	6	**24,196,103**	21,494,796
Cost of sales		**(17,689,510)**	(13,985,909)
Gross profit		**6,506,593**	7,508,887
Interest income		**244,588**	492,564
Other income		**83,574**	117,384
Other gains and losses	8	**259,652**	(114,934)
Selling expenses		**(763,170)**	(572,886)
Administrative expenses		**(961,668)**	(1,043,163)
Share of results of associates		**70,040**	122,326
Share of results of joint ventures	9	**466,586**	1,166,535
Finance costs	10	**(1,172,693)**	(916,766)
Profit before taxation	11	**4,733,502**	6,759,947
Income tax expenses	13	**(1,949,906)**	(3,083,321)
Profit for the year		**2,783,596**	3,676,626
Profit for the year attributable to:			
Owners of the Company		**1,722,848**	3,028,005
Owners of perpetual capital securities		**527,775**	371,395
Non-controlling interests of subsidiaries		**532,973**	277,226
		2,783,596	3,676,626
Earnings per share	15		
– Basic		**HK$2.30**	HK$4.04
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTE	2020 HK$'000	2019 HK$'000
Profit for the year		**2,783,596**	3,676,626
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Fair value losses on hedging instruments designated in cash flow hedges	33	**(53,111)**	–
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**1,364,932**	(767,495)
Other comprehensive income (expense) for the year		**1,311,821**	(767,495)
Total comprehensive income for the year		**4,095,417**	2,909,131
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,871,079**	2,342,725
Owners of perpetual capital securities		**527,775**	371,395
Non-controlling interests of subsidiaries		**696,563**	195,011
		4,095,417	2,909,131

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	16	**81,905**	183,361
Right-of-use assets	17	**105,585**	162,712
Investment properties	18	**4,046,258**	3,813,082
Interests in associates	19	**1,433,375**	908,599
Interests in joint ventures	20	**13,843,087**	12,003,959
Deferred tax assets	32	**214,939**	133,505
Amounts due from joint ventures	21	**9,869,288**	7,216,954
Loan receivables	23	**1,384,570**	1,043,766
Financial assets at fair value through profit or loss ("FVTPL")	27	**328,751**	361,567
Long-term prepayments	26	**–**	36,867
		31,307,758	25,864,372
Current assets			
Inventory of properties	24	**47,864,974**	39,320,944
Prepayment for land leases	25	**–**	2,142,964
Amounts due from joint ventures	21	**3,939,385**	3,243,624
Amounts due from non-controlling interests of subsidiaries	22	**1,672,435**	–
Loan receivables	23	**551,420**	426,168
Debtors, deposits and prepayments	26	**2,421,954**	3,310,290
Prepaid income tax		**1,352,193**	1,170,993
Financial assets at FVTPL	27	**–**	136,086
Pledged bank deposits	28	**114,799**	721,760
Bank balances and cash	28	**14,055,969**	14,450,838
		71,973,129	64,923,667
Total assets		**103,280,887**	90,788,039

	NOTES	2020 HK$'000	2019 HK$'000 (Restated)
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	29	**74,934**	74,934
Reserves		**20,852,911**	18,791,115
		20,927,845	18,866,049
Perpetual capital securities	40	**6,952,437**	6,961,919
Non-controlling interests of subsidiaries		**5,161,572**	2,736,049
Total equity		**33,041,854**	28,564,017
Non-current liabilities			
Bank and other borrowings	31	**24,631,423**	21,822,290
Deferred tax liabilities	32	**1,172,600**	1,058,752
Financial liabilities at FVTPL	27	**17,409**	–
Derivative financial instruments	33	**53,111**	–
Lease liabilities	38	**89,609**	141,566
		25,964,152	23,022,608
Current liabilities			
Creditors and accrued charges	34	**10,685,326**	10,400,432
Amounts due to joint ventures and associates	35	**4,431,961**	2,897,818
Amounts due to non-controlling interests of subsidiaries	36	**1,424,335**	2,763,049
Contract liabilities	37	**7,819,246**	8,481,912
Lease liabilities	38	**26,357**	27,087
Income tax payable		**5,831,694**	5,797,741
Bank and other borrowings	31	**13,424,768**	8,319,005
Financial liabilities at FVTPL	27	**182,672**	105,412
Other financial liabilities	39	**448,522**	408,958
		44,274,881	39,201,414
Total equity and liabilities		**103,280,887**	90,788,039

The consolidated financial statements on pages F-8 to F-151 were approved and authorised for issue by the Board of Directors on 23 March 2021 and are signed on its behalf by:

Zen Wei Peu, Derek
DIRECTOR

Ko Yuk Bing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Special reserve HK$'000 (note a)	Other reserve HK$'000 (note c)	Statutory reserve HK$'000 (note b)	Cash flow hedging reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Perpetual capital securities HK$'000	Non-controlling interests of subsidiaries HK$'000	Total equity HK$'000
Balance at 1 January 2019 (note d)	74,934	3,224,794	740,874	1,260,000	1,002,963	2,740,487	–	8,354,011	17,398,063	4,632,638	2,736,741	24,767,442
Profit for the year	–	–	–	–	–	–	–	3,028,005	3,028,005	371,395	277,226	3,676,626
Exchange differences arising on translation to presentation currency	–	–	(685,280)	–	–	–	–	–	(685,280)	–	(82,215)	(767,495)
Total comprehensive (expense) income for the year	–	–	(685,280)	–	–	–	–	3,028,005	2,342,725	371,395	195,011	2,909,131
Sub-total	74,934	3,224,794	55,594	1,260,000	1,002,963	2,740,487	–	11,382,016	19,740,788	5,004,033	2,931,752	27,676,573
Issue of perpetual capital securities	–	–	–	–	–	–	–	–	–	2,307,716	–	2,307,716
Release upon deregistration of subsidiaries of the Company	–	–	(19,468)	–	–	–	–	19,468	–	–	–	–
Capital contributions from non-controlling interests of subsidiaries (note f)	–	–	–	–	390,000	–	–	–	390,000	–	201,222	591,222
Reclassified from equity to other financial liabilities (note f)	–	–	–	–	(390,000)	–	–	–	(390,000)	–	–	(390,000)
Return of capital contribution to a non-controlling interest of a subsidiary (note e)	–	–	–	–	–	–	–	9,478	9,478	–	(146,925)	(137,447)
Distributions paid for perpetual capital securities	–	–	–	–	–	–	–	–	–	(349,830)	–	(349,830)
Dividends (note 14)	–	–	–	–	–	–	–	(884,217)	(884,217)	–	–	(884,217)
Dividend paid or payable for non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	(250,000)	(250,000)
Appropriation	–	–	–	–	–	657,071	–	(657,071)	–	–	–	–
Balance at 31 December 2019	74,934	3,224,794	36,126	1,260,000	1,002,963	3,397,558	–	9,869,674	18,866,049	6,961,919	2,736,049	28,564,017
Profit for the year	–	–	–	–	–	–	–	1,722,848	1,722,848	527,775	532,973	2,783,596
Fair value losses on hedging instruments (note 33)	–	–	–	–	–	–	(53,111)	–	(53,111)	–	–	(53,111)
Exchange differences arising on translation to presentation currency	–	–	1,201,342	–	–	–	–	–	1,201,342	–	163,590	1,364,932
Total comprehensive income (expense) for the year	–	–	1,201,342	–	–	–	(53,111)	1,722,848	2,871,079	527,775	696,563	4,095,417
Sub-total	74,934	3,224,794	1,237,468	1,260,000	1,002,963	3,397,558	(53,111)	11,592,522	21,737,128	7,489,694	3,432,612	32,659,434
Expenses paid for perpetual capital securities	–	–	–	–	–	–	–	–	–	(8,304)	–	(8,304)
Acquisition of a subsidiary (note 45)	–	–	–	–	–	–	–	–	–	–	380,356	380,356
Capital contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	1,348,604	1,348,604
Distributions paid for perpetual capital securities	–	–	–	–	–	–	–	–	–	(528,953)	–	(528,953)
Dividends (note 14)	–	–	–	–	–	–	–	(809,283)	(809,283)	–	–	(809,283)
Appropriation	–	–	–	–	–	345,065	–	(345,065)	–	–	–	–
Balance at 31 December 2020	74,934	3,224,794	1,237,468	1,260,000	1,002,963	3,742,623	(53,111)	10,438,174	20,927,845	6,952,437	5,161,572	33,041,854

Notes:

(a) Special reserve was arisen on group reorganisation and represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital of a subsidiary, which was acquired by the Company pursuant to the then group reorganisation.

(b) The statutory reserve of the Company and its subsidiaries (the "Group") represents the reserve required by relevant laws of the People's Republic of China ("PRC") applicable to the Company's PRC subsidiaries.

(c) Other reserve represents the transfers between the relevant reserves attributable to the shareholders of the Company and the non-controlling interests of subsidiaries upon the partial disposal of interests in subsidiaries as detailed in notes (d) and (f).

(d) On 2 August 2018, Asia Belt and Road Expressway Company Limited (the "Investor"), a company independent of the Group, the Company and Road King Expressway International Holdings Limited ("RKE"), a wholly-owned subsidiary of the Company, entered into subscription agreement pursuant to which RKE has agreed to allot and issue, and the Investor has agreed to subscribe for 166,666,667 shares of RKE at the subscription price of US Dollars equivalent of HK$2,000,000,000. Upon completion of the share subscription on 4 October 2018, the Investor held 25% equity interest in RKE, which was considered as a non-wholly owned subsidiary of the Company.

(e) During the year ended 31 December 2019, a subsidiary of the Company has returned the registered capital to one of its minority shareholder at a cash consideration of HK$137,447,000 resulting the increase of shareholding held by the Group from 55% to 64.71%.

(f) As detailed in note 39, an independent investor provided capital contribution of US$50,000,000 (equivalent to HK$390,000,000) to a subsidiary of the Company and obtained 26.32% shareholding in the subsidiary. The investor has certain options to put back the shares to the Group. The effect on the non-controlling interest upon the change in shareholding is considered insignificant to the Group and the capital contribution of HK$390,000,000 from the investor is recognised in other reserve and then reclassified to other financial liabilities.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Profit before taxation	**4,733,502**	6,759,947
Adjustments for:		
Depreciation of property, plant and equipment	**22,102**	23,724
Depreciation of right-of-use assets	**35,951**	32,688
Impairment loss on other receivables	**12,943**	–
Impairment loss on loan receivables	**104,027**	40,417
Impairment loss on long-term prepayments	**36,913**	33,975
Fair value losses (gains) on transfer of completed properties held for sale to investment properties	**7,093**	(58,334)
Change in fair value of investment properties	**185,275**	(18,351)
Change in fair value of financial asset at FVTPL – relating to the investment in a listed/an unlisted entity	**49,216**	120,045
Change in fair value of financial liabilities (assets) at FVTPL – relating to the foreign currency forward contracts	**229,585**	(142,109)
Net exchange (gains) losses	**(979,067)**	118,391
Interest income	**(244,588)**	(492,564)
Finance costs	**1,172,693**	916,766
Loss on disposal of a subsidiary	**–**	285
Gains on disposal of interests in joint ventures	**–**	(12,289)
Share of results of associates	**(70,040)**	(122,326)
Share of results of joint ventures	**(466,586)**	(1,166,535)
Net losses on disposals/written off of property, plant and equipment	**94,363**	32,904
Operating cash flows before movements in working capital	**4,923,382**	6,066,634
Decrease in debtors, deposits and prepayments	**2,101,604**	63,116
Increase in completed properties held for sale	**(1,930,849)**	(1,625,128)
Decrease in properties under development for sale	**10,823,519**	5,506,767
Increase (decrease) in creditors and accrued charges	**297,806**	(605,092)
Decrease in contract liabilities	**(4,602,893)**	(8,673,532)
Payment for land leases	**(10,306,478)**	(9,514,131)
Cash generated from (used in) operations	**1,306,091**	(8,781,366)
Income tax paid	**(2,308,857)**	(2,682,867)
Net cash used in operating activities	**(1,002,766)**	(11,464,233)

	NOTES	2020 HK$'000	2019 HK$'000
Investing activities			
Cash distributions/dividends received from joint ventures		**536,683**	732,228
Additions to investment properties		**(869)**	(111)
Interest received		**137,739**	295,300
Purchases of property, plant and equipment		**(14,315)**	(45,195)
Proceeds on disposal of property, plant and equipment		**3,269**	3,437
Proceeds on disposal of investment properties		**–**	103,327
Net cash inflows from acquisition of subsidiaries	45	**59,112**	1,463,321
Net cash inflow from disposal of a subsidiary	46	**–**	27,874
Net cash inflows from disposal of interests in joint ventures		**–**	17,778
Additions to loan receivables		**(664,624)**	(493,002)
Repayment of loan receivables		**165,478**	399,426
Proceeds from settlement of financial assets at FVTPL		**–**	140,211
Advances to non-controlling interests of subsidiaries		**(1,656,475)**	–
Advances to joint ventures		**(6,821,159)**	(4,293,305)
Repayment from joint ventures		**5,766,508**	5,790,605
Decrease in pledged bank deposits		**606,961**	30,858
Increase in restricted bank balances		**(660,603)**	(92,199)
Acquisition of/capital contributions to joint ventures		**(1,983,128)**	(2,079,429)
Return of capital contributions from joint ventures		**–**	13,014
Settlement of consideration payables		**(781,589)**	–
Net cash (used in) from investing activities		**(5,307,012)**	2,014,138

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Financing activities			
New borrowings raised		**18,514,506**	22,687,666
Repayment of borrowings		**(11,316,062)**	(14,419,262)
Funds raising from other financial liabilities		**–**	390,000
Repayment of lease liabilities		**(36,266)**	(33,629)
Issue of perpetual capital securities		**–**	2,307,716
Expenses paid for perpetual capital securities		**(8,304)**	–
Capital contributions from non-controlling interests of subsidiaries		**1,348,604**	201,222
Return of capital contributions from non-controlling interest of a subsidiary		**–**	(137,447)
Advances from non-controlling interests of subsidiaries		**601,757**	2,763,049
Repayment to non-controlling interests of subsidiaries		**(2,189,966)**	–
Advances from joint ventures and associates		**2,004,289**	1,912,806
Repayment to joint ventures and associates		**(676,204)**	(207,778)
Dividends paid for non-controlling interests of subsidiaries		**(83,995)**	(225,000)
Distributions paid for perpetual capital securities		**(528,953)**	(349,830)
Dividends paid		**(809,283)**	(884,217)
Interest paid		**(2,246,302)**	(1,693,321)
Net cash from financing activities		**4,573,821**	12,311,975
Net (decrease) increase in cash and cash equivalents		**(1,735,957)**	2,861,880
Cash and cash equivalents at beginning of the year		**13,238,530**	10,673,126
Effect of foreign exchange rate changes		**680,485**	(296,476)
Cash and cash equivalents at end of the year		**12,183,058**	13,238,530
Add: designated bank balances	28	**1,872,911**	1,212,308
Total bank balances and cash	28	**14,055,969**	14,450,838

1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business of the Company is Suite 501, 5/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activity of the Group are the operation of property development and investment, investment and asset management businesses in Hong Kong and the PRC; and the development, operation and management of toll roads through the infrastructure joint ventures in the PRC and Indonesia. The principal activity of the major subsidiaries, associates and joint ventures are detailed in notes 53, 19 and 20 respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the Company's functional currency of Renminbi ("RMB"). The directors of the Company (the "Directors") adopted HK$ as presentation currency. For the convenience of the financial statements users, the consolidated financial statements are presented in HK$, as the Company's shares are listed on the Stock Exchange.

2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT YEAR

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Ministry of Transport in Mainland China waived road and expressway toll fees nationally by extending 9 days toll free period after the Chinese New Year holidays and suspending toll collection from 17 February 2020 to 5 May 2020. In addition, the pandemic also caused the drop in market rent rate. As such, the financial position and performance of the Group were affected in different aspects, including decrease in the Group's share of profits of infrastructure joint ventures as a result of a decrease in the Group's share of toll revenue of infrastructure joint ventures and decrease in fair value of investment properties as disclosed in the relevant notes.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

3.1 AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or the disclosures set out in these consolidated financial statements.

(a) Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of the general purpose financial statements make on the basis of those finical statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no significant impact on the consolidated financial statements.

(b) Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the consolidated financial statements of the Group as the Group's designated hedge items/assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

3.2 NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKFRS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(a) Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the "Conceptual Framework for Financial Reporting 2018" issued in June 2018 (the "Conceptual Framework") instead of "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting 2010" issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 "Provisions, Contingent Labilities and Contingent Assets" or HK(IFRIC)-Int 21 "Levies", an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

3.2 NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE *(Continued)*

(a) Amendments to HKFRS 3 "Reference to the Conceptual Framework" *(Continued)*

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures" to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities:** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16 "Leases";

- **Hedge accounting requirements:** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying catena to apply hedge accounting, including effectiveness requirements; and

- **Disclosures:** The amendments require disclosures in order allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") bank and other borrowings which will be subject to interest rate benchmark reform. The Group expects no significant modification gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

3.2 NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE *(Continued)*

(c) Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The Amendments to HKFRS 10 "Consolidated Financial Statements" and HKAS 28 "Investments in Associates and Joint Ventures" deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parents profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parents profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(d) Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

3.2 NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE *(Continued)*

(d) Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)" *(Continued)*

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in the reclassification of the Group's liabilities.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

4.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4.2 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to owners of Company, to owners of the perpetual capital securities and to non-controlling interests of subsidiaries. Total comprehensive income and expense of subsidiaries attributed to owners of the Company, to owners of the perpetual capital securities and to non-controlling interests even if this results in non-controlling interests having a deficit balance.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and, (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "*Financial Instruments*", or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction- by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2020).

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Business combinations *(Continued)*

The subsequent accounting for the contingent consideration that do not quality as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the item for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets and liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would affected the amounts recognised at that date.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Existence of significant financing component *(Continued)*

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Others

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

Investment properties also include leased properties which are being recognised as right-of-use assets.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures *(Continued)*

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios until the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates and joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates and joint ventures based on the predetermined profit sharing ratio. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures *(Continued)*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "*Impairment of Assets*" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures *(Continued)*

Toll road operation rights of joint ventures

When applying the equity method of accounting, the concession intangible assets, which are the toll road operation rights of the Group's infrastructure joint ventures, are amortised to write off their cost over their expected useful lives or the remaining concession period, whichever is shorter, commencing from the date of commencement of operation of the underlying toll roads using an amortisation method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed. The annual amortisation is calculated by applying the ratio of actual traffic volume of the underlying toll roads compared to the total expected traffic volume of the underlying toll roads over the respective remaining concession period to the net carrying value of the assets. The expected useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of property, plant and equipment, right-of-use assets and long-term prepayments

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and long-term prepayments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and long-term prepayments are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to relevant cash-generating units, when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of property, plant and equipment, right-of-use assets and long-term prepayments *(Continued)*

If the recoverable amount of asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measureable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventory of properties

Properties under development which are intended to be sold upon completion of development and properties held for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development/properties held for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development are transferred to properties held for sale upon completion.

The Group transfers a property from inventory of properties to investment properties when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities and its joint ventures are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests of subsidiaries as appropriate).

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property or inventory are presented within "investment properties" and "inventory of properties", respectively.

Refundable rental deposits

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "*Revenue from Contracts with Customers*" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to the state-managed retirement benefit scheme operated by the government and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductibles temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "*Income Taxes*" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade debtors arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other debtors, loan receivables, amounts due from joint ventures, amounts due from non-controlling interests of subsidiaries, pledged bank deposits and bank balances) and financial guarantee contracts which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and financial guarantee contracts (Continued)

(i) Significant increase in credit risk *(Continued)*

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

Lifetime ECL for certain trade debtors and loan receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9, and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors and financial guarantee contracts, where the corresponding adjustment is recognised through a loss allowance account.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including creditors and accrued charges, bank and other borrowings, amounts due to joint ventures and associates, amounts due to non-controlling interests of subsidiaries and other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments *(Continued)*

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to see off the recognized amounts, and intends either or settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non- contractually specified) are based is not altered as a result of interest rate benchmark reform.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Hedge accounting (Continued)

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion, if any, is recognised immediately in profit or loss.

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Hedge accounting *(Continued)*

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) cases to meet the qualifying criteria (after rebalance, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remain in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

Equity-settled share-based payments to employees and the Directors providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

AMORTISATION OF TOLL ROAD OPERATION RIGHTS

Amortisation of toll road operation rights of the Group's infrastructure joint ventures is calculated based on the traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective toll roads. Estimation of total traffic volume over the remaining concession period is reviewed by management at the end of each reporting period taking into consideration of the actual traffic volume in the recent periods, the current and future development of the transportation network and government policies related to the toll road operations, as well as forecasted economic growth in the region. Adjustments may need to be made to the Group's share of amortisation of toll road operation rights of infrastructure joint ventures should there be a material difference between the projected total traffic volume and the actual traffic volume. As at 31 December 2020, the carrying amount of interests in infrastructure joint ventures is HK$4,412,430,000 (2019: HK$4,371,736,000).

NET REALISABLE VALUES OF INVENTORY OF PROPERTIES

The assessment of the net realisable values of the properties under development for sale involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location and construction costs to be incurred to complete the development based on existing asset structure and construction material price lists. If the actual net realisable values of the underlying properties under development for sale are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result. As at 31 December 2020, the carrying amount of properties under development for sale is HK$37,356,425,000 (2019: HK$30,933,015,000).

In addition, management exercises its judgment in making allowance for inventory of completed properties held for sale with reference to the existing market environment, the sales performance in previous years and estimated net realisable value of the properties, i.e. the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. A specific allowance for completed properties held for sale is made if the estimated net realisable value of the properties is lower than its carrying amount. If the actual net realisable values of the completed properties held for sale are less than expected as a result of change in market condition, material provision for impairment losses may result. As at 31 December 2020, the carrying amount of the completed properties held for sale is HK$10,508,549,000 (2019: HK$8,387,929,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

PROVISION OF ECL FOR LOAN RECEIVABLES

Loan receivables are assessed for ECL individually. The provision rates are based on internal credit ratings with reference to the historical default rates taking into consideration reasonable and supportable forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan receivables are disclosed in note 43.

FAIR VALUE MEASUREMENTS AND VALUATION PROCESSES

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Directors are responsible for determining the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The Directors regularly assess the impact and the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and investment properties. Notes 43 (c) and 18 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

LAND APPRECIATION TAX

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with the local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

6. REVENUE

(i) DISAGGREGATION OF THE GROUP'S REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020			2019		
Segment	**Property development and investment HK$'000**	**Investment and asset management HK$'000**	**Total HK$'000**	Property development and investment HK$'000	Investment and asset management HK$'000	Total HK$'000
Types of goods or services						
Property sales	**23,147,870**	**131,278**	**23,279,148**	20,057,229	300,007	20,357,236
Property management and service income	**765,475**	**10,919**	**776,394**	784,905	35,916	820,821
Total	**23,913,345**	**142,197**	**24,055,542**	20,842,134	335,923	21,178,057
Geographical market						
Hong Kong	**1,875,260**	**–**	**1,875,260**	–	–	–
PRC	**22,038,085**	**142,197**	**22,180,282**	20,842,134	335,923	21,178,057
Total	**23,913,345**	**142,197**	**24,055,542**	20,842,134	335,923	21,178,057
Timing of revenue recognition						
Goods recognised at a point in time	**23,147,870**	**131,278**	**23,279,148**	20,057,229	300,007	20,357,236
Services recognised over time	**765,475**	**10,919**	**776,394**	784,905	35,916	820,821
Total	**23,913,345**	**142,197**	**24,055,542**	20,842,134	335,923	21,178,057

6. REVENUE *(Continued)*

(i) DISAGGREGATION OF THE GROUP'S REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

Segment	2020 Property development and investment HK$'000	2020 Investment and asset management HK$'000	2020 Total HK$'000	2019 Property development and investment HK$'000	2019 Investment and asset management HK$'000	2019 Total HK$'000
Revenue from contracts with customers	**23,913,345**	**142,197**	**24,055,542**	20,842,134	335,923	21,178,057
Fund investment income (note)	**–**	**46,641**	**46,641**	–	193,932	193,932
Gross rental and other income from commercial properties	**93,251**	**669**	**93,920**	119,592	3,215	122,807
Other revenue	**93,251**	**47,310**	**140,561**	119,592	197,147	316,739
Total revenue of the Group (note 7)	**24,006,596**	**189,507**	**24,196,103**	20,961,726	533,070	21,494,796

Note: It mainly represents interest revenue on loan receivables calculated by using effective interest method.

6. REVENUE *(Continued)*

(ii) TOTAL REVENUE OF THE GROUP

	2020 HK$'000	2019 HK$'000
Property sales and service income	**24,055,542**	21,178,057
Fund investment income	**46,641**	193,932
Gross rental and other income from commercial properties (note)	**93,920**	122,807
Total revenue of the Group	**24,196,103**	21,494,796
Group's share of revenue of property joint ventures and associates	**6,284,503**	8,116,672
Group's share of toll revenue of infrastructure joint ventures	**1,302,544**	1,556,856
Revenue of the Group and Group's share of revenue of joint ventures and associates	**31,783,150**	31,168,324

Note: The rental related outgoings were insignificant to the Group.

(iii) Performance obligations for contracts with customers

Property sales

For contracts entered into with customers on sale of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 30% to 100% of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

6. REVENUE *(Continued)*

(iii) PERFORMANCE OBLIGATIONS FOR CONTRACTS WITH CUSTOMERS *(Continued)*

Property sales *(Continued)*

The Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Property management and service income

It mainly consists of property management services where the Group acts as principal and is primary responsible for providing the property management services to the property owners. The Group bills a fixed rate for services provided on a monthly/regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. As the property owners simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

(iv) TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION FOR CONTRACTS WITH CUSTOMERS

Certain property sales contracts have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For property sales contracts with an original duration of over one year, the transaction price allocated to the remaining performance obligations from property sales (unsatisfied or partially unsatisfied) as at 31 December 2020 amounting to HK$4.3 billion (2019: HK$9 billion). Management expects that the amounts will be recognized beyond one year upon these property sales contracts were signed. The amounts disclosed above does not include unsatisfied performance obligation that were related to the Group's contracts with customers with an original duration of one year or less.

All property management and service income are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. REVENUE *(Continued)*

(v) LEASES

	2020 HK$'000	2019 HK$'000
Fixed lease payments	**81,475**	109,871
Variable lease payments that do not depend on an index or a rate	**12,445**	12,936
Total for the year	**93,920**	122,807

7. SEGMENT INFORMATION

The Group's operating segments, based on the information reported to the Group's chief operating decision maker for the purpose of resources allocation and assessment of performance are as follows:

Property development and investment	–	development of properties for sale and for rental income and/or potential capital appreciation
Toll road	–	development, operation and management of toll roads
Investment and asset management	–	property development and investment, integrated with fund, cultural, tourist and commercial businesses (The entertainment and content development business in Mainland China was disposed during the year)

No other operating segments have been aggregated in arriving at the reportable segments of the Group.

The following is an analysis of the Group's revenue, profit, assets, liabilities and other information by operating and reportable segments for the years under review:

	2020				2019			
	Property development and investment HK$'000	Toll road HK$'000	Investment and asset management HK$'000	Total HK$'000	Property development and investment HK$'000	Toll road HK$'000 (Restated)	Investment and asset management HK$'000	Total HK$'000 (Restated)
Segment revenue	**24,006,596**	**–**	**189,507**	**24,196,103**	20,961,726	–	533,070	21,494,796
Segment profit (loss)	**3,659,730**	**170,075**	**(974,741)**	**2,855,064**	3,101,007	622,536	8,682	3,732,225
Segment assets (including interests in joint ventures and associates)	**85,810,067**	**6,035,653**	**9,515,000**	**101,360,720**	74,550,446	5,922,164	8,338,346	88,810,956
Segment liabilities	**(65,638,092)**	**(318,436)**	**(1,999,178)**	**(67,955,706)**	(56,494,074)	(479,818)	(3,455,149)	(60,429,041)

7. SEGMENT INFORMATION *(Continued)*

(a) MEASUREMENT

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4.

Segment profit represents profit earned by each segment, which includes share of results of associates, share of results of joint ventures, loss on disposal of a subsidiary, gains on disposal of interests in joint ventures, net gains (losses) on disposals/written off of property, plant and equipment, impairment losses on loan receivables, other receivables and long-term prepayments, fair value (losses) gains on transfer of completed properties held for sale to investment properties, change in fair value of investment properties, change in fair value of financial (liabilities) assets at FVTPL, net exchange gains (losses), depreciation of property, plant and equipment and right-of-use assets, relevant interest income, finance costs and income tax expenses attributable to the relevant segment but without allocation of headquarters income and expenses.

Segment revenue comprises revenue from external customers. There was no inter-segment revenue.

Segment assets include property, plant and equipment, right-of-use assets, investment properties, interests in associates, interests in joint ventures, long-term prepayments, inventory of properties, prepayment for land leases, amounts due from joint ventures, amounts due from non-controlling interests of subsidiaries, loan receivables, debtors, deposits and prepayments, prepaid income tax, financial assets at FVTPL, pledged bank deposits, bank balances and cash and deferred tax assets which are directly attributable to the relevant reportable segment.

Segment liabilities include creditors and accrued charges, amounts due to joint ventures and associates, amounts due to non-controlling interests of subsidiaries, contract liabilities, lease liabilities, income tax payable, bank and other borrowings, financial liabilities at FVTPL, other financial liabilities, derivative financial instruments and deferred tax liabilities which are directly attributable to the relevant reportable segment.

Additions to non-current assets are the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year and comprise purchase of property, plant and equipment, right-of-use assets, investment properties and capital contributions to joint ventures and associates directly attributable to the segment.

7. SEGMENT INFORMATION *(Continued)*

(b) RECONCILIATION OF TOTAL SEGMENT PROFIT, TOTAL SEGMENT ASSETS AND TOTAL SEGMENT LIABILITIES

	2020 **HK$'000**	2019 HK$'000 (Restated)
Total segment profit	**2,855,064**	3,732,225
Unallocated items:		
Interest income	**10,544**	38,862
Corporate income	**75,591**	–
Corporate expenses	**(26,502)**	(18,423)
Finance costs	**(131,101)**	(76,038)
Consolidated profit for the year	**2,783,596**	3,676,626
Total segment assets	**101,360,720**	88,810,956
Unallocated assets:		
Property, plant and equipment	**4**	10
Right-of-use assets	**27,118**	32,731
Deposits and prepayments	**24,975**	18,093
Financial assets at FVTPL	**–**	13,610
Bank balances and cash	**1,868,070**	1,912,639
Consolidated total assets	**103,280,887**	90,788,039
Total segment liabilities	**(67,955,706)**	(60,429,041)
Unallocated liabilities:		
Accrued charges	**(5,628)**	(6,800)
Bank and other borrowings	**(2,239,948)**	(1,754,805)
Financial liabilities at FVTPL	**(9,467)**	–
Lease liabilities	**(28,284)**	(33,376)
Consolidated total liabilities	**(70,239,033)**	(62,224,022)

7. SEGMENT INFORMATION *(Continued)*

(c) OTHER SEGMENT INFORMATION

	2020					2019				
	Property development and investment HK$'000	Toll road HK$'000	Investment and asset management HK$'000	Unallocated HK$'000	Consolidated total HK$'000	Property development and investment HK$'000	Toll road HK$'000 (Restated)	Investment and asset management HK$'000	Unallocated HK$'000	Consolidated total HK$'000 (Restated)
Amounts included in the measure of segment profit (loss):										
Interest income	192,262	21,870	19,912	10,544	244,588	424,564	21,270	7,868	38,862	492,564
Loss on disposal of a subsidiary	-	-	-	-	-	(285)	–	–	–	(285)
Gains on disposal of interests in joint ventures	-	-	-	-	-	10,323	1,966	–	–	12,289
Net gains (losses) on disposals/ written off of property, plant and equipment	148	-	(94,511)	-	(94,363)	963	–	(33,971)	104	(32,904)
Impairment loss on other receivables	-	-	(12,943)	-	(12,943)	–	–	–	–	–
Impairment loss on loan receivables	-	-	(104,027)	-	(104,027)	–	–	(40,417)	–	(40,417)
Impairment loss on long-term prepayments	-	-	(36,913)	-	(36,913)	–	–	(33,975)	–	(33,975)
Fair value (losses) gains on transfer of completed properties held for sale to investment properties	(931)	-	(6,162)	-	(7,093)	17,352	–	40,982	–	58,334
Change in fair value of investment properties	(65,719)	-	(119,556)	-	(185,275)	42,247	–	(23,896)	–	18,351
Depreciation of property, plant and equipment	(16,061)	(642)	(5,393)	(6)	(22,102)	(18,698)	(446)	(4,571)	(9)	(23,724)
Depreciation of right-of-use assets	(18,131)	(5,677)	(5,157)	(6,986)	(35,951)	(16,668)	(5,646)	(9,424)	(950)	(32,688)
Finance costs	(658,219)	(781)	(382,592)	(131,101)	(1,172,693)	(697,214)	(1,054)	(142,460)	(76,038)	(916,766)
Income tax (expenses) credit	(1,954,196)	(18,052)	22,342	-	(1,949,906)	(3,039,238)	(30,783)	(13,300)	–	(3,083,321)
Share of results of associates	103,904	-	(33,864)	-	70,040	–	–	122,326	–	122,326
Share of results of joint ventures	287,329	273,951	(94,694)	-	466,586	308,937	716,318	141,280	–	1,166,535
Amounts included in the measure of segment assets:										
Right-of-use assets	66,836	10,917	714	27,118	105,585	76,444	17,018	36,519	32,731	162,712
Interests in associates	513,439	-	919,936	-	1,433,375	–	–	908,599	–	908,599
Interests in joint ventures	7,297,695	4,412,430	2,132,962	-	13,843,087	5,652,138	4,371,736	1,980,085	–	12,003,959
Financial assets at FVTPL	-	-	328,751	-	328,751	122,476	–	361,567	13,610	497,653
Additions to non-current assets during the year	1,849,819	112,165	36,350	-	1,998,334	844,235	1,249,225	198,141	–	2,291,601

7. SEGMENT INFORMATION *(Continued)*

(d) REVENUE FROM MAJOR PRODUCTS AND SERVICES

The Group's revenue for the year mainly comprises sale of completed residential properties developed by the Group for sale purposes.

(e) INFORMATION ABOUT GEOGRAPHICAL AREAS

All of the Group's revenue is attributable to customers in the PRC and Hong Kong and over 80% of the Group's total non-current assets (excluding deferred tax assets and financial instruments) are located in the PRC and the remaining non-current assets are substantially located in Hong Kong and Indonesia.

(f) INFORMATION ABOUT MAJOR CUSTOMERS

In view of the nature of the toll road business, there are no major customers. For the property business and investment and asset management business, there was no customer who accounted for over 10% of the total revenue generated from the relevant operating and reportable segments.

8. OTHER GAINS AND LOSSES

	2020 **HK$'000**	2019 HK$'000
Net exchange gains (losses)	**979,067**	(118,391)
Change in fair value of financial (liabilities) assets at FVTPL		
– relating to the foreign currency forward contracts	**(229,585)**	142,109
	749,482	23,718
Change in fair value of financial asset at FVTPL		
– relating to the investment in a listed/an unlisted entity (note 27)	**(49,216)**	(120,045)
Loss on disposal of a subsidiary (note 46)	**–**	(285)
Gains on disposal of interests in joint ventures (note 20)	**–**	12,289
Net losses on disposals/written off of property, plant and equipment	**(94,363)**	(32,904)
Impairment loss on other receivables (note 43 (b)(ii))	**(12,943)**	–
Impairment loss on loan receivables (note 43 (b)(ii))	**(104,027)**	(40,417)
Impairment loss on long-term prepayments	**(36,913)**	(33,975)
Fair value (losses) gains on transfer of completed properties held for sale to investment properties	**(7,093)**	58,334
Change in fair value of investment properties	**(185,275)**	18,351
	259,652	(114,934)

9. SHARE OF RESULTS OF JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	648,793	1,170,912
Less share of: Amortisation of toll road operation rights	(287,055)	(248,646)
Income tax expenses	(87,787)	(205,948)
	273,951	716,318
Share of profits of other joint ventures	192,635	450,217
	466,586	1,166,535

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on borrowings	2,304,136	1,870,497
Interest on lease liabilities	7,343	7,723
Other interest and finance costs	238,587	350,632
	2,550,066	2,228,852
Less: Capitalised in properties under development for sale	(1,377,373)	(1,312,086)
	1,172,693	916,766

Borrowing costs on general borrowings capitalised during the year are calculated by applying a capitalisation rate of 6.17% (2019: 6.36%) per annum to expenditure on qualifying assets.

11. PROFIT BEFORE TAXATION

	2020 HK$'000	2019 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**22,322**	24,342
Depreciation of right-of-use assets (note 17)	**35,951**	32,688
	58,273	57,030
Less: Capitalised in properties under development for sale	**(220)**	(618)
	58,053	56,412
Expenses relating to short-term leases with lease terms ending within 12 months (note 17)	**9,458**	10,826
Salaries and other benefits	**1,039,084**	1,005,529
Provident fund scheme contributions, net of forfeited contributions of HK$303,000 (2019: HK$330,000)	**94,532**	132,715
Less: Capitalised in properties under development for sale	**(153,771)**	(200,561)
Total staff costs (excluding Directors' emoluments)	**979,845**	937,683
Audit fee	**4,980**	4,710
Cost of inventory of properties recognised as an expense	**17,232,473**	13,552,090
and after crediting:		
Bank interest income	**119,200**	108,306

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

DIRECTORS' EMOLUMENTS

	Notes	Directors' fees HK$'000	Salaries and allowances HK$'000	Performance related bonus HK$'000	Retirement scheme contributions HK$'000	2020 Total HK$'000
Executive Directors						
Zen Wei Pao, William	(a)	–	10,486	10,642	698	21,826
Zen Wei Peu, Derek	(b)	–	4,817	2,294	–	7,111
Ko Yuk Bing	(c)	–	14,513	29,256	651	44,420
Fong Shiu Leung, Keter		–	4,376	15,225	438	20,039
Non-executive Directors						
Mou Yong		352	–	–	–	352
Dong Fang		352	–	–	–	352
Independent Non-executive Directors						
Lau Sai Yung		619	–	–	–	619
Tse Chee On, Raymond		608	–	–	–	608
Wong Wai Ho		585	–	–	–	585
		2,516	34,192	57,417	1,787	95,912

	Notes	Directors' fees HK$'000	Salaries and allowances HK$'000	Performance related bonus HK$'000	Retirement scheme contributions HK$'000	2019 Total HK$'000
Executive Directors						
Zen Wei Pao, William		–	7,543	49,883	754	58,180
Zen Wei Peu, Derek		–	4,771	16,504	–	21,275
Ko Yuk Bing	(c)	–	8,158	43,945	645	52,748
Fong Shiu Leung, Keter		–	3,940	13,184	394	17,518
Non-executive Directors						
Mou Yong		352	–	–	–	352
Dong Fang		352	–	–	–	352
Independent Non-executive Directors						
Lau Sai Yung		619	–	–	–	619
Tse Chee On, Raymond		563	–	–	–	563
Wong Wai Ho		585	–	–	–	585
Zhang Yongliang	(d)	150	–	–	–	150
		2,621	24,412	123,516	1,793	152,342

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

(a) Mr. Zen Wei Pao, William resigned as the Co-Chairman and an Executive Director of the Company with effect from 1 January 2021.

(b) Mr. Zen Wei Peu, Derek was the Co-Chairman of the Company during the year ended 31 December 2020. He was re-designated as the Chairman of the Company with effect from 1 January 2021.

(c) Mr. Ko Yuk Bing's emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(d) Mr. Zhang Yongliang resigned as an Independent Non-executive Director of the Company with effect from 25 October 2019.

The performance related bonus is based on the individual performance of the Executive Directors.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The Independent Non-executive Directors' emoluments shown above were for their services as Directors of the Company.

There was no arrangement under which a Director or the Chief Executive Officer waived or agreed to waive any remuneration during the years.

Details of the emoluments of the five highest paid individuals of the Group included 3 (2019: 4) individuals who are Executive Directors throughout the year and their emoluments are included above. For the remaining two (2019: one) highest paid individual as the staffs of the Group, the salaries and allowances, performance related bonus and retirement benefit contributions for the year ended 31 December 2020 were HK$5,392,000 (2019: HK$3,346,000), HK$26,288,000 (2019: HK$11,167,000) and HK$399,000 (2019: HK$329,000), respectively.

During the years ended 31 December 2020 and 2019, no emoluments was paid by the Group to any of the Directors or five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX EXPENSES

	2020 **HK$'000**	2019 HK$'000
Current tax:		
Hong Kong profits tax	**64,198**	–
PRC enterprise income tax ("EIT")	**1,182,533**	1,508,327
PRC land appreciation tax ("LAT")	**663,176**	1,378,252
PRC withholding tax	**40,232**	30,892
	1,950,139	2,917,471
Deferred tax (note 32)	**(233)**	165,850
	1,949,906	3,083,321

13. INCOME TAX EXPENSES *(Continued)*

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits derived from Hong Kong.

The EIT is calculated at a statutory tax rate of 25%.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations which is charged at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions.

The income tax expenses for the year is reconciled to profit before taxation as follows:

	2020 **HK$'000**	2019 HK$'000
Profit before taxation	**4,733,502**	6,759,947
Tax at the applicable income tax rate of 25% (note)	**1,183,376**	1,689,987
LAT provision	**663,176**	1,378,252
Tax effect of LAT	**(165,794)**	(344,563)
Tax effect of expenses not deductible for tax purpose	**480,203**	472,795
Tax effect of income not taxable for tax purpose	**(202,497)**	(23,826)
Tax effect of share of results of associates	**(17,510)**	(30,582)
Tax effect of share of results of joint ventures	**(118,972)**	(291,768)
Tax effect of tax losses not recognised	**77,447**	45,445
Tax effect of utilisation of tax losses previously not recognised	**(36,991)**	(14,351)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	**89,677**	169,766
PRC withholding tax	**40,232**	30,892
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(41,928)**	7,477
Others	**(513)**	(6,203)
Income tax expenses for the year	**1,949,906**	3,083,321

Note: The domestic tax rate of major subsidiaries in the PRC is used for the reconciliation as it is where the operations of the Group are substantially based.

14. DIVIDENDS PAID

	2020 HK$'000	2019 HK$'000
2019 final dividend paid of HK$0.88 (2019: 2018 final dividend of HK$0.88) per share	**659,416**	659,416
2020 interim dividend paid of HK$0.20 (2019: 2019 interim dividend of HK$0.30) per share	**149,867**	224,801
	809,283	884,217

Subsequent to the end of the reporting period, a final dividend in respect of 2020 of HK$0.55 per share amounting to a total of approximately HK$412 million has been proposed by the Board on 23 March 2021. The amount has not been included as a liability in the consolidated financial statements as it was not declared before the end of the reporting period.

The amount of the proposed final dividend has been calculated on the basis of 749,336,566 shares in issue as at 23 March 2021.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2020 HK$'000	2019 HK$'000
Earnings for the purposes of basic earnings per share attributable to owners of the Company	**1,722,848**	3,028,005

	2020 Number of shares '000	2019 Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**749,337**	749,337

No diluted earnings per share for the years of 2020 and 2019 were presented as there were no dilutive potential ordinary shares in issue for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2019	45,228	176,192	61,898	38,129	321,447
Additions	–	8,683	28,180	8,332	45,195
Acquisition of subsidiaries	–	195	50	556	801
Disposals/written off	–	(50,066)	(8,964)	(8,346)	(67,376)
Exchange adjustments	(1,815)	(4,217)	(1,807)	(1,072)	(8,911)
At 31 December 2019	43,413	130,787	79,357	37,599	291,156
Additions	**32**	**1,491**	**10,594**	**2,198**	**14,315**
Acquisition of subsidiaries	**–**	**–**	**22**	**–**	**22**
Disposals/written off	**–**	**(78,709)**	**(24,438)**	**(2,543)**	**(105,690)**
Exchange adjustments	**2,232**	**2,583**	**4,356**	**2,738**	**11,909**
At 31 December 2020	**45,677**	**56,152**	**69,891**	**39,992**	**211,712**
Depreciation					
At 1 January 2019	5,577	39,628	45,885	27,274	118,364
Charge for the year	1,061	9,678	9,168	4,435	24,342
Eliminated on disposals/ written off	–	(14,042)	(8,939)	(8,054)	(31,035)
Exchange adjustments	(175)	(1,284)	(1,568)	(849)	(3,876)
At 31 December 2019	6,463	33,980	44,546	22,806	107,795
Charge for the year	**760**	**7,732**	**8,710**	**5,120**	**22,322**
Eliminated on disposals/ written off	**–**	**(1,520)**	**(4,765)**	**(1,773)**	**(8,058)**
Exchange adjustments	**366**	**2,022**	**3,121**	**2,239**	**7,748**
At 31 December 2020	**7,589**	**42,214**	**51,612**	**28,392**	**129,807**
Carrying values					
At 31 December 2020	**38,088**	**13,938**	**18,279**	**11,600**	**81,905**
At 31 December 2019	36,950	96,807	34,811	14,793	183,361

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold land and buildings	Over the term of the lease from 20 to 25 years
Leasehold improvements	Over the term of the lease or 5 years, whichever is shorter
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	12.5% – 25%

The Group's leasehold land and buildings are situated in the PRC.

The allocation of leasehold land and buildings elements cannot be made reliably, and the leasehold interests in land are accounted for as property, plant and equipment.

17. RIGHT-OF-USE ASSETS

	2020	2019
	HK$'000	HK$'000
Leased properties		
Carrying amount as at 31 December	**105,585**	162,712
Depreciation charge for the year (note 11)	**35,951**	32,688

	2020	2019
	HK$'000	HK$'000
Expenses relating to short-term leases (note 11)	**9,458**	10,826
Cash outflow for right-of-use assets	**36,266**	33,629
Total cash outflow for leases	**45,724**	44,455
Additions to right-of-use assets	**4,686**	145,658

For both years, the Group leases office premises for its operations. Lease contracts are entered into for fixed terms of 6 months to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several office premises in the PRC. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. These properties are classified in their entirety as property, plant and equipment.

17. RIGHT-OF-USE ASSETS *(Continued)*

RESTRICTIONS OR COVENANTS ON LEASES

As at 31 December 2020, lease liabilities of HK$115,966,000 (2019: HK$168,653,000) are recognised with related right-of-use assets of HK$105,585,000 (2019: HK$162,712,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

18. INVESTMENT PROPERTIES

The Group leases out various office and commercial units under operating leases with rentals payable monthly. The leases typically run for an initial period of 6 months to 20 years, and the extension of lease period is subject to negotiation between the lessees and the Group. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend. The leases of shopping mall contain variable lease payment that are based on percentage of sales and minimum annual lease payment that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain any residual value guarantees or provide any options to the lessee to purchase the property at the end of lease term.

	2020 **HK$'000**	2019 HK$'000
Completed properties, at fair value		
At 1 January	**3,813,082**	2,516,218
Addition during the year	**869**	111
Transfer from completed properties held for sale (note a)	**234,291**	1,449,381
Disposal during the year	**–**	(103,327)
Change in fair value recognised in profit or loss (note b)	**(185,275)**	18,351
Exchange difference arising on translation to presentation currency	**183,291**	(67,652)
At 31 December	**4,046,258**	3,813,082

Notes:

(a) The change in use of the properties were evidenced by the inception of lease contracts. The amounts included fair value losses of HK$7,093,000 (2019: fair value gains of HK$58,334,000) on transfer of completed properties held for sale to investment properties.

(b) It included unrealised fair value losses of HK$185,275,000 (2019: unrealised fair value gains of HK$8,505,000) relating to investment properties.

The investment properties are situated in the PRC. The leasehold interests in land held by the Group as right-of-use assets to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

18. INVESTMENT PROPERTIES *(Continued)*

The fair values of completed investment properties at the date of transfer, 31 December 2020 and 31 December 2019 were determined by reference to valuations carried out by an independent firm of professional valuers not connected to the Group, who had recognised qualifications and relevant experience. The valuation report on these properties was signed by directors of the firm of professional valuers who are members of The Hong Kong Institute of Surveyors.

The valuation of the investment properties is arrived at, using income capitalisation method, by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties or, where appropriate, by using direct comparison method by making reference to comparable sales transactions as available in the relevant market. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The details of pledge of investment properties are disclosed in note 49.

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used which involve certain assumptions of market conditions with consideration of the ongoing development of COVID-19), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1, 2 and 3) based on the degree to which the inputs to the fair value measurements is observable.

Completed investment properties held by the Group	Fair value **31 December 2020 HK$'000**	 31 December 2019 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
Commercial properties and shopping malls	**4,046,258**	3,813,082	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential	1. Term yield 2020: 4% – 6% (2019: 4% – 6.5%)	A significant increase in the term yield would result in a significant decrease in fair value, and vice versa
					2. Reversionary yield 2020: 4.5% – 7% (2019: 5% – 7%)	A significant increase in the reversionary yield would result in a significant decrease in fair value, and vice versa
					3. Market monthly rental rate (RMB/sqm) 2020: RMB119 – RMB369 (2019: RMB133 – RMB359)	A significant increase in the market monthly rental rate would result in significant increase in fair value, and vice versa

There are no transfers into or out of Level 3 in the years.

19. INTERESTS IN ASSOCIATES

	2020	2019
	HK$'000	HK$'000
Cost of unlisted investments	**1,249,504**	838,845
Share of post-acquisition gains	**166,970**	96,930
Exchange adjustments	**16,901**	(27,176)
	1,433,375	908,599

Details of the Group's principal associates at 31 December 2020 and 31 December 2019 were as follows:

Name of entity	**Place of incorporation/ registration**	**Proportion of equity interest of the Group**		**Proportion of voting right of the Group**		**Principal activity**
		2020	2019	**2020**	2019	
鄭州華首宏田置業有限公司 ("鄭州華首")	PRC	**60%**	60%	**60%**	60%	Development and sale of properties
常州雅勁房地產開發有限公司 ("常州雅勁") (note 20 (f))	PRC	**49%**	–	**40%**	–	Development and sale of properties

The Group can exercise significant influence over the operating and financing activities of the associates.

19. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information in respect of the Group's material associates are set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs. The associates are accounted for using the equity method in these consolidated financial statements.

	鄭州華首	
	2020	2019
	HK$'000	HK$'000
Current assets	**4,179,155**	3,481,402
Non-current assets	**2,601**	851
Current liabilities	**(2,685,787)**	(1,631,163)
Non-current liabilities	**(432,243)**	(833,111)

	2020	2019
	HK$'000	HK$'000
(Loss) profit and total comprehensive (expense) income for the year	**(8,865)**	209,817
The above (loss) profit for the year includes the following:		
Depreciation and amortisation	**(265)**	(403)
Interest income	**3,238**	2,566
Income tax expenses	**(9,312)**	(128,943)

Reconciliation of the above summarised financial information to the carrying amount of interest in the material associate recognised in the consolidated financial statements:

	2020	2019
	HK$'000	HK$'000
Net assets of 鄭州華首	**1,063,726**	1,017,979
Proportion of the Group's ownership interest	**60%**	60%
Net assets shared by the Group	**638,236**	610,787
Premium on acquisition	**282,981**	270,677
Carrying amount of the Group's interest in 鄭州華首	**921,217**	881,464

19. INTERESTS IN ASSOCIATES *(Continued)*

	常州雅勁 2020 HK$'000
Current assets	3,805,897
Non-current assets	40,124
Current liabilities	(2,798,186)

	2020 HK$'000
Profit and total comprehensive income for the year	212,049
The above profit for the year includes the following:	
Depreciation and amortisation	(2)
Interest income	1,638
Income tax expenses	(67,497)

Reconciliation of the above summarised financial information to the carrying amount of interest in the material associate recognised in the consolidated financial statements:

	2020 HK$'000
Net assets of 常州雅勁	1,047,835
Proportion of the Group's ownership interest	49%
Net assets shared by the Group	513,439

AGGREGATE INFORMATION OF ASSOCIATES THAT ARE NOT INDIVIDUALLY MATERIAL

	2020 HK$'000	2019 HK$'000
The Group's share of loss and total comprehensive expense for the year	(28,545)	(3,564)

20. INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000 (Restated)
Interests in infrastructure joint ventures		
Cost of investments	**5,717,025**	5,605,285
Return of cost of investments (note a)	**(3,046,435)**	(3,186,202)
Share of post-acquisition profits, net of dividends received	**1,178,291**	1,522,963
Exchange adjustments	**563,549**	429,690
	4,412,430	4,371,736
Interests in property and other joint ventures		
Cost of investments	**8,731,073**	7,518,053
Share of post-acquisition profits, net of dividends received	**803,840**	625,442
Unrealised profits (note b)	**(215,682)**	(122,127)
Exchange adjustments	**111,426**	(389,145)
	9,430,657	7,632,223
	13,843,087	12,003,959

Notes:

(a) Pursuant to the joint venture agreements, the infrastructure joint ventures distribute the cash surplus to the Group and other venturers based on the agreed net cash distribution. The actual amount of cash distribution varies from time to time and depends on the toll road performance, the amount of operating expenses and capital expenditure incurred by the joint ventures.

(b) The unrealised profits related to the Group's attributable interest income from amounts due from certain joint ventures. The related interest expenses were capitalised in inventory of properties of the joint ventures which have not been realised at 31 December 2020.

(c) In March 2017, the Group entered into an undertaking agreement with an independent third party (the land provider) pursuant to which the Company undertakes for a prompt settlement of 50% of the outstanding debts incurred by a joint venture of the Group for a property development project in Hong Kong. The remaining 50% of the outstanding debts incurred by the joint venture is borne by the other joint venture partner. At 31 December 2020, the carrying amount of the liabilities of the joint venture undertaken by the Group was about HK$2,777,504,000 (2019: HK$2,728,509,000).

20. INTERESTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(d) In September 2019, the Group entered into conditional sale and purchase agreements with certain independent third parties to acquire 40% equity interest in PT Jasamarga Solo Ngawi ("SN JV") and PT Jasamarga Ngawi Kertosono Kediri ("NKK JV"), both are limited liability companies established in Indonesia. SN JV and NKK JV own concession right of toll roads in Indonesia. The approval of the relevant activities of SN JV and NKK JV require unanimous consent of the three joint venture partners and SN JV and NKK JV are accounted for as joint ventures of the Group.

The total consideration for the acquisition of equity interests and shareholders loans of the two joint ventures are Indonesia Rupiah ("IDR") 1,882,000,000,000 (equivalent to HK$1,049,067,000) and IDR283,470,000,000 (equivalent to HK$158,012,000), respectively in which IDR1,940,670,000,000 (equivalent to HK$1,081,771,000) has been paid by the Group before 31 December 2019 and the remaining consideration of IDR224,800,000,000 (equivalent to HK$122,147,000) was settled in December 2020.

In December 2019, shareholders loans to NKK JV amounting to IDR167,482,000,000 (equivalent to HK$93,358,000) were capitalised to cost of investment in joint venture as capital contributions to NKK JV. The capitalisation of shareholders loan in NKK JV is in proportion to the shareholding of respective shareholders.

In January 2020, the Group entered into capital injection agreement with two other joint venture partners pursuant to which the joint venture partners agreed to make further capital contribution of SN JV in proportion equity interest of the joint venture partners. As at 31 December 2020, the further capital contribution of IDR194,828,832,000 (equivalent to HK$111,740,000) was fully paid by the Group.

The acquisition of SN JV includes contingent consideration arrangement, and the payment of such contingent consideration depends on the achievement of toll road tariff adjustment and receipt of cash compensation from the local government before year 2022, which has high level of uncertainty at the date of acquisition and as at 31 December 2019. In the opinion of the Directors, the fair value of such contingent consideration is considered as insignificant on both dates. The fair value of the contingent consideration and the toll concession right of NKK JV are provisionally determined, which may be adjusted retrospectively at acquisition date if there is new information obtained by the Group within one year from date of acquisition in relation to the above mentioned tariff adjustment and cash compensation.

During the year ended 31 December 2020, the Directors consider that the Group shall probably pay cash to the vender in view of the latest discussion with local government. The fair value of the consideration payable determined by the Directors which is amounting to IDR194,000,000,000 (equivalent to HK$105,412,000) is provisionally determined. Within the 12-month measurement period, the fair values of identifiable assets acquired and liabilities assumed were further refined. The Group retrospectively adjusted the provisional amounts of SN JV recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date which have affected the measurement of the amounts recognised as of that date. The Group retrospectively adjusted the 2019 comparative information on the consolidated statement of financial position as at 31 December 2019.

Details of the fair value measurement of the contingent consideration are set out in note 43 (c)(i).

(e) During the year ended 31 December 2020, other than note (d), the Group paid cash consideration to independent third parties or/and provided capital contribution in cash to certain joint ventures amounting to HK$2,530,830,000 (2019: HK$997,658,000) in aggregate to obtain the joint control of investees which are mainly engaging in property development in the PRC.

(f) Prior to June 2020, 常州雅勁 was accounted for as a 49%-interest joint venture of the Group as all relevant activities required unanimous consent of all shareholders. In June 2020, all shareholders of 常州雅勁 entered into a supplementary agreement pursuant to which, all of the relevant activities of 常州雅勁, required approval by simple majority of the board of directors. Since the Group has the power to nominate two out of five directors consisted of the board, the Group has significant influence on 常州雅勁. 常州雅勁 became an associate of the Group in June 2020 upon the effective date of the supplementary agreement.

(g) During the year ended 31 December 2019, the Group disposed its entire equity interests in two infrastructure joint ventures engaging in toll road business and two joint ventures engaging in property development business in Wuhan, the PRC to independent third parties. Total consideration from the disposals was HK$17,778,000, resulting in an aggregate gain on disposals of joint ventures amounting to HK$12,289,000.

20. INTERESTS IN JOINT VENTURES *(Continued)*

INFRASTRUCTURE JOINT VENTURES

All infrastructure joint ventures are established and operating in the PRC and Indonesia, details of the Company's principal infrastructure joint ventures at 31 December 2020 and 31 December 2019 are as follows:

Name of infrastructure joint venture	Registered capital/ paid-up capital	Proportion of registered capital held directly by the Group (note 1)	Principal activity
Hebei Baofa Expressway Co., Ltd.* 河北保發高速公路有限公司	RMB96,287,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Dong Section) in Hebei, the PRC
Hebei Baofeng Expressway Co., Ltd.* 河北保豐高速公路有限公司	RMB95,700,000	40%	Investment in and operation and management of Hebei Baojin Expressway (Rongcheng – Xiongxian West Section) in Hebei, the PRC
Hebei Baohui Expressway Co., Ltd.* 河北保惠高速公路有限公司	RMB96,007,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Zhong Section) in Hebei, the PRC
Hebei Baojie Expressway Co., Ltd.* 河北保捷高速公路有限公司	RMB97,262,000	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian – Bazhou Section) in Hebei, the PRC
Hebei Baojin Expressway Co., Ltd.* 河北保津高速公路有限公司	RMB96,843,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xushui – Rongcheng Section) in Hebei, the PRC
Hebei Baoli Expressway Co., Ltd.* 河北保利高速公路有限公司	RMB97,359,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian East Section) in Hebei, the PRC
Hebei Baoming Expressway Co., Ltd.* 河北保明高速公路有限公司	RMB90,030,400	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou – Tianjinjie Section) in Hebei, the PRC
Hebei Baosheng Expressway Co., Ltd.* 河北保昇高速公路有限公司	RMB96,507,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Section) in Hebei, the PRC

20. INTERESTS IN JOINT VENTURES *(Continued)*

INFRASTRUCTURE JOINT VENTURES *(Continued)*

Name of infrastructure joint venture	Registered capital/ paid-up capital	Proportion of registered capital held directly by the Group (note 1)	Principal activity
Hebei Baoyi Expressway Co., Ltd.* 河北保怡高速公路有限公司	RMB96,575,200	40%	Investment in and operation and management of Hebei Baojin Expressway (Rongcheng Section) in Hebei, the PRC
Hebei Baoyu Expressway Co., Ltd.* 河北保裕高速公路有限公司	RMB97,426,400	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou West Section) in Hebei, the PRC
Hebei Tanghui Expressway Company Limited** 河北唐惠高速公路有限公司	RMB287,324,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang – Fengnan Section) in Hebei, the PRC
Hebei Tangjin Expressway Company Limited** 河北唐津高速公路有限公司	RMB250,300,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Fengnan – Jijinjie Section) in Hebei, the PRC
Hebei Tangrun Expressway Company Limited** 河北唐潤高速公路有限公司	RMB172,524,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao – Chenzhuang Section) in Hebei, the PRC
Hunan Changyi (Baining) Expressway Co., Ltd.*** 湖南長益(白寧)高速公路有限公司	RMB97,011,500	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Baining Section) in Hunan, the PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd.*** 湖南長益(滄益)高速公路有限公司	RMB98,985,400	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Cangyi Section) in Hunan, the PRC
Hunan Changyi Expressway Co., Ltd.*** 湖南長益高速公路有限公司	RMB98,553,500	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Changbai Section) in Hunan, the PRC

20. INTERESTS IN JOINT VENTURES *(Continued)*

INFRASTRUCTURE JOINT VENTURES *(Continued)*

Name of infrastructure joint venture	Registered capital/ paid-up capital	Proportion of registered capital held directly by the Group (note 1)	Principal activity
Hunan Changyi (Hengcang) Expressway Co., Ltd.*** 湖南長益(衡滄)高速公路有限公司	RMB101,695,200	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Hengcang Section) in Hunan, the PRC
Hunan Changyi (Ningheng) Expressway Co., Ltd.*** 湖南長益(寧衡)高速公路有限公司	RMB98,458,100	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Ningheng Section) in Hunan, the PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.*** 湖南長益(資江二橋)高速公路有限公司	RMB78,328,300	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, the PRC
Jinzhong Longcheng Expressway Co., Ltd. ("Jinzhong Longcheng Expressway JV") 晉中龍城高速公路有限責任公司	RMB1,497,000,000	45%	Investment in and development, operation and management of Longcheng Expressway in Shanxi, the PRC
Anhui Machao Expressway Co., Ltd. ("Anhui Machao Expressway JV") 安徽省馬巢高速公路有限公司	RMB575,000,000	49%	Investment in and development, operation and management of Machao Expressway in Anhui, the PRC
SN JV	IDR3,718,430,650,000 (2019: IDR3,231,358,570,000)	40%	Investment in and development, operation and management of Solo Ngawi Expressway in Indonesia
NKK JV	IDR1,664,540,240,000	40%	Investment in and development, operation and management of Ngawi Kertosono Kediri Expressway in Indonesia

* These joint ventures are collectively known as Hebei Baojin Expressway JV.
** These joint ventures are collectively known as Hebei Tangjin Expressway JV.
*** These joint ventures are collectively known as Hunan Changsha Expressway JV.

20. INTERESTS IN JOINT VENTURES *(Continued)*

INFRASTRUCTURE JOINT VENTURES *(Continued)*

Notes:

1. At 31 December 2020, the interests in joint ventures are indirectly held by RKE, which is 75% (2019: 75%) held by the Group.

2. Except for SN JV, NKK JV, Jinzhong Longcheng Expressway JV and Anhui Machao Expressway JV, where the profit/cash sharing ratios are same as the proportion of the registered capital held by the Group over the duration of the joint ventures, the profit/cash sharing ratios in other infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Thereafter, until such time as specified in the joint venture agreements, the other ventures of the joint ventures are entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them as contained in the joint venture agreements. Thereafter, the profit/cash sharing ratios of the joint ventures may be the same as the proportion of their registered capital or in accordance with a predetermined ratio stipulated in the joint venture agreements. For the years ended 31 December 2020 and 2019, the profit/cash sharing ratio entitled by the Group for Hebei Baojin Expressway JV, Hunan Changsha Expressway JV and Hebei Tangjin Expressway JV were 40%, 50% and 45%, respectively.

The above table lists the infrastructure joint ventures of the Group which, in opinion of the Directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Summarised financial information of material infrastructure joint ventures

Summarised financial information in respect of the Group's material infrastructure joint ventures is set out below.

The summarised financial information below represents amounts shown in the infrastructure joint ventures' financial statements prepared in accordance with HKFRSs. The infrastructure joint ventures are accounted for using the equity method in these consolidated financial statements.

20. INTERESTS IN JOINT VENTURES *(Continued)*

INFRASTRUCTURE JOINT VENTURES *(Continued)*

Summarised financial information of material infrastructure joint ventures *(Continued)*

At 31 December 2020

	Hebei Baojin Expressway JV HK$'000	Hebei Tangjin Expressway JV HK$'000	Hunan Changsha Expressway JV HK$'000	Jinzhong Longcheng Expressway JV HK$'000	Anhui Machao Expressway JV HK$'000	SN JV HK$'000	NKK JV HK$'000	Total HK$'000
Non-current assets								
Property and equipment	67,320	85,563	52,929	50,856	105,656	129,318	25,747	517,389
Concession intangible assets	1,709,932	457,307	655,362	4,733,885	2,701,937	5,881,323	2,776,618	18,916,364
Other non-current assets	–	–	–	–	–	5,554	15,848	21,402
	1,777,252	542,870	708,291	4,784,741	2,807,593	6,016,195	2,818,213	19,455,155
Current assets								
Bank balances and cash	547,363	477,620	106,337	161,259	25,013	62,824	111,557	1,491,973
Restricted bank balance	–	–	–	–	–	69,710	22,942	92,652
Others	63,606	65,991	73,970	85,776	5,452	113,680	91,802	500,277
	610,969	543,611	180,307	247,035	30,465	246,214	226,301	2,084,902
Current liabilities								
Bank borrowings	–	–	–	93,458	125,280	–	–	218,738
Loans from shareholders	–	–	–	–	–	232,391	52,156	284,547
Others	149,038	149,174	132,434	133,977	57,918	116,790	23,398	762,729
	149,038	149,174	132,434	227,435	183,198	349,181	75,554	1,266,014
Non-current liabilities								
Bank borrowings	–	–	–	2,698,598	1,421,963	3,501,617	1,800,354	9,422,532
Loans from shareholders	–	–	–	–	–	6,069	51,033	57,102
Creditors	–	–	–	–	–	152,794	26,303	179,097
Receipt in advance	10,107	5,706	9,690	5,386	2,146	–	–	33,035
Deferred taxation	312,835	27,825	82,587	135,143	59,539	56,630	108,715	783,274
	322,942	33,531	92,277	2,839,127	1,483,648	3,717,110	1,986,405	10,475,040
Net assets of joint ventures	1,916,241	903,776	663,887	1,965,214	1,171,212	2,196,118	982,555	9,799,003
Proportion of equity interests in joint ventures directly held by the Group	40%	45%	43.17%	45%	49%	40%	40%	N/A
Net assets shared by the Group	766,496	406,699	286,600	884,346	573,894	878,447	393,022	4,189,504
Additional investment cost paid by the Group	–	–	–	–	158,387	–	–	158,387
Other adjustments (note)	52,645	(8,516)	15,397	–	–	–	–	59,526
Carrying amount of the Group's interests in joint ventures	819,141	398,183	301,997	884,346	732,281	878,447	393,022	4,407,417

Note: Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

20. INTERESTS IN JOINT VENTURES *(Continued)*

INFRASTRUCTURE JOINT VENTURES *(Continued)*

Summarised financial information of material infrastructure joint ventures *(Continued)*

For the year ended 31 December 2020

	Hebei Baojin Expressway JV HK$'000	Hebei Tangjin Expressway JV HK$'000	Hunan Changsha Expressway JV HK$'000	Jinzhong Longcheng Expressway JV HK$'000	Anhui Machao Expressway JV HK$'000	SN JV HK$'000	NKK JV HK$'000	Total HK$'000
Toll revenue (net of sales related tax)	788,272	552,876	485,335	431,031	246,150	237,918	215,072	2,956,654
Construction revenue	–	792	20,923	–	545	–	–	22,260
Total revenue	788,272	553,668	506,258	431,031	246,695	237,918	215,072	2,978,914
Construction costs	–	(792)	(20,923)	–	(545)	–	–	(22,260)
Other income (expenses)	7,740	2,581	10,250	(26,551)	7,790	(1,937)	(2,574)	(2,701)
Toll operation expenses	(145,007)	(104,631)	(129,696)	(90,445)	(19,933)	(47,474)	(36,262)	(573,448)
Administrative expenses	(32,613)	(40,891)	(36,090)	(13,938)	(8,943)	(11,695)	(7,549)	(151,719)
Depreciation and amortisation charges	(151,500)	(220,651)	(185,057)	(82,979)	(62,135)	(19,694)	(15,414)	(737,430)
Finance costs	(1,040)	93	321	(139,797)	(75,272)	(312,031)	(163,654)	(691,380)
Income tax (expenses) credit	(119,012)	(47,931)	(36,266)	(2,864)	(23,623)	33,895	2,284	(193,517)
Profit (loss) and total comprehensive income (expense) for the year	346,840	141,446	108,797	74,457	64,034	(121,018)	(8,097)	606,459
Cash distributions received from joint ventures during the year	200,065	101,071	128,310	–	35,391	–	–	464,837

20. INTERESTS IN JOINT VENTURES *(Continued)*

INFRASTRUCTURE JOINT VENTURES *(Continued)*

Summarised financial information of material infrastructure joint ventures *(Continued)*

At 31 December 2019

	Hebei Baojin Expressway JV HK$'000	Hebei Tangjin Expressway JV HK$'000	Hunan Changsha Expressway JV HK$'000	Jinzhong Longcheng Expressway JV HK$'000	Anhui Machao Expressway JV HK$'000	SN JV HK$'000 (Restated)	NKK JV HK$'000	Total HK$'000 (Restated)
Non-current assets								
Property and equipment	68,343	92,585	44,015	49,239	111,565	1,167	22,636	389,550
Concession intangible assets	1,767,973	623,194	778,063	4,582,918	2,617,067	6,055,329	2,863,914	19,288,458
Other non-current assets	–	–	–	–	–	12,157	5,035	17,192
	1,836,316	715,779	822,078	4,632,157	2,728,632	6,068,653	2,891,585	19,695,200
Current assets								
Bank balances and cash	489,028	329,345	100,461	236,280	61,358	9,112	52,256	1,277,840
Restricted bank balance	–	–	–	–	–	117,683	172,819	290,502
Others	57,720	96,666	141,052	57,763	11,656	208,786	100,942	674,585
	546,748	426,011	241,513	294,043	73,014	335,581	326,017	2,242,927
Current liabilities								
Bank borrowings	–	–	–	88,889	118,711	213,477	–	421,077
Others	136,193	159,309	146,449	127,555	43,308	410,467	129,753	1,153,034
	136,193	159,309	146,449	216,444	162,019	623,944	129,753	1,574,111
Non-current liabilities								
Bank borrowings	–	–	–	2,788,889	1,471,600	3,369,905	1,809,531	9,439,925
Loans from shareholders	–	–	–	–	–	–	142,871	142,871
Creditors	–	–	–	–	–	196,993	4,424	201,417
Deferred taxation	293,519	32,713	106,468	125,691	47,453	110,372	114,450	830,666
	293,519	32,713	106,468	2,914,580	1,519,053	3,677,270	2,071,276	10,614,879
Net assets of joint ventures	1,953,352	949,768	810,674	1,795,176	1,120,574	2,103,020	1,016,573	9,749,137
Proportion of equity interests in joint ventures directly held by the Group	40%	45%	43.17%	45%	49%	40%	40%	N/A
Net assets shared by the Group	781,341	427,396	349,968	807,829	549,081	841,208	406,629	4,163,452
Additional investment cost paid by the Group	–	–	–	–	153,241	–	–	153,241
Other adjustments (note)	50,070	(8,600)	1,455	–	–	–	–	42,925
Carrying amount of the Group's interests in joint ventures	831,411	418,796	351,423	807,829	702,322	841,208	406,629	4,359,618

Note: Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

20. INTERESTS IN JOINT VENTURES *(Continued)*

INFRASTRUCTURE JOINT VENTURES *(Continued)*

Summarised financial information of material infrastructure joint ventures *(Continued)*

For the year ended 31 December 2019

	Hebei Baojin Expressway JV HK$'000	Hebei Tangjin Expressway JV HK$'000	Hunan Changsha Expressway JV HK$'000	Jinzhong Longcheng Expressway JV HK$'000	Anhui Machao Expressway JV HK$'000	Total HK$'000
Toll revenue (net of sales related tax)	995,374	832,596	782,261	546,406	300,051	3,456,688
Construction revenue	48,576	32,148	45,300	29,445	12,532	168,001
Total revenue	1,043,950	864,744	827,561	575,851	312,583	3,624,689
Construction costs	(48,576)	(32,148)	(45,300)	(29,445)	(12,532)	(168,001)
Other income	4,848	393	5,256	7,132	1,607	19,236
Toll operation expenses	(158,534)	(113,650)	(93,362)	(80,028)	(21,030)	(466,604)
Administrative expenses	(32,132)	(38,491)	(33,859)	(11,615)	(9,164)	(125,261)
Depreciation and amortisation charges	(134,472)	(178,813)	(161,713)	(90,611)	(63,046)	(628,655)
Finance costs	3,275	1,632	(857)	(152,297)	(83,487)	(231,734)
Income tax expenses	(171,802)	(126,826)	(124,251)	(11)	(33,066)	(455,956)
Profit and total comprehensive income for the year	506,557	376,841	373,475	218,976	91,865	1,567,714
Cash distributions received from joint ventures during the year	198,195	182,334	180,846	–	64,637	626,012

Note: The acquisitions of SN JV and NKK JV were completed in December 2019 and had not significant impact to the profit or loss of the Group in 2019.

20. INTERESTS IN JOINT VENTURES *(Continued)*

PROPERTY JOINT VENTURES

Particulars of the Group's interests in principal property joint ventures as at 31 December 2020 and 31 December 2019 are as follows:

Name of property joint venture	Place of incorporation/ registration	Proportion of equity interest of the Group		Proportion of voting right of the Group		Principal activity
		2020	2019	**2020**	2019	
南京華勁房地產開發有限公司 ("南京華勁")	PRC	**49%**	49%	**40%** (note a)	40%	Development and sale of properties
無錫雋泰房地產開發有限公司 ("無錫雋泰")	PRC	**60%**	60%	**60%** (note a)	60%	Development and sale of properties
廣州雋宏房地產開發有限公司 ("廣州雋宏")	PRC	**51%**	51%	**50%**	50%	Development and sale of properties
濟南雋茂置業有限公司 ("濟南雋茂")	PRC	**50%**	50%	**50%**	50%	Development and sale of properties
蘇州中交路勁地產有限公司 ("蘇州中交")	PRC	**49%**	51%	**50%**	50%	Development and sale of properties
蘇州勁商房地產開發有限公司 ("蘇州勁商")	PRC	**33%**	33%	**20%** (note a)	20%	Development and sale of properties
蘇州勝悦房地產開發有限公司 ("蘇州勝悦")	PRC	**30%**	–	**20%** (note a)	–	Development and sale of properties
Both Win Development Limited ("Both Win")	Hong Kong	**60%**	60%	**60%** (note a)	60%	Investment holding

Note:

(a) Although the Group has either more than or less than 50% voting rights for the companies, the board resolutions need the unanimous consent of the directors appointed by each joint venture partner and these companies are accounted for as joint ventures of the Group.

The above table lists the property joint ventures of the Group which, in opinion of the Directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

20. INTERESTS IN JOINT VENTURES *(Continued)*

PROPERTY JOINT VENTURES *(Continued)*

Summarised financial information of material property joint ventures

At 31 December 2020

	南京華勁 HK$'000	無錫雋泰 HK$'000	廣州雋宏 HK$'000	濟南雋茂 HK$'000	蘇州中交 HK$'000	蘇州勁商 HK$'000	蘇州勝悅 HK$'000	Both Win HK$'000	Total HK$'000
Current assets	3,154,408	1,202,517	2,149,005	3,623,144	2,782,000	5,063,499	3,698,682	2,194,210	23,867,465
Non-current assets	125	814,965	229	279	1	583	900	48	817,130
Current liabilities	(1,402,015)	(972,166)	(516,166)	(1,927,310)	(1,748,843)	(2,229,565)	(550,819)	(1,596,056)	(10,942,940)
Non-current liabilities	(584,112)	(22,978)	–	(526,797)	–	–	(674,826)	–	(1,808,713)
The above amounts of assets and liabilities include the following:									
Cash and cash equivalents	736,189	119,101	295,348	120,272	265,091	305,415	184,389	311,395	2,337,200
Net assets of joint ventures	1,168,406	1,022,338	1,633,068	1,169,316	1,033,158	2,834,517	2,473,937	598,202	11,932,942
Proportion of the Group's interests	49%	60%	51%	50%	49%	33%	30%	60%	N/A
Net assets shared by the Group	572,519	613,403	832,865	584,658	506,247	935,391	742,181	358,921	5,146,185
Premium on acquisition	–	–	–	–	–	–	–	224,535	224,535
Carrying amount of the Group's interests in joint ventures	572,519	613,403	832,865	584,658	506,247	935,391	742,181	583,456	5,370,720

20. INTERESTS IN JOINT VENTURES *(Continued)*

PROPERTY JOINT VENTURES *(Continued)*

Summarised financial information of material property joint ventures *(Continued)*

For the year ended 31 December 2020

	南京華勁 HK$'000	無錫雋泰 HK$'000	廣州雋宏 HK$'000	濟南雋茂 HK$'000	蘇州中交 HK$'000	蘇州勁商 HK$'000	蘇州勝悦 HK$'000	Both Win HK$'000	Total HK$'000
Profit (loss) and total comprehensive income (expense) for the year	176	146,571	240,738	12,690	46,681	84,003	(2,584)	(27,036)	501,239
The above profit (loss) for the year includes the following:									
Depreciation and amortisation	(8)	(224)	(183)	(310)	(6)	(13)	–	(36)	(780)
Interest income	19,740	3,116	1,019	2,933	3,015	2,304	228	1,479	33,834
Income tax (expense) credit	(60)	(62,792)	52,070	(4,230)	(15,442)	(28,001)	861	(138,573)	(196,167)

20. INTERESTS IN JOINT VENTURES *(Continued)*

PROPERTY JOINT VENTURES *(Continued)*

Summarised financial information of material property joint ventures *(Continued)*

At 31 December 2019

	無錫雋泰 HK$'000	廣州雋宏 HK$'000	濟南雋茂 HK$'000	蘇州中交 HK$'000	蘇州勁商 HK$'000	Both Win HK$'000	Total HK$'000
Current assets	2,986,286	2,737,528	2,724,885	4,359,993	4,607,943	1,657,030	19,073,665
Non-current assets	564,027	487	4,770	7	568	177	570,036
Current liabilities	(1,814,597)	(1,423,920)	(930,110)	(3,425,580)	(1,829,347)	(1,061,394)	(10,484,948)
Non-current liabilities	(908,951)	–	(700,000)	–	–	–	(1,608,951)
The above amounts of assets and liabilities include the following: Cash and cash equivalents	470,589	491,201	197,886	252,706	235,693	102,237	1,750,312
Net assets of joint ventures	826,765	1,314,095	1,099,545	934,420	2,779,164	595,813	7,549,802
Proportion of the Group's interests	60%	51%	50%	51%	33%	60%	N/A
Net assets shared by the Group	496,059	670,188	549,773	476,554	917,124	357,488	3,467,186
Premium on acquisition	–	–	–	–	–	237,347	237,347
Carrying amount of the Group's interests in joint ventures	496,059	670,188	549,773	476,554	917,124	594,835	3,704,533

20. INTERESTS IN JOINT VENTURES *(Continued)*

PROPERTY JOINT VENTURES *(Continued)*

Summarised financial information of material property joint ventures *(Continued)*

For the year ended 31 December 2019

	無錫雋泰 HK$'000	廣州雋宏 HK$'000	濟南雋茂 HK$'000	蘇州中交 HK$'000	蘇州勁商 HK$'000	Both Win HK$'000	Total HK$'000
Profit (loss) and total comprehensive income (expense) for the year	102,916	612,293	(11,014)	71,424	253,386	110,183	1,139,188
The above profit (loss) for the year includes the following:							
Depreciation and amortisation	(207)	(205)	(178)	(5)	(14)	(74)	(683)
Interest income	3,072	1,423	1,908	2,140	1,652	961	11,156
Income tax (expense) credit	(46,370)	(456,243)	3,671	(23,808)	(84,462)	(93,415)	(700,627)

Aggregate information of joint ventures that are not individually material

	2020 HK$'000	2019 HK$'000
The Group's share of loss and total comprehensive expense for the year	**(31,163)**	(56,251)

21. AMOUNTS DUE FROM JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Current portion	**3,939,385**	3,243,624
Non-current portion	**9,869,288**	7,216,954
	13,808,673	10,460,578
Analysed into:		
Interest bearing at fixed interest rate ranging from 4.75% to 12% (2019: 4.75% to 12%) per annum	**8,275,745**	5,821,173
Interest bearing at variable interest rate at Loan Prime Rate ("LPR") or 20% to 30% over the lending rate (2019: 20% to 30% over the lending rate) set by the People's Bank of China ("PBOC") per annum	**904,186**	749,089
Interest-free	**4,628,742**	3,890,316
	13,808,673	10,460,578

The amounts due from joint ventures are all unsecured and the Group expects to receive the current portion within twelve months from the end of the reporting period based on the development and pre-sales status of the property projects of property joint ventures and the performance of the infrastructure joint ventures.

No impairment loss has been recognised in the current and prior years. Details of impairment assessment for the years ended 31 December 2020 and 2019 are set out in note 43 (b)(ii).

22. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

	2020 HK$'000
Current portion	**1,672,435**
Non-current portion	**–**
	1,672,435
Analysed into:	
Interest bearing at fixed interest rate at 4.75% (2019: nil) per annum	**142,823**
Interest-free	**1,529,612**
	1,672,435

The amounts due from non-controlling interests of subsidiaries are all unsecured and the Group expects to receive within twelve months from the end of the reporting period.

No impairment loss has been recognised in the current year. Details of impairment assessment for the year ended 31 December 2020 are set out in note 43 (b)(ii).

23. LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Fixed-rate loan receivables	**1,220,135**	1,248,304
Interest-free loan receivables	**819,882**	262,047
Total gross carrying amount of loan receivables	**2,040,017**	1,510,351
Less: Impairment loss on loan receivables (note 43 (b)(ii))	**(104,027)**	(40,417)
Less: Amounts classified as current assets	**(551,420)**	(426,168)
Amounts due over one year shown and classified as non-current assets	**1,384,570**	1,043,766

The loan receivables are denominated in RMB. As at 31 December 2020, the carrying amount of loan receivables amounting to HK$1,649,388,000 (2019: HK$1,061,517,000) are substantially either secured by properties of the borrowers or the equity interests in property companies. The Group is not permitted to sell or re-pledge the collaterals in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loan receivables.

23. LOAN RECEIVABLES *(Continued)*

The Group renegotiated with certain borrowers to extend the maturity date for certain loan balances during the year ended 31 December 2020. No gain or loss was recognised in profit or loss for these non-substantial modifications.

Details of impairment assessment for the years ended 31 December 2020 and 2019 are set out in note 43 (b) (ii).

The exposure of the Group's loan receivables to interest rate risks and the contractual maturity dates are as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**551,420**	426,168
In more than one year but not more than two years	**380,665**	758,425
In more than two years but not more than five years	**949,396**	285,341
More than five years	**54,509**	–
	1,935,990	1,469,934

The range of interest rates on the Group's loan receivables are as follows:

	2020	2019
Fixed-rate loan receivables	**7% – 24%**	8.5% – 24%

24. INVENTORY OF PROPERTIES

	2020 HK$'000	2019 HK$'000
Completed properties held for sale	**10,508,549**	8,387,929
Properties under development for sale (note)	**37,356,425**	30,933,015
	47,864,974	39,320,944

The carrying amounts of leasehold lands are measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2020 and 2019. Analysis of leasehold lands is as follows:

	2020 HK$'000	2019 HK$'000
Leasehold Lands		
Carrying amount as at 31 December	**26,723,477**	19,688,482
Total cash outflow for the year	**(9,361,384)**	(6,666,767)
Additions for the year	**11,614,501**	7,256,210

Note: Included in the amounts are properties under development for sale of HK$19,624,121,000 (2019: HK$22,263,524,000) which are expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

25. PREPAYMENT FOR LAND LEASES

As at 31 December 2019, the total consideration of HK$2,142,964,000 was fully prepaid in accordance with the sale and purchase agreements entered into with the PRC local government for the acquisition of certain pieces of land in the PRC for property development for sale was classified as current assets. Upon the delivery of relevant land title document to the Group, the prepaid amount which represented the land purchase costs of those pieces of land had been recognised as "properties under development for sale" under "inventory of properties" in 2020.

26. DEBTORS, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Aged analysis of trade debtors, presented based on invoice dates (note a):		
Within 60 days	**242,940**	38,702
61 to 90 days	**10,733**	5,281
More than 90 days	**36,258**	44,715
Trade debtors from contracts with customers derived from goods and services	**289,931**	88,698
Prepayment for land development cost (note b)	**584,112**	555,556
Deposits paid for acquisition of inventory of properties (note c)	**644,930**	1,915,051
Prepayment of value added tax and other taxes	**215,037**	138,468
Prepayment for property, plant and equipment and investment properties	**–**	36,867
Other receivables, deposits and prepayments	**700,887**	612,517
Total gross carrying amounts of debtors, deposits and prepayments	**2,434,897**	3,347,157
Less: Impairment loss on other receivables (note 43 (b)(ii))	**(12,943)**	–
Less: Amounts classified as non-current assets	**–**	(36,867)
Amounts classified as current assets	**2,421,954**	3,310,290

Notes:

(a) The debtors are mainly arisen from sale of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sale and purchase agreements, normally within 60 to 90 days from the agreements. For most of the Group's property projects, consideration will be fully received prior to the delivery of the properties to the property purchasers.

(b) In January 2016, the Group entered into an agreement with certain independent third parties who own certain pieces of industrial land in Jinan, the PRC (the "Contracting Parties") pursuant to which the Group will pay not more than RMB500,000,000 to the Contracting Parties to settle the debts of Contracting Parties and for the severance payments and labour compensation of the Contracting Parties such that the land can be cleared up and its use can be changed from industrial to residential purpose and put into public auction. At 31 December 2020, prepayment of land development cost of HK$584,112,000 (2019: HK$555,556,000) has been fully paid in prior years. According to the agreement, if the Group cannot obtain the land through the public auction, the prepayment will be refunded in full and a daily interest of 0.03% on the prepaid amount will be received. During the year ended 31 December 2020, the Group has been actively negotiating with the local government which supports to expedite the whole land development progress with the approval from relevant local authorities and put the land into public auction and there is no material deviation from the agreed timetable so far.

(c) The amount represents refundable deposits paid for acquisition of property development projects in the PRC, which will be fully refunded if the Group cannot acquire the land/property projects successfully.

In determining the recoverability of trade debtors, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited because the customer base is large and unrelated. The Directors consider that no credit loss provision is required at the end of the reporting period for trade debtors. Details of impairment assessment of trade and other receivables for the years ended 31 December 2020 and 2019 are set out in note 43 (b)(ii).

27. FINANCIAL ASSETS/LIABILITIES AT FVTPL

	2020 HK$'000	2019 HK$'000 (Restated)
Financial assets at FVTPL:		
Foreign currency forward contracts (note a)	–	136,086
Investments in unlisted entities (note b)	282,022	361,567
Investment in a listed entity (note b)	46,729	–
	328,751	497,653
Analysed for reporting purposes as:		
Current assets	–	136,086
Non-current assets	328,751	361,567
	328,751	497,653
Financial liabilities at FVTPL:		
Foreign currency forward contracts (note a)	94,669	–
Contingent consideration (note 20 (d))	105,412	105,412
	200,081	105,412
Analysed for reporting purposes as:		
Current liabilities	182,672	105,412
Non-current liabilities	17,409	–
	200,081	105,412

27. FINANCIAL ASSETS/LIABILITIES AT FVTPL *(Continued)*

Notes:

(a) The Group has 7 (2019: 7) RMB/US$ net-settled structured foreign currency forward contracts with a bank in Hong Kong in order to manage the Group's currency risk.

The above foreign currency forward contracts with gross liabilities amount of HK$94,669,000 (2019: gross assets amount of HK$136,086,000) are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with one bank. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. There are no other amounts related to these contracts that are not offset in the consolidated statement of financial position.

The Group is required to transact with the bank at the end of the contract period for designated notional amount under the respective contracts. If the spot rate for conversion of US$ for RMB as prevailing in the international foreign exchange market ("Spot Rate") on fixing date is (1) at or above the capped strike rate, the Group will buy US$ notional amount at the varied strike rate, which is the Spot Rate on fixing date minus the spread between the capped strike rate and the strike rate; (2) below the capped strike rate, the Group will buy the US$ notional amount at the strike rate; (3) below the capped strike rate and at or above the floor strike rate, the Group will buy US$ notional amount at the strike rate, and; (4) at or below the floor strike rate, the Group will buy US$ notional amount at the varied strike rate, which is the Spot Rate on fixing date plus the spread between the floor strike rate and the strike rate.

Number of contracts outstanding at 31 December		Notional amount	Contract date	Strike rate	Floor strike rate	Capped strike rate	Fixing date
2020	2019						(note 1)
1	1	US$100,000,000	January 2019	6.828	6.650	7.200	April 2021
2	2	US$150,000,000	January 2019	6.874	6.650	7.200	January 2022
4	4	US$500,000,000 (note 2)	July 2018	6.770 – 6.782	6.500	7.200	September 2021
7	7						

Notes:

1. The contract maturity date is approximate to the fixing date.

2. In July 2018, the foreign currency forward contracts with notional amount of US$500,000,000 have been restructured and certain terms including the strike rate and fixing date of the contracts have been revised.

The above contracts are measured at fair value at the end of the reporting period. None of these derivative contracts were qualified for hedging accounting treatment and the fair value loss amounting to HK$229,585,000 in 2020 (2019: fair value gain of HK$142,109,000) is recognised in profit or loss.

27. FINANCIAL ASSETS/LIABILITIES AT FVTPL *(Continued)*

Notes: *(Continued)*

(b) In May 2018, the Group made an investment of RMB190,000,000 (equivalent to HK$217,143,000) to a subsidiary of an unlisted entity ("Entity A") independent of the Group engaging in providing co-working space in the PRC. In November 2020, Entity A was successfully listed on the Nasdaq Capital Market. The outstanding number of ordinary shares held by the Group at 31 December 2020 are 948,850. The fair value of the shares in Entity A is determined to be HK$46,729,000 (2019: HK$93,333,000). Fair value loss amounting to HK$49,216,000 (2019: HK$120,045,000) was recognised in profit or loss in 2020.

In December 2018, the Group acquired from another independent third party 250,251,751 trust units, which represent a non-controlling interest in a unit trust (the "Entity B") with the underlying investment in tourism related property development project in Yunnan, the PRC at a cash consideration of RMB260,000,000 (equivalent to HK$297,143,000). The outstanding trust units held by the Group at 31 December 2020 are 201,400,000 (2019: 201,400,000). The subject asset of the underlying project is a bare land in Yunnan, the PRC pending for future development and the investee is still working on the development plan and seeking for the approval by the local government. The fair value of investment in the Entity B is determined to be HK$282,022,000 (2019: HK$268,234,000).

Details of the fair value measurement of the derivative contracts and investments are set out in note 43 (c)(i).

28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of HK$114,799,000 (2019: HK$721,760,000) in total are pledged as securities in favour of banks for mortgage facilities granted to the buyers of properties developed by the Group and bank borrowings granted to the Group.

Included in bank balances and cash, bank balances amounting to HK$1,872,911,000 (2019: HK$1,212,308,000) would be used for the development of certain property projects. These bank balances comprised the proceeds received from pre-sale of properties of certain property projects deposited into designated bank accounts of the Group according to the relevant regulations in Hong Kong and PRC.

Bank balances carried interest at market rates which range from 0.01% to 3.23% (2019: 0.01% to 4.2%) per annum.

The Group's pledged bank deposits and bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2020 **HK$'000**	2019 HK$'000
United States dollars	**1,135,987**	2,941,461
Hong Kong dollars	**539,044**	1,665,065

29. SHARE CAPITAL

	2020 Number of shares	2019 Number of shares	2020 HK$'000	2019 HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**20,000,000,000**	20,000,000,000	**2,000,000**	2,000,000
7.5% convertible preference shares of HK$0.1 each	**518,380**	518,380	**52**	52
Issued and fully paid:				
Ordinary shares				
At 1 January and 31 December	**749,336,566**	749,336,566	**74,934**	74,934

No new share and no convertible preference shares are issued in both years.

30. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 8 May 2013. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares for the benefit of the Company and the shareholders as a whole.

The participants of the Scheme include any Executive or Non-executive Directors of the Group, any executives, officers, consultants or full-time employees of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company and/or any subsidiary shall not in aggregate exceed 10% (the "10% Limit") in nominal amount of the aggregate of the shares in issue on the adoption date. Options lapsed or cancelled in accordance with the terms of the Scheme and such other share option schemes of the Company and/or any subsidiary shall not be counted for the purpose of calculating the 10% Limit. The 10% Limit may be refreshed with the approval of the shareholders of the Company. The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, together with all outstanding options granted and yet to be exercised under any other share option schemes of the Company and/or any subsidiary, must not exceed 30% of the number of issued shares from time to time.

The total number of shares issued and to be issued upon exercise of all options granted and to be granted to each participant under the Scheme and any other share option schemes of the Company and/or any subsidiary (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the number of shares in issue as at the proposed grant date unless the same is approved by the shareholders.

30. SHARE OPTION SCHEME *(Continued)*

The option exercisable period commences on the commencement date (the date upon which the options are granted and accepted) of such options and ends on the fifth anniversary of the commencement date. Each participant must pay HK$1 as consideration for the grant of options not later than 30 days after the grant date.

The exercise price shall be determined by the Board of Directors, being not less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the grant date; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the grant date; and (c) the nominal value of the shares.

The Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 8 May 2013.

The Group has no outstanding share option as at 31 December 2020 and 2019.

31. BANK AND OTHER BORROWINGS

	Notes	**2020** **HK$'000**	2019 HK$'000
2016 September guaranteed senior notes	(a)	**3,925,807**	3,941,165
2019 January guaranteed senior notes	(b)	**1,694,885**	3,149,268
2019 February guaranteed senior notes	(c)	**3,183,424**	3,196,154
2019 September guaranteed senior notes	(d)	**3,741,610**	3,756,344
2020 March guaranteed senior notes	(e)	**2,351,439**	–
2020 September guaranteed senior notes	(f)	**3,219,701**	–
2019 Domestic bonds	(g)	**1,766,036**	1,631,989
Bank loans	(h)	**18,020,992**	12,630,802
Other loans	(i)	**152,297**	1,835,573
		38,056,191	30,141,295

31. BANK AND OTHER BORROWINGS *(Continued)*

The maturity of the above loans is as follows:

	2020 HK$'000	2019 HK$'000
Unsecured borrowings repayable*:		
Within one year	**8,094,740**	979,969
More than one year but not exceeding two years	**3,949,563**	10,086,512
More than two years but not exceeding five years	**13,068,746**	8,313,560
	25,113,049	19,380,041
Secured borrowings repayable*:		
Within one year	**4,713,778**	6,639,036
More than one year but not exceeding two years	**5,113,160**	2,392,033
More than two years but not exceeding five years	**1,550,678**	833,985
More than five years	**949,276**	196,200
	12,326,892	10,061,254
Carrying amounts of unsecured bank loans contain a repayable on demand clause		
– repayable within one year	**–**	200,000
– repayable more than two years but not exceeding five years (shown under current liabilities)	**616,250**	500,000
Total borrowings	**38,056,191**	30,141,295
Less: Amounts classified as current liabilities	**(13,424,768)**	(8,319,005)
Amounts due over one year shown and classified as non-current liabilities	**24,631,423**	21,822,290

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

31. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) The 2016 September guaranteed senior notes with an outstanding principal amount of US$500,000,000 (2019: US$500,000,000) are listed on the Stock Exchange and were issued in September 2016. The notes, bearing interest at a fixed rate of 4.7% per annum, will mature in September 2021.

The Group may at any time prior to 6 September 2019 redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 6 September 2019, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 102.35% of the principal amount for the period beginning on 6 September 2019 to 31 December 2019 or 101.175% of the principal amount for the period from 1 January 2020 and thereafter and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 6 September 2019, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 104.7% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control and a rating decline as defined in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

(b) The 2019 January guaranteed senior notes with an outstanding principal amount of US$215,615,000 (2019: US$400,000,000) are listed on the Singapore Stock Exchange Securities Trading Limited ("Singapore Exchange") and were issued in January 2019. The notes, bearing interest at a fixed rate of 7.75% per annum, will mature in 2021.

The Group may at any time redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus the applicable premium and accrued and unpaid interest to the redemption date. The Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 107.75% of the principal amount of the senior notes plus accrued and unpaid interest to the redemption provided that at least 65% of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control and a rating decline as defined in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

(c) The 2019 February guaranteed senior notes with an outstanding principal amount of US$400,000,000 (2019: US$400,000,000) are listed on the Singapore Exchange and were issued in February 2019. The notes, bearing interest at a fixed rate of 7.875% per annum, will mature in 2023.

The Group may at any time prior to 1 February 2021 redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus the applicable premium and accrued and unpaid interest to the redemption date. At any time and from time to time on or after 1 February 2021, the Group may redeem the senior notes, in whole or in part at a redemption price equal to 103.9375% of the principal amount for the period beginning on 1 February 2021 to 31 January 2022 or 101.9688% of the principal amount for the period from 1 February 2022 and thereafter and plus accrued and unpaid interest to the redemption date. In addition, at any time and time to time prior to 1 February 2021, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 107.875% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of the aggregate principal amount of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control and a rating decline as defined in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

31. BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(d) The 2019 September guaranteed senior notes with an outstanding principal amount of US$480,000,000 (2019: US$480,000,000) are listed on the Singapore Exchange and were issued in September 2019. The notes, bearing interest at a fixed rate of 6.7% per annum, will mature in 2024.

The Group may at any time prior to 30 September 2022 redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 30 September 2022, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 103.350% of the principal amount for the period beginning on 30 September 2022 to 29 September 2023 or 101.675% of the principal amount for the period from 30 September 2023 and thereafter and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 30 September 2022, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 106.7% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of aggregate principal amount of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control and a rating decline as defined in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

(e) The 2020 March guaranteed senior notes with an outstanding principal amount of US$300,000,000 are listed on the Singapore Exchange and were issued in March 2020. The notes, bearing interest at a fixed rate of 5.9% per annum, will mature in 2025.

The Group may at any time prior to 5 March 2023 redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 5 March 2023, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 102.95% of the principal amount for the period beginning on 5 March 2023 to 4 March 2024 or 101.475% of the principal amount for the period from 5 March 2024 and thereafter and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 5 March 2023, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 105.9% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of aggregate principal amount of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control and a rating decline as defined in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

31. BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(f) The 2020 September guaranteed senior notes with an outstanding principal amount of US$415,588,000 are listed on the Singapore Exchange and were issued in September 2020. The notes, bearing interest at a fixed rate of 6% per annum, will mature in 2025.

The Group may at any time prior to 4 September 2023, redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 4 September 2023, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 103.0% of the principal amount for the period beginning on 4 September 2023 to 3 September 2024 or 101.5% of the principal amount for the period from 4 September 2024 to 3 June 2025 or 100% of the principal amount for the period from 4 June 2025 and thereafter and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 4 September 2023, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 106% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of aggregate principal amount of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control and a rating decline as defined in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

(g) The Group has issued 2019 Domestic bonds with an outstanding principal amount of RMB1,500,000,000 in September 2019. The bonds are listed on the Shanghai Stock Exchange, bearing interest at a fixed rate of 7% per annum and have a term of three years with the Group's option to adjust the coupon rate after the end of the second year of issuance and the investors' entitlement to require the Group to repurchase the bonds at the principal amount.

(h) Bank loans with carrying amount of HK$12,282,602,000 (2019: HK$5,004,119,000) bear a floating interest rate based on PBOC or LPR plus a specified margin, ranging from 4.15% to 7.13% (2019: 4.61% to 7.13%) per annum. Bank loans with carrying amount of HK$531,776,000 (2019: HK$2,564,347,000) bear interest at a fixed rate of 4.99%-5.22% (2019: 6%-10%) per annum. Interest rates on the remaining bank loans, which carry at floating interest rates based on either HIBOR or LIBOR plus a specified margin, ranging from 1.46% to 5.68% (2019: 2.35% to 5.68%) per annum.

(i) Other loans with carrying amount of HK$152,297,000 (2019: HK$1,835,573,000) bear interest at a fixed rate at 18% (2019: ranging from 9.98% to 18%) per annum and are borrowed from certain trust companies.

31. BANK AND OTHER BORROWINGS *(Continued)*

The effective interest rate of the Group's fixed rate borrowings and variable rate borrowings ranged from 4.7% to 18% (2019: 4.7% to 18%) per annum and 1.46% to 7.13% (2019: 2.35% to 7.13%) per annum, respectively.

Details on the fair value disclosures of the guaranteed senior notes and domestic bonds are set out in note 43 (c)(iii).

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2020 HK$'000	2019 HK$'000
United States dollars	**19,752,062**	15,999,312
Hong Kong dollars	**3,006,693**	3,110,221

32. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Tax losses HK$'000	Unrealised profit in interests in joint ventures HK$'000	Undistributed earnings of subsidiaries and joint ventures in the PRC HK$'000	Change in fair value of investment properties HK$'000	Interest capitalised on properties under development HK$'000	Total HK$'000
At 1 January 2019	(130,176)	–	528,805	310,836	83,674	793,139
Charge (credit) for the year	17,693	(16,027)	169,766	(2,372)	(3,210)	165,850
Acquisition of subsidiaries (note 45)	(8,578)	–	–	–	–	(8,578)
Exchange adjustments	3,280	303	(17,896)	(8,590)	(2,261)	(25,164)
At 31 December 2019	(117,781)	(15,724)	680,675	299,874	78,203	925,247
(Credit) charge for the year	**(35,849)**	**(20,892)**	**89,677**	**(47,264)**	**14,095**	**(233)**
Acquisition of subsidiaries (note 45)	**(14,036)**	**–**	**–**	**–**	**–**	**(14,036)**
Exchange adjustments	**(8,921)**	**(1,736)**	**38,969**	**13,316**	**5,055**	**46,683**
At 31 December 2020	**(176,587)**	**(38,352)**	**809,321**	**265,926**	**97,353**	**957,661**

Note: Deferred tax has been provided for (i) tax losses; (ii) unrealised profit in interests in joint ventures; (iii) undistributed earnings of subsidiaries and joint ventures in the PRC; (iv) change in fair value of investment properties and (v) temporary differences between the carrying amount and the tax base of properties under development for sale, arising from the capitalisation of certain interest expenses in properties under development for sale at consolidation level.

32. DEFERRED TAXATION *(Continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020	2019
	HK$'000	HK$'000
Deferred tax assets	**(214,939)**	(133,505)
Deferred tax liabilities	**1,172,600**	1,058,752
	957,661	925,247

At 31 December 2020, the Group has estimated unused tax losses of HK$1,383,040,000 (2019: HK$985,994,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$706,348,000 (2019: HK$471,124,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK$676,692,000 (2019: HK$514,870,000) due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of HK$676,692,000 (2019: HK$451,634,000) that will expire within five years in PRC from the end of the reporting period and the remaining tax losses would be carried forward indefinitely. As at 31 December 2020, no remaining tax losses will be carried forward indefinitely due to all tax losses has been used in respect of profits earned by a Hong Kong subsidiary in the year.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$5,607,477,000 (2019: HK$4,888,889,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 HK$'000
Derivative financial liabilities (under hedge accounting)	
Cash flow hedges	
– Interest rate swaps	**53,111**

During the year ended 31 December 2020, the Group entered into certain interest rate swaps designated as effective hedging instruments in order to minimise its exposures to forecast cash flow interest rate risk on its USD borrowings.

The terms of the interest rate swaps have been negotiated to match the terms of the respective designated hedging items and the Directors consider that the interest rate swaps are effective hedging instruments. The major terms of these swaps as at 31 December 2020 are as follows:

Notional amount	US$300,000,000
Maturity date	18 November 2024
Pay fixed rate range	1.7% – 1.75%
Receive floating rate	USD 3-month LIBOR

All of the above interest rate swaps are designated and effective as cash flow hedges. The fair value losses of the above interest rate swaps amounting to HK$53,111,000 (2019: nil) are recongnised in other comprehensive expense and accumulated under the cash flow hedging reserve at 31 December 2020.

34. CREDITORS AND ACCRUED CHARGES

	2020 HK$'000	2019 HK$'000
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	**1,057,611**	836,751
61 to 90 days	**22,670**	31,576
More than 90 days	**1,080,965**	1,115,718
	2,161,246	1,984,045
Bills payables		
Within 60 days	**9,461**	5,375
61 to 90 days	**11,682**	5,146
More than 90 days	**139**	6,388
	21,282	16,909
Accrued construction costs	**5,672,305**	4,786,513
	7,854,833	6,787,467
Accrued taxes (other than EIT and LAT)	**796,862**	718,887
Consideration payable for the acquisition of subsidiaries and joint ventures	**238,087**	969,825
Dividends payable to non-controlling interests of subsidiaries	**152,570**	225,000
Other payables	**1,642,974**	1,699,253
	10,685,326	10,400,432

35. AMOUNTS DUE TO JOINT VENTURES AND ASSOCIATES

At the end of reporting period, except for the amount due to a joint venture which is interest-bearing, all remaining amounts are unsecured, interest-free and repayable on demand.

36. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

At the end of reporting period, except for HK$268,252,000 of the amounts due to non-controlling interests of subsidiaries which are interest-bearing, all remaining amounts are unsecured, interest-free and either repayable on demand or due within one year from the end of reporting period.

37. CONTRACT LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Sale of properties	**7,819,246**	8,481,912

The contract liabilities of the Group are all expected to be settled within the Group's normal operating cycle and thus are classified as current liabilities.

The revenue recognised in the current year that was included in the contract liability balance at prior year end was HK$8,425,618,000 (2019: HK$14,647,842,000). No revenue is recognised in the current year which was related to the performance obligations satisfied in prior period.

Typical payment terms in respect of sale of properties, which impact on the amount of contract liabilities recognised are as follows:

The Group receives 30% to 100% of the contract value from customers when they sign the sale and purchase agreements while construction work of properties is still ongoing. For the customers who applied mortgage loans provided by the banks, the remaining consideration will be paid to the Group from the banks once the mortgage loan application has been completed and release of fund has been approved. Such advance payment schemes result in contract liabilities being recognised through the property construction period until the customer obtains control of the completed property.

38. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
The maturity of the lease liabilities payable is as follows:		
Within one year	**26,357**	27,087
More than one year but not exceeding two years	**23,117**	27,108
More than two years but not exceeding five years	**48,882**	82,130
Within a period of more than five years	**17,610**	32,328
	115,966	168,653
Less: Amount due for settlement with 12 months shown under current liabilities	**(26,357)**	(27,087)
Amount due for settlement after 12 months shown under non-current liabilities	**89,609**	141,566

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2020 HK$'000	2019 HK$'000
Hong Kong dollars	**38,507**	53,961

39. OTHER FINANCIAL LIABILITIES

According to an investment agreement and shareholders' agreement ("Agreements") dated 4 July 2019 entered by an independent investor (the "Investor") and the Group, the Investor has acquired 26.32% shareholding in Best Key Ventures Limited ("Best Key"), a wholly-owned subsidiary of the Company and the total cash consideration paid by the Investor is US$50,000,000 (equivalent to HK$390,000,000). The transaction was completed in July 2019.

39. OTHER FINANCIAL LIABILITIES *(Continued)*

Based on the Agreements, the Investor has the option to put the shares back to the Group at the end of 3 years from the date of the shareholders' agreement i.e. 31 July 2019 (the "Put Option") and the Investor has the option to put the shares back to the Group after two years if the profit target of Best Key cannot be met and the consideration is the original investment amount paid by the Investor compounded at an annual rate of return of 12% (the "Cash Compensation Option"). For any of the occurrence of the mandatory purchase events as defined in the shareholders' agreement, the Investor has the option to put the shares back to the Group and the consideration is the original investment amount paid by the Investor compounded at an annual rate of return of 12% (the "Mandatory Purchase Option"). If the Investor does not exercise any of its put options and the profit target is not met by the end of 3 years, the Group is required to transfer a variable number of the shares of Best Key held by the Group to the Investor at nil consideration (the "Shares Compensation"). Once the Investor has put the shares back to the Group (the "Disposal"), if Best Key submits an initial public offering application within one year of the Disposal, the Investor has an option (the "Re-entry Buy-back Option") to buy back the disposed shares at the same amount as that received by the Investor from the Disposal ("Re-entry Shares"). If the initial public offering does not occur within one year of the buyback of the Re-entry Shares, the Investor has option (the "Re-entry Put Option") to put these shares back at the amount paid for the Re-entry Shares compounded at an annual rate of return of 12%.

As the Agreements contain an obligation for the Group to purchase its own equity instruments for cash, the Group recognised a financial liability for the present value of the expected redemption amount using an effective interest rate of 12% per annum which amounted to US$50,000,000 (equivalent to HK$390,000,000) at initial recognition. The financial liability is subsequently measured at amortised cost. The Cash Compensation Option and the Mandatory Purchase Option are considered as closely related to the host financial liability and the fair value of Shares Compensation, Re-entry Buy-back Option and Re-entry Put Option at the date of inception of agreements and the end of reporting period are considered by the Directors as insignificant. Subsequent to the reporting period, the 26.32% shareholding in Best Key was repurchased by the Group and the total cash consideration paid to the Investor is US$57,873,843 (equivalent to HK$448,522,000).

The movement of the other financial liabilities at amortised cost is as follows:

	2020 **HK$'000**	2019 HK$'000
Carrying amount at 1 January/initial recognition	**408,958**	390,000
Interest charge	**40,392**	19,323
Exchange adjustment	**(828)**	(365)
Carrying amount at 31 December	**448,522**	408,958

40. PERPETUAL CAPITAL SECURITIES

	Notes	2020 HK$'000	2019 HK$'000
2017 February perpetual capital securities	(a)	**2,348,515**	2,349,155
2017 June perpetual capital securities	(a)	**2,283,261**	2,283,328
2019 November perpetual capital securities	(b)	**2,320,661**	2,329,436
		6,952,437	6,961,919

Notes:

(a) In February 2017 and June 2017, two wholly-owned subsidiaries of the Company issued US$300 million 7.95% senior guaranteed perpetual capital securities ("2017 February perpetual capital securities") and US$300 million 7% senior guaranteed perpetual capital securities ("2017 June perpetual capital securities") respectively at issue price of 100% of the principal amounts. Both capital securities were then listed on the Singapore Exchange and guaranteed by the Company for the due payment. Distributions are paid semi-annually in arrears and can be deferred at the discretion of the issuers. The perpetual capital securities have no fixed maturity and are redeemable at the issuers' option at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company.

(b) In November 2019, a wholly-owned subsidiary of the Company issued US$300 million 7.75% senior guaranteed fixed spread perpetual capital securities ("2019 November perpetual capital securities") at issue price of 100% of the principal amounts. The distribution rate is a subject to reset at the reset date falling immediately after the first call date and each day falling every five calendar years after the first call date. The reset distribution rate is equal to the sum of 6.003% and the Treasury Rate as defined in the terms and conditions of the perpetual securities. The capital securities were then listed on the Singapore Exchange and guaranteed by the Company for the due payment. Distributions are paid semi-annually in arrears and can be deferred at the discretion of the issuers. The perpetual capital securities have no fixed maturity and are redeemable at the issuers' option at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company.

Additional information for the perpetual capital securities is as follows:

List of perpetual capital securities	Listing date	First call date*
2017 February perpetual capital securities	20 February 2017	17 February 2022
2017 June perpetual capital securities	27 June 2017	23 June 2022
2019 November perpetual capital securities	19 November 2019	18 November 2024

* The issuer may redeem the perpetual capital securities on or after the first call date.

41. RETIREMENT BENEFIT PLANS

For the operations in Hong Kong, the Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees including Directors in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of the independent trustee. Both the Group and the employees contribute a fixed percent to the MPF Scheme based on their monthly salary in accordance with government regulations. The MPF Scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme. Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be refunded to the Group. There were no forfeited contributions available to be refunded at the end of the reporting period.

For the operations in the PRC, the employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include bank and other borrowings and lease liabilities disclosed in notes 31 and 38, and equity comprising issued capital and reserves, perpetual capital securities and non-controlling interests of subsidiaries.

The management of the Group reviews the capital structure periodically. As part of this review, the management of the Group assesses the annual budget which incorporates the planned construction projects and takes into account of the provision of funding. Based on the proposed annual budget, the management of the Group considers the cost of capital and the risks associated with the capital. The management of the Group also balances its overall capital structure through the payment of dividends, the issue of new share as well as new debts or the redemption of existing debts.

The management of the Group monitors the utilisation of bank and other borrowings and ensures full compliance with loan covenants during the year and at the end of the reporting period.

43. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2020 HK$'000	2019 HK$'000 (Restated)
Financial assets		
Financial assets at amortised cost	**33,642,063**	30,167,075
Financial assets at FVTPL	**328,751**	497,653
Financial liabilities		
Financial liabilities at amortised cost	**55,046,335**	46,611,552
Financial liabilities at FVTPL	**200,081**	105,412
Derivative financial instruments	**53,111**	–

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures these risks.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(i) Market risk

The Group's activities expose primarily to the financial risks of changes in foreign exchange rate and interest rates.

Foreign currency risk management

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the respective group entities and therefore the Group is exposed to foreign currency risk. The Group entered into a number of structured foreign currency forward contracts with banks to manage the Group's currency risk and the details were set out in note 27. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars	**1,135,987**	3,020,591	**20,206,285**	16,566,912
Hong Kong dollars	**601,415**	1,647,244	**3,137,663**	1,853,980

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit where RMB strengthens against the relevant currencies. For a 5% weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Profit or loss	
	2020	2019
	HK$'000	HK$'000
United States dollars	**953,515**	677,316
Hong Kong dollars	**126,812**	10,337

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(i) Market risk *(Continued)*

Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of HIBOR, LIBOR, PBOC and LPR prescribed interest rate on bank balances, pledged bank deposits, amounts due from joint ventures, amounts due to non-controlling interests of subsidiaries and bank and other borrowings.

The Group's fair value interest rate risk relates primarily to loan receivables, amounts due from (to) joint ventures, amounts due from (to) non-controlling interests of subsidiaries, lease liabilities, bank and other borrowings and other financial liabilities which carry interest at fixed interest rates.

The management aims at keeping material bank and other borrowings at fixed rates at appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in forecast cash flow interest rate of the bank and other borrowings. The management adopts a policy of ensuring that all the material bank and other borrowings of the Group are effectively on a fixed rate basis, either through the contractual terms of the loan facilities agreements or through the use of interest rate swaps.

Details of the Group's interest rate swaps and bank and other borrowings entered into by the Group at the end of the reporting period are set out in notes 33 and 31, respectively.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rate ("IBORs") with alternative nearly risk-free rates. As listed in notes 31 and note 33, several of the Group's LIBOR/HIBOR bank and other borrowings and derivative financial instruments will be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

Total interest revenue/income and expenses from financial assets and financial liabilities that are measured at amortised cost is as follows:

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(i) Market risk *(Continued)*

Interest rate risk management (Continued)

Interest rate sensitivity

	2020 HK$'000	2019 HK$'000
Financial assets at amortised cost		
– Interest revenue from fund investment business	**19,788**	164,201
– Interest income from bank deposits and amounts due from joint ventures and non-controlling interests of subsidiaries	**244,588**	492,564
Revenue/interest income under effective interest method	**264,376**	656,765
Financial liabilities at amortised cost		
– Interest expense on financial liabilities not measured at FVTPL	**1,129,464**	756,694

The sensitivity analyses below have been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2019: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate had been 50 basis point (2019: 50 basis point) higher/lower and all other variables were held constant:

- The Group's profit for the year ended 31 December 2020 would decrease/increase by HK$40,104,000 (2019: HK$20,388,000) after capitalisation of additional finance costs of HK$47,104,000 (2019: HK$29,338,000) in properties under development for sale; and

- The Group's bank balances and pledged bank deposits are excluded from sensitivity analysis as the Directors consider the exposure of cash flow interest rate risk arising from variable-rate bank balances and pledged bank deposits is insignificant.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(ii) Credit risk and impairment management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the financial guarantees provided by the Group and the financial assets as disclosed in the consolidated statements of financial position. Other than the collateral to cover the credit risks of the loan receivables as detailed in note 23, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on financial assets at amortised cost individually or collectively, where appropriate. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Trade debtors arising from contracts with customers

The Group has no concentration of credit risk for the trade debtors as no single trade debtor is accounted for 5% of the total trade debtor balances of the Group at the end of the reporting period.

In addition, the Group performs impairment assessment under ECL model on trade debtor balances based on provision matrix. For the years ended 31 December 2020 and 2019, the Group assessed the ECL for trade debtors were insignificant and thus no loss allowance was recognised.

Loan receivables

The Group has designated team to assess the credit quality of the borrowers before an advance is made. The Group would generally require the borrowers to provide collaterals for the loans with material balances i.e. the properties owned by the borrowers or equity interests in the property companies. The Group also closely monitor the repayment status of the loan receivables and the status and conditions of the collaterals and request for credit enhancements if necessary. The Directors estimate the estimated loss rates of loan receivables based on historical credit loss experience of the borrowers as well as the fair value of the collateral pledged by the customers to the loan receivables. Based on assessment under ECL model by the Directors, the expected credit loss on credit-impaired loan receivables for the year ended 31 December 2020 was HK$104,027,000 (2019: HK$40,417,000) due to high default risks of some borrowers. The Group has concentration of credit risks in loan receivables as 66% (2019: 85%) of the loan receivables was due from the three largest borrowers.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(ii) Credit risk and impairment management *(Continued)*

Amounts due from joint ventures

The joint ventures of the Group mainly engage in toll road operation and property development business in the PRC. The Group regularly monitors the business performance, financial position and repayment status of the joint ventures. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to jointly control the relevant activities of the investees. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2020 and 2019, the Group assessed the ECL for amounts due from joint ventures were insignificant and thus no loss allowance was recognised in both years. The Group has concentration of credit risks in amounts due from joint ventures as 39% (2019: 38%) of the loan receivables was due from the three largest borrowers within the property development and investment business.

Amounts due from non-controlling interests of subsidiaries

The non-controlling interests of subsidiaries of the Group mainly engage in property development business in the PRC. The Group regularly monitors the business performance, financial position and repayment status of the non-controlling interests of subsidiaries. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020, the Group assessed the ECL for amounts due from non-controlling interests of subsidiaries were insignificant and thus no loss allowance was recognised in current year. The Group has concentration of credit risks in amounts due from non-controlling interests of subsidiaries as all (2019: nil) of the loan receivables was due from the three largest borrowers within the property development and investment business.

Other receivables

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Based on assessment under ECL model by the Directors, the expected credit loss on credit-impaired other receivables for the year ended 31 December 2020 was HK$12,943,000 (2019: nil) due to past due records of the borrower.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(ii) Credit risk and impairment management *(Continued)*

Pledged bank deposits and bank balances

The Group's credit risk on pledged bank deposits and balances is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong. The Group assessed 12m ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits and bank balances for the years ended 31 December 2020 and 2019 is considered to be insignificant and no loss allowance was recognised.

Financial guarantee contracts

For the financial guarantee contracts provided by the Group to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Group measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre-sale deposits already received and the forward looking information. The Directors considered that the loss allowances on financial guarantee contracts at 31 December 2020 and 2019 were insignificant to the Group. For properties which have been pre-sold, or for the completed properties that sold but the building ownership certificate not yet issued, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(ii) Credit risk and impairment management *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2020 HK$'000	Gross carrying amount 2019 HK$'000	ECL 2020 HK$'000	ECL 2019 HK$'000
Financial assets at amortised costs								
Amounts due from joint ventures	21	N/A	(note 1)	12m ECL	**13,808,673**	10,460,578	**–**	–
Amounts due from non-controlling interests of subsidiaries	22	N/A	(note 1)	12m ECL	**1,672,435**	–	**–**	–
Loan receivables	23	N/A	(note 1)	12m ECL	**546,280**	341,506	**–**	–
				Lifetime ECL (not credit-impaired)	**1,389,710**	1,128,428	**–**	–
				Credit-impaired	**104,027**	40,417	**104,027**	40,417
					2,040,017	1,510,351	**104,027**	40,417
Other debtors	26	N/A	(note 1)	12m ECL	**1,764,266**	2,975,267	**–**	–
				Credit-impaired	**12,943**	–	**12,943**	–
					1,777,209	2,975,267	**12,943**	–
Trade debtors	26	N/A	(note 2)	Lifetime ECL (not credit-impaired)	**289,931**	88,698	**–**	–
Pledged bank deposits	28	Ranged from AA+ to BBB–	N/A	12m ECL	**114,799**	721,760	**–**	–
Bank balances	28	Ranged from AA+ to BBB–	N/A	12m ECL	**14,054,070**	14,448,916	**–**	–
Financial guarantee contracts	48	N/A	(note 3)	12m ECL	**14,837,664**	13,708,328	**–**	–

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(ii) Credit risk and impairment management *(Continued)*

Notes:

1. For the purposes of internal credit risk management, the Group uses the financial performance of the joint ventures including their profitability and net asset position to assess whether credit risk on amounts due from joint ventures has been increased significantly since initial recognition. The Group assess whether credit risk on loans receivables has been increased significantly since initial recognition based on the settlement status of the loans principal and interest and whether the loan period has been extended during the year. For the amounts due from non-controlling interests of subsidiaries, the Group considered there is no significant increase in credit risk since initial recognition. For other debtors, the Group assess whether credit risk on other debtors has been increased significantly since initial recognition based on the past due records during the year.

2. For trade debtors, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group uses provision matrix to calculate ECL for the trade debtors. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort.

3. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

The following table shows the movement in 12m ECL and lifetime ECL that has been recognised for other debtors and loan receivables.

	12m ECL	Lifetime ECL (not credit-impaired)	Credit-impaired	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	–	–	–	–
Changes due to financial instruments				
– Impairment loss recognised	–	40,417	–	40,417
– Transfer to credit-impaired	–	(40,417)	40,417	–
At 31 December 2019	–	–	40,417	40,417
Changes due to financial instruments				
– Impairment loss recognised	**12,943**	**104,027**	**–**	**116,970**
– Transfer to credit-impaired	**(12,943)**	**(104,027)**	**116,970**	**–**
– Write-offs	**–**	**–**	**(40,417)**	**(40,417)**
At 31 December 2020	**–**	**–**	**116,970**	**116,970**

Changes in the loss allowance for other debtors and loan receivables are mainly due to some borrowers with a gross carrying amount of HK$116,970,000 (2019: HK$40,417,000) with high default risks and transferred to credit-impaired.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the management of the Group who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate working capital and available banking facilities and continuously monitors the forecast and actual cash flows.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Liquidity risk management *(Continued)*

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	On demand or less than 6 months HK$'000	6 – 12 months HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2020								
Creditors and accrued charges	–	10,685,326	–	–	–	–	10,685,326	10,685,326
Amounts due to joint ventures and associates	0.51	4,443,168	–	–	–	–	4,443,168	4,431,961
Bank and other borrowings								
– fixed rate	5.82	2,457,817	4,923,012	2,657,901	13,634,862	–	23,673,592	20,566,975
– variable rate	5.01	4,238,806	3,153,414	8,138,291	2,787,773	1,213,618	19,531,902	17,489,216
Amounts due to non-controlling interests of subsidiaries	1.06	487,548	949,306	–	–	–	1,436,854	1,424,335
Lease liabilities	5.32	16,150	16,003	27,901	53,279	24,951	138,284	115,966
Other financial liabilities	12	448,522	–	–	–	–	448,522	448,522
Financial guarantee contracts	–	14,837,664	–	–	–	–	14,837,664	–
		37,615,001	9,041,735	10,824,093	16,475,914	1,238,569	75,195,312	55,162,301
Derivative-net settlement								
– Interest rate swaps		–	–	–	53,111	–	53,111	53,111
		37,615,001	9,041,735	10,824,093	16,529,025	1,238,569	75,248,423	55,215,412

	Weighted average effective interest rate %	On demand or less than 6 months HK$'000	6 – 12 months HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2019								
Creditors and accrued charges	–	10,400,432	–	–	–	–	10,400,432	10,400,432
Amounts due to joint ventures and an associate	–	2,897,818	–	–	–	–	2,897,818	2,897,818
Bank and other borrowings								
– fixed rate	6.92	2,680,473	2,409,012	8,508,779	9,574,174	–	23,172,438	20,074,840
– variable rate	5.21	2,285,153	1,837,648	4,024,973	2,635,828	232,353	11,015,955	10,066,455
Amounts due to non-controlling interests of subsidiaries	7.68	159,195	2,816,099	–	–	–	2,975,294	2,763,049
Lease liabilities	5.36	20,634	18,072	35,804	85,134	37,445	197,089	168,653
Other financial liabilities	12	436,800	–	–	–	–	436,800	408,958
Financial guarantee contracts	–	13,708,328	–	–	–	–	13,708,328	–
		32,588,833	7,080,831	12,569,556	12,295,136	269,798	64,804,154	46,780,205

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Liquidity risk management *(Continued)*

Liquidity and interest risk tables (Continued)

Bank loan with a repayment on demand clause is included in the "on demand or less than 6 months" time band in the above maturity analysis. The table below summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include principal and interest payments computed using contractual rates. Taking into account the Group's financial position, the Directors did not believe that it is probable that the banks would exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank loans would be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 6 months HK$'000	6 – 12 months HK$'000	1 – 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2020	**631,900**	**–**	**–**	**631,900**	**616,250**
At 31 December 2019	717,478	–	–	717,478	700,000

The amounts included above for financial guarantee contracts are the maximum amounts 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. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

43. FINANCIAL INSTRUMENTS *(Continued)*

(c) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements

(i) Financial assets and financial liabilities measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2020

	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets					
Investment in a listed entity	(a)	**46,729**	**–**	**–**	**46,729**
Investment in an unlisted entity	(b)	**–**	**–**	**282,022**	**282,022**
		46,729	**–**	**282,022**	**328,751**
Financial liabilities					
Foreign currency forward contracts	(c)	**–**	**94,669**	**–**	**94,669**
Contingent consideration	(d)	**–**	**–**	**105,412**	**105,412**
Interest rate swaps	(e)	**–**	**53,111**	**–**	**53,111**
		–	**147,780**	**105,412**	**253,192**

Fair value hierarchy as at 31 December 2019

	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000 (Restated)	Total HK$'000 (Restated)
Financial assets					
Investments in unlisted entities	(a) (b)	–	–	361,567	361,567
Foreign currency forward contracts	(c)	–	136,086	–	136,086
		–	136,086	361,567	497,653
Financial liabilities					
Contingent consideration (restated)	(d)	–	–	105,412	105,412

43. FINANCIAL INSTRUMENTS *(Continued)*

(c) FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements *(Continued)*

(i) Financial assets and financial liabilities measured at fair value on a recurring basis (Continued)

(a) The Group owns 948,850 ordinary shares in Entity A mainly engaging in providing co-working space in the PRC. The carrying amount of the investment at 31 December 2020 is HK$46,729,000 (2019: HK$93,333,000). The fair value of the investment as at 31 December 2019 was determined by an independent professional valuer using the market approach. The key unobservable input of the valuation of the unlisted entity is the average price to sale ratio of 8.34 from the recent fund raising transactions of private companies engaging in similar business. In 2019, the fair value was determined by reference to the latest transaction price of the shares issued by the unlisted entity to the investors in the latest private placement near 31 December 2019 and hence was classified as Level 3 of the fair value hierarchy. In November 2020, Entity A successfully listed on the Nasdaq Capital Market, with its shares traded in an active market. Therefore, the fair value of the investment as at 31 December 2020 was determined based on a published price quotation available on the Nasdaq Capital Market and was classified as Level 1 of the fair value hierarchy.

(b) The investments in unlisted entities include an investment in a trust with the underlying investments in tourism related property development project in Yunnan, the PRC with a carrying amount of HK$282,022,000 (2019: HK$268,234,000). It is grouped under Level 3 fair value measurement and the subject asset of the underlying project is a bare land in Yunnan, the PRC pending for future development and the key unobservable input of the valuation of the investment is by reference to the fair value of the land which is determined by the independent professional valuer based on the market comparable approach. As at 31 December 2020, the fair value of the investment was approximate to the cost of investment.

(c) The foreign currency forward contracts are grouped into Level 2 fair value measurement and the fair value is determined based on valuation provided by the counterparty financial institutions, which is measured using discounted cash flow analysis based on, inter alia, the contracted exchange rate and the forward exchange rate. The derivative contracts require net settlement on a contract by contract basis.

(d) The contingent consideration is grouped into level 3 fair value measurement and the fair value is determined by the Directors based on probability of the adjustment to the toll road tariff chargeable under the Concession Agreement.

(e) The interest rate swaps are grouped into Level 2 fair value measurement and the fair value is determined based on valuation provided by the counterparty financial institutions, which is measured using discounted cash flow analysis based on, inter alia, the contracted interest rates.

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2.

43. FINANCIAL INSTRUMENTS *(Continued)*

(c) FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements *(Continued)*

(ii) Reconciliation of Level 3 fair value measurements

	Investment in an unlisted entity HK$'000	Investment in a listed entity HK$'000	Total HK$'000
Financial assets at FVTPL			
At 1 January 2019	297,143	217,143	514,286
Change in fair value recognised in profit or loss (note 8)	–	(120,045)	(120,045)
Disposals	(20,655)	–	(20,655)
Exchange difference arising on translation to presentation currency	(8,254)	(3,765)	(12,019)
At 31 December 2019	268,234	93,333	361,567
Change in fair value recognised in profit or loss (note 8)	**–**	**(49,216)**	**(49,216)**
Transfer out of level 3 to level 1 (note 43 (c)(i))	**–**	**(46,729)**	**(46,729)**
Exchange difference arising on translation to presentation currency	**13,788**	**2,612**	**16,400**
At 31 December 2020	**282,022**	**–**	**282,022**

	Total HK$'000 (Restated)
Financial liabilities at FVTPL	
At 1 January 2019	–
Contingent consideration (note 27)	105,412
At 31 December 2019 and 2020	105,412

43. FINANCIAL INSTRUMENTS *(Continued)*

(c) FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements *(Continued)*

(iii) Financial assets and financial liabilities not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values as at 31 December 2020 and 2019, which are determined in accordance with generally accepted pricing models based on discounted cash flow, except for the following financial liabilities, for which their carrying amounts and fair values (based on the quoted ask price) are disclosed below:

	31 December 2020		31 December 2019	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
2016 September guaranteed senior notes	**3,925,807**	**3,881,626**	3,941,165	3,900,000
2019 January guaranteed senior notes	**1,694,885**	**1,696,483**	3,149,268	3,252,288
2019 February guaranteed senior notes	**3,183,424**	**3,245,886**	3,196,154	3,346,200
2019 September guaranteed senior notes	**3,741,610**	**3,926,311**	3,756,344	3,898,627
2020 March guaranteed senior notes	**2,351,439**	**2,379,033**	–	–
2020 September guaranteed senior notes	**3,219,701**	**3,301,714**	–	–
2019 Domestic bonds	**1,766,036**	**1,800,456**	1,631,989	1,704,923

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Balance at 1.1.2020 HK$'000	Dividend distribution declared HK$'000	Financing cash flows HK$'000 (note)	Financing cost incurred during the year HK$'000	Acquisition of subsidiaries HK$'000	Additions to right-of-use assets HK$'000	Termination of lease contract HK$'000	Reallocation of account HK$'000	Exchange adjustment HK$'000	Balance at 31.12.2020 HK$'000
Bank and other borrowings (note 31)	30,141,295	–	5,060,925	2,331,225	–	–	–	(81,034)	603,780	38,056,191
Amounts due to non-controlling interests of subsidiaries (note 36)	2,763,049	–	(1,696,992)	135,220	–	–	–	81,034	142,024	1,424,335
Amounts due to joint ventures and associates (note 35)	2,897,818	–	1,328,085	–	(866,056)	–	–	975,772	96,342	4,431,961
Lease liabilities (note 38)	168,653	–	(36,266)	7,343	–	4,686	(32,630)	–	4,180	115,966
Other financial liabilities (note 39)	408,958	–	–	40,392	–	–	–	–	(828)	448,522
Dividend distribution payable (note 34)	225,000	809,283	(893,278)	–	–	–	–	–	11,565	152,570
	36,604,773	809,283	3,762,474	2,514,180	(866,056)	4,686	(32,630)	975,772	857,063	44,629,545

	Balance at 1.1.2019 HK$'000	Dividend distribution declared HK$'000	Financing cash flows HK$'000 (note)	Financing cost incurred during the year HK$'000	Acquisition of subsidiaries HK$'000	Additions to right-of-use assets HK$'000	Reallocation of account HK$'000	Exchange adjustment HK$'000	Balance at 31.12.2019 HK$'000
Bank and other borrowings (note 31)	20,644,997	–	6,575,083	2,049,457	1,144,444	–	–	(272,686)	30,141,295
Amounts due to non-controlling interests of subsidiaries (note 36)	–	–	2,763,049	–	–	–	–	–	2,763,049
Amounts due to joint ventures and associates (note 35)	1,247,350	–	1,705,028	–	–	–	(19,911)	(34,649)	2,897,818
Lease liabilities (note 38)	50,528	–	(33,629)	7,723	–	145,658	–	(1,627)	168,653
Other financial liabilities (note 39)	–	–	390,000	19,323	–	–	–	(365)	408,958
Dividend distribution payable (note 34)	200,000	1,134,217	(1,109,217)	–	–	–	–	–	225,000
	22,142,875	1,134,217	10,290,314	2,076,503	1,144,444	145,658	(19,911)	(309,327)	36,604,773

Note: The cash flows from bank and other borrowings, amounts due to non-controlling interests of subsidiaries, amounts due to joint ventures and associates, lease liabilities, other financial liabilities and dividend distribution payable make up the net amount of additions and repayment from those related liabilities in the consolidated statement of cash flows.

45. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2020

常州勁雅房地產開發有限公司 ("常州勁雅") was accounted for as a 51%-interest joint venture of the Group. In June 2020, all shareholders of 常州勁雅 entered into a supplementary agreement. By execution of the supplementary agreement, all of the relevant activities of 常州勁雅, including all the strategic financial and operating decisions required approval by simple majority of the board of directors, of which three directors and two directors are nominated by the Group and the other shareholder, respectively. Since the Group obtained effective control of voting power to govern the relevant activities of 常州勁雅, 常州勁雅became a subsidiary of the Group in June 2020 upon the effective date of the supplementary agreement. The transaction was accounted for as acquisition of assets.

The aggregate net assets of the subsidiary at the date of acquisition was as follows:

	2020 HK$'000
Property, plant and equipment	22
Deferred tax assets	14,036
Inventory of properties	2,300,438
Debtors, deposits and prepayments	994,576
Amounts due from the Group	866,056
Prepaid income tax	103,242
Bank balances and cash	59,112
Creditors and accrued charges	(299,855)
Contract liabilities	(3,268,225)
	769,402
Non-controlling interest of the subsidiary	(380,356)
	389,046
Satisfied by:	
Cash consideration paid	–
Interest in joint venture disposed of	389,046
	389,046
Net cash inflow arising on acquisition:	
Cash consideration paid	–
Bank balances and cash acquired	59,112
	59,112

45. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019

In April 2019, the Group entered into a sale and purchase agreement to acquire the remaining 51% equity interest in 常州宏耀房地產開發有限公司 ("常州宏耀") from a PRC joint venture partner at a cash consideration of RMB215,733,000 (equivalent to HK$239,703,000). 常州宏耀was a 49% joint venture of the Group engaging in the property development in Changzhou, the PRC. Upon completion of the acquisition, it becomes the wholly-owned subsidiary of the Company. The transaction was accounted for as acquisition of assets.

In December 2019, the Group entered into share transfer agreements with a joint venture partner pursuant to which the Group acquired 40% equity interests in both 上海雋通置業有限公司 ("上海雋通") and 上海雋築置業有限公司 ("上海雋築") from the joint venture partner at cash consideration of RMB145,788,000 (equivalent to HK$161,986,000) and RMB314,495,000 (equivalent to HK$349,439,000), respectively. 上海雋通 and 上海雋築 were previously accounted for as joint ventures of the Group and they are engaging in property development business in Shanghai, the PRC. Upon completion of the acquisitions, they become the wholly-owned subsidiaries of the Company. The transactions were accounted for as acquisition of assets.

The aggregate net assets of the subsidiaries at the dates of acquisitions were as follows:

	2019 HK$'000
Property, plant and equipment	801
Deferred tax assets	8,578
Inventory of properties	5,360,304
Debtors, deposits and prepayments	72,564
Prepaid income tax	69,666
Pledged bank deposits	623,667
Bank balances and cash	1,703,024
Creditors and accrued charges	(772,100)
Amounts due to the Group	(2,976,028)
Contract liabilities	(1,170,290)
Income tax payable	(23,485)
Bank and other borrowings	(1,144,444)
	1,752,257
Satisfied by:	
Cash considerations paid	239,703
Consideration payable	511,425
Interests in joint ventures disposed of	1,001,129
	1,752,257
Net cash inflow arising on acquisition:	
Cash considerations paid	(239,703)
Bank balances and cash acquired	1,703,024
	1,463,321

46. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2019

In October 2019, the Group entered into sale and purchase agreement with an independent third party to dispose 51% equity interests in 上海雋譽房地產開發有限公司 ("上海雋譽"), a wholly-owned subsidiary of the Company, at a cash consideration of HK$28,333,000. The subsidiary is engaging in property development in Shanghai, the PRC. After the disposal, 上海雋譽 is accounted for as joint venture of the Group as the major operating activities of 上海雋譽 require unanimous consent from both joint venture partners. The loss on disposal of the subsidiary amounting to HK$285,000 was recognised in profit or loss.

The aggregate net assets of the disposed subsidiary at the dates of disposal was as follows:

	2019 HK$'000
Debtors, deposits and prepayments	178,267
Bank balances and cash	459
Income tax payable	(93)
Creditors and accrued charges	(236)
Amount due to the Group	(122,557)
	55,840
Loss on disposal of a subsidiary:	
Cash consideration	28,333
Add: Fair value of retained interest in joint venture	27,222
Less: Net assets of the subsidiary disposed of	(55,840)
	(285)
Net cash inflow arising on disposal:	
Cash consideration received	28,333
Bank balances and cash disposed of	(459)
	27,874

47. OPERATING LEASES

AS LESSOR

The maturity of the minimum lease payments receivable on leases is as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**123,411**	129,432
In the second year	**103,417**	115,278
In the third year	**89,231**	105,092
In the fourth year	**84,466**	95,080
In the fifth year	**69,661**	92,362
After five years	**474,390**	548,808
	944,576	1,086,052

48. CONTINGENT LIABILITIES

At 31 December 2020, the Group provided guarantees of HK$8,879,572,000 (2019: HK$7,977,365,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant.

At 31 December 2020, the Group provided guarantees of HK$3,180,588,000 (2019: HK$3,002,454,000) to banks in connection with the banking facilities granted to joint ventures. The Directors consider that the fair value of such guarantees on initial recognition was insignificant as the joint ventures have strong net asset position and the default risk is low.

The details of undertakings of a property joint venture provided by the Group are disclosed in note 20 (c).

49. PLEDGE OF ASSETS

At the end of the reporting period, other than the pledged bank deposits as disclosed in note 28, the Group's inventory of properties of HK$11,369,056,000 (2019: HK$7,869,585,000) and investment properties of HK$910,164,000 (2019: HK$678,167,000) were pledged to banks to secure the banking facilities granted to the Group.

50. CAPITAL COMMITMENTS

	2020 **HK$'000**	2019 HK$'000
Capital injection into property joint ventures contracted for but not provided in the consolidated financial statements	**361,332**	167,567

51. RELATED PARTY TRANSACTIONS

Other than set out in notes 21, 22, 34, 35, 36 and 48, the Group had transactions with the following related parties during the year:

Related parties	Nature	**2020** **HK$'000**	2019 HK$'000
Infrastructure joint ventures	Interest income	**5,476**	943
Property and other joint ventures	Interest income	**104,630**	373,771
Non-controlling interests of subsidiaries	Interest income	**15,282**	8,906
Property joint ventures	Management fee income	**10,123**	28,937
A subsidiary of a major shareholder of the Company	Construction costs incurred	**317,173**	956,600
A subsidiary of a major shareholder of the Company	Construction costs payable	**99,999**	224,297

During the year ended 31 December 2020, a subsidiary of a major shareholder of the Company provided construction services to the property projects of a subsidiary and a joint venture of the Group amounting to HK$317,868,000 (2019: HK$975,162,000) in aggregate. The construction services provided by the subsidiary of the major shareholder of the Company constituted connected party transactions as defined under the Listing Rules.

During the year ended 31 December 2020, the Group has transferred the title of two pieces (2019: two pieces) of land included in prepayment for land lease of the Group at their carrying amounts of HK$945,093,000 (2019: HK$704,400,000) to two joint ventures of the Group and no gain or loss are resulted from such transfers. The said amounts will be settled by the joint ventures after the pre-sale of properties commences.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of Directors and other members of key management during the year was as follows:

	2020 **HK$'000**	2019 HK$'000
Short-term employment benefits	**235,525**	283,945
Post-employment benefits	**5,370**	6,239
	240,895	290,184

The remuneration of Directors and key executives is determined with reference to the performance of individuals and market trends.

52. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2020 HK$'000	2019 HK$'000
ASSETS		
Non-current asset		
Unlisted investments in subsidiaries	**16,315,339**	15,306,444
Current assets		
Deposits and prepayments	**205**	50,571
Bank balances and cash	**174,743**	1,256,154
	174,948	1,306,725
Total assets	**16,490,287**	16,613,169
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital (note 29)	**74,934**	74,934
Reserves (note)	**6,223,010**	6,649,222
	6,297,944	6,724,156
Current liabilities		
Creditors and accrued charges	**2,879**	2,985
Amounts due to subsidiaries	**10,073,214**	9,886,028
Bank borrowings	**116,250**	–
	10,192,343	9,889,013
Total equity and liabilities	**16,490,287**	16,613,169

52. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

	Share premium HK$'000	Foreign currency translation reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2019	3,224,794	679,478	1,260,000	2,514,051	7,678,323
Profit for the year	–	–	–	53,172	53,172
Exchange difference arising on translation to presentation currency	–	(198,056)	–	–	(198,056)
Total comprehensive expense for the year	–	(198,056)	–	53,172	(144,884)
Sub-total	3,224,794	481,422	1,260,000	2,567,223	7,533,439
Dividends	–	–	–	(884,217)	(884,217)
Balance at 31 December 2019	3,224,794	481,422	1,260,000	1,683,006	6,649,222
Profit for the year	**–**	**–**	**–**	**78,224**	**78,224**
Exchange difference arising on translation to presentation currency	**–**	**304,847**	**–**	**–**	**304,847**
Total comprehensive income for the year	**–**	**304,847**	**–**	**78,224**	**383,071**
Sub-total	**3,224,794**	**786,269**	**1,260,000**	**1,761,230**	**7,032,293**
Dividends	**–**	**–**	**–**	**(809,283)**	**(809,283)**
Balance at 31 December 2020	**3,224,794**	**786,269**	**1,260,000**	**951,947**	**6,223,010**

53. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2020 and 31 December 2019 are as follows, all of these are limited liability companies:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ paid registered capital	Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activity
Incorporated in the British Virgin Islands ("BVI")/Hong Kong/Bermuda						
Intersafe Investments Limited	BVI	Hong Kong	US$16,000,000	–	75	Investment holding
Ontex Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Power Truth Development Limited	Hong Kong	Hong Kong	HK$1	–	100	Development and sale of properties
Road King Expressway International Holdings Limited	Bermuda	#	HK$66,666,667	–	75	Investment holding
RK Investment and Asset Management Group Limited	Hong Kong	Hong Kong	HK$1	–	100	Investment holding
RKI Overseas Finance 2016 (B) Limited	BVI	#	US$1	100	–	Provision of financial services
RKI Overseas Finance 2017 (A) Limited	BVI	#	US$1	100	–	Provision of financial services
RK Properties Holdings Limited	BVI	Hong Kong	US$1	–	100	Investment holding
RK Properties Management Limited	Hong Kong	Hong Kong	HK$1	–	100	Provision of management services
RK Properties (Overseas) Limited	BVI	#	US$1	–	100	Investment holding
RKP Overseas Finance 2016 (A) Limited	BVI	#	US$1	100	–	Provision of financial services
RKP Overseas Finance 2017 (A) Limited	BVI	#	US$1	–	100	Provision of financial services

53. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ paid registered capital	Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activity
***Incorporated in the British Virgin Islands ("BVI")/Hong Kong/Bermuda** (Continued)*						
RKPF Overseas 2019 (A) Limited	BVI	#	US$1	–	100	Provision of financial Services
RKPF Overseas 2019 (B) Limited	BVI	#	US$1	–	100	Provision of financial Services
RKPF Overseas 2019 (C) Limited	BVI	#	US$1	–	100	Provision of financial Services
RKPF Overseas 2019 (D) Limited	BVI	#	US$1	–	100	Provision of financial Services
RKPF Overseas 2019 (E) Limited	BVI	#	US$1	–	100	Provision of financial Services
Road Base Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Bond Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Crown Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Express Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Famous Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Glorious Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Grand Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road King (China) Infrastructure Limited	BVI	Hong Kong	HK$2,000,000,000	–	75	Investment holding
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK$2	–	100	Provision of management services

53. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ paid registered capital	Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activity
Incorporated in the British Virgin Islands ("BVI")/Hong Kong/Bermuda *(Continued)*						
Road Link Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Rise Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Sunco Property Holdings Company Limited	BVI	Hong Kong	US$250	–	94.74	Investment holding
Registered as wholly foreign owned enterprises in the PRC						
Changzhou Great Gallop Properties Developments Ltd.	PRC	PRC	US$153,245,300	–	100	Development and sale of properties
Changzhou Great Superior Properties Developments Ltd.	PRC	PRC	RMB612,220,000	–	100	Development and sale of properties
Tianjin Kingsvalue Real Estate Investment Management Limited	PRC	PRC	RMB678,500,000	–	94.74	Investment holding
Tianjin Sunco Binhai Land Co., Ltd.	PRC	PRC	RMB600,000,000	–	94.74	Investment holding
Tianjin Sunco Binhai Real Estate Investment Management Limited	PRC	PRC	RMB760,000,000	–	94.74	Investment holding
Registered as sino-foreign equity joint venture enterprises in the PRC						
常州宏智房地產開發有限公司	PRC	PRC	RMB500,000,000	–	100	Development and sale of properties
蘇州雋御地產有限公司	PRC	PRC	RMB1,008,600,000	–	100	Development and sale of properties

53. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ paid registered capital	Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activity
Registered as limited liability companies in the PRC						
上海雋崎置業有限公司@	PRC	PRC	US$407,586,804.58	–	100	Development and sale of properties
上海雋鑫置業有限公司	PRC	PRC	RMB270,000,000	–	65	Development and sale of properties
大廠回族自治縣中基首業房地產開發有限公司	PRC	PRC	RMB320,000,000	–	100	Development and sale of properties
天津順馳新地置業有限公司	PRC	PRC	RMB1,000,000,000	–	94.74	Development and sale of properties
天津雋德房地產開發有限公司	PRC	PRC	RMB100,000,000	–	100	Development and sale of properties
北京路勁雋御房地產開發有限公司	PRC	PRC	RMB4,385,300,000	–	100	Development and sale of properties
北京雋成房地產開發有限公司	PRC	PRC	RMB50,000,000	–	100	Development and sale of Properties
北京雋興房地產開發有限公司@	PRC	PRC	RMB1,000,000	–	100	Development and sale of properties
杭州雋勁置業有限公司	PRC	PRC	RMB500,000,000	–	60 (2019: 100)	Development and sale of properties
杭州雋龍置業有限公司@	PRC	PRC	RMB200,000,000	–	100	Development and sale of properties
洛陽路勁宏駿房地產開發有限公司	PRC	PRC	RMB30,000,000	–	100	Development and sale of properties
常州宏卓房地產開發有限公司@	PRC	PRC	RMB900,000,000	–	100	Development and sale of Properties

53. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ paid registered capital	Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activity
Registered as limited liability companies in the PRC *(Continued)*						
常州宏喆房地產開發有限公司@	PRC	PRC	RMB220,000,000	–	100	Development and sale of properties
常州雋茂房地產開發有限公司	PRC	PRC	RMB20,000,000	–	51	Development and sale of Properties
常州路勁美都房地產開發有限公司@	PRC	PRC	RMB1,000,000,000	–	51	Development and sale of Properties
寧波甬鴻置業有限公司	PRC	PRC	RMB710,000,000	–	100	Development and sale of properties
鎮江路勁大港房地產開發有限公司	PRC	PRC	RMB680,470,000 (2019: RMB640,470,000)	–	100	Development and sale of properties
蘇州雋宏房地產開發有限公司	PRC	PRC	RMB50,000,000	–	100	Development and sale of properties
蘇州雋康房地產開發有限公司	PRC	PRC	RMB50,000,000	–	51	Development and sale of properties

\# The subsidiaries of the Company are either investment holding or provision of financial services companies only and do not have any operations.

@ Incorporated in 2020

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or constituted a substantial portion of the net asset of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

53. PRINCIPAL SUBSIDIARIES *(Continued)*

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interest:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Profit allocated to non-controlling interest		Accumulated non-controlling interest	
		2020	2019	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
RKE	Bermuda	**25%**	25%	**41,800**	151,628	**1,430,922**	1,341,507

At 31 December 2020

	2020 HK$'000	2019 HK$'000 (Restated)
Current assets	**1,610,484**	1,531,322
Non-current assets	**4,419,879**	4,378,336
Current liabilities	**270,565**	499,909
Non-current liabilities	**36,109**	43,723
Equity attributable to owners of the Company	**5,723,689**	5,366,026
Non-controlling interest of RKE	**1,430,922**	1,341,507

53. PRINCIPAL SUBSIDIARIES *(Continued)*

For the year ended 31 December 2020

	2020 **HK$'000**	2019 HK$'000
Income	**304,802**	760,334
Expenses	**(137,602)**	(153,823)
Profit attributable to owners of the Company	**125,400**	454,883
Profit attributable to the non-controlling interest of RKE	**41,800**	151,628
Profit for the year	**167,200**	606,511
Other comprehensive profit (loss) attributable to owners of the Company	**142,847**	(115,895)
Other comprehensive profit (loss) attributable to non-controlling interest of RKE	**47,615**	(38,632)
Other comprehensive profit (loss) for the year	**190,462**	(154,527)
Total comprehensive income attributable to owners of the Company	**268,247**	338,988
Total comprehensive income attributable to non-controlling interest of RKE	**89,415**	112,996
Total comprehensive income for the year	**357,662**	451,984

53. PRINCIPAL SUBSIDIARIES *(Continued)*

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Net cash outflow from operating activities	**(94,259)**	(102,585)
Net cash inflow (outflow) from investing activities	**189,342**	(371,364)
Net cash outflow from financing activities	**(106,379)**	(100,000)
Net cash outflow	**(11,296)**	(573,949)
Dividends paid to non-controlling interest of RKE	**(25,000)**	(100,000)

None of the subsidiaries had any debt securities at the end of the year except for the following:

	2020 HK$'000	2019 HK$'000
RKI Overseas Finance 2016 (B) Limited	**3,925,807**	3,941,165
RKPF Overseas 2019 (B) Limited	**1,694,885**	3,149,268
RKPF Overseas 2019 (A) Limited	**12,496,174**	6,952,498
北京路勁雋御房地產開發有限公司	**1,766,036**	1,631,989
	19,882,902	15,674,920

54. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 12 January 2021, RKPF Overseas 2020 (A) Limited, a wholly-owned subsidiary of the Company issued fixed rate guaranteed senior notes with aggregate nominal value of US$500 million, which carry an annual interest rate of 5.2% per annum and will mature in 2026. The proceeds are to be used for refinancing and general corporate purposes.

On 19 February 2021, RKPF Overseas 2019 (B) Limited, a wholly-owned subsidiary of the Company had redeemed all outstanding of 2019 January guaranteed senior notes in aggregate principal amount of US$215,615,000. The entity of the notes was withdrawn from Singapore Exchange with effect on 22 February 2021.

On 5 March 2021, Kings Ring Limited ("Kings Ring"), a non-wholly-owned subsidiary of the Company entered into conditional sale and purchase agreements with certain independent third parties to acquire 45% equity interest in PT Jasamarga Kualanamu Tol ("KT JV") which owns concession rights of toll roads in Indonesia. The total consideration for the acquisition of equity interests of KT JV is IDR1,236 billion (approximately HK$680.29 million). Upon completion of the acquisition, KT JV will be owned by Kings Ring and the joint venture partner as to 45% and 55%, respectively. As one of the conditions precedent to the completion of the acquisition, Kings Ring and the joint venture partner are required to enter into an amendment to the joint venture agreement of KT JV to regulate the relationship between the shareholders of KT JV with effect from the completion date.

55. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2020 amounted to HK$59,006,006,000 (2019: HK$51,586,625,000). The Group's net current assets at 31 December 2020 amounted to HK$27,698,248,000 (2019: HK$25,722,253,000).

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**24,196,103**	21,494,796	22,365,223	14,755,770	16,841,585
Profit before taxation	**4,733,502**	6,759,947	9,497,056	5,441,388	3,245,292
Income tax expenses	**(1,949,906)**	(3,083,321)	(5,798,453)	(2,965,394)	(1,871,696)
Profit for the year	**2,783,596**	3,676,626	3,698,603	2,475,994	1,373,596
Attributable to:					
Owners of the Company	**1,722,848**	3,028,005	2,988,242	1,943,703	1,250,075
Owners of perpetual capital securities	**527,775**	371,395	349,830	246,621	–
Non-controlling interests of subsidiaries	**532,973**	277,226	360,531	285,670	123,521
	2,783,596	3,676,626	3,698,603	2,475,994	1,373,596

ASSETS AND LIABILITIES

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Total assets	**103,280,887**	90,788,039	78,951,703	69,735,458	50,400,131
Total liabilities	**(70,239,033)**	(62,224,022)	(54,184,261)	(48,121,032)	(36,167,503)
	33,041,854	28,564,017	24,767,442	21,614,426	14,232,628
Attributable to:					
Owners of the Company	**20,927,845**	18,866,049	17,398,063	15,635,078	13,291,831
Owners of perpetual capital securities	**6,952,437**	6,961,919	4,632,638	4,633,096	–
Non-controlling interests of subsidiaries	**5,161,572**	2,736,049	2,736,741	1,346,252	940,797
	33,041,854	28,564,017	24,767,442	21,614,426	14,232,628

Road King Infrastructure Limited