Overseas Chinese Town (Asia) Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366

ANNUAL REPORT 2020

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Dafan *(Chairman)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Lin Kaihua

Non-executive Director

Mr. Wang Wenjin

Independent Non-executive Directors

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

AUDIT COMMITTEE

Ms. Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Wang Wenjin

REMUNERATION COMMITTEE

Ms. Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Wang Wenjin

NOMINATION COMMITTEE

Mr. Zhang Dafan *(Chairman)*
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Fong Fuk Wai *(FCPA, FCCA)*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

59/F., Bank of China Tower, 1 Garden Road, Hong Kong

REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman
Cayman Islands

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Development Bank Hong Kong Branch
China Everbright Bank Co., Ltd. Hong Kong Branch
Hang Seng Bank Limited
Industrial Bank Co., Ltd. Hong Kong Branch
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK INFORMATION

Listing Date: 2 November 2005
Stock Code: 03366
Stock Short Name: OCT (ASIA)

COMPANY'S WEBSITE

http://www.oct-asia.com

AUTHORISED REPRESENTATIVES

Ms. Xie Mei
Mr. Fong Fuk Wai

Financial Highlights

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Revenue	**1,306,550**	2,071,903
Profit attributable to equity holders of the Company	**63,757**	266,961
Basic (loss)/earnings per share (RMB)	**(0.29)**	0.04

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	2020 RMB'000	2019 RMB'000
Cash at bank and on hand	**4,272,938**	2,681,489
Total assets	**25,421,957**	26,455,402
Total assets less current liabilities	**20,787,543**	19,236,335
Equity attributable to equity holders of the Company	**9,430,396**	9,346,075

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased, on behalf of Overseas Chinese Town (Asia) Holdings Limited (the "Company") and its subsidiaries (the "Group"), to present to all shareholders the business review and outlook for 2021 of the Group for the year ended 31 December 2020 (the "Period under Review" or "Current Period").

Chairman
Zhang Dafan

BUSINESS REVIEW

In 2020, the "COVID-19" epidemic interrupted the pace of global economic recovery, and profound changes have taken place in the international political and economic landscape. Faced with the complicated international and domestic situations, the Chinese government maintained its strategic determination and decisively adopted a series of measures to coordinate epidemic prevention and control and economic and social development. The epidemic control has achieved remarkable results, and the resumption of work and production, and the resumption of business and markets were progressing in an orderly manner. The Chinese government has implemented a proactive fiscal policy and a flexible and appropriate monetary policy in accordance with local conditions and time, and continued to deepen reforms, promoted the conversion of economic growth momentum and structural optimization, technological innovation and the rebound in consumption, and helped China's economy take the lead in the world to resume growth, and the GDP growth rate reached 2.3% in 2020.

During the Period under Review, in the face of severe internal and external challenges, on one hand, the Group adhered to the concept of steady operation and long-term development, constantly advanced the strategic transformation and proactively adopted measures to seize opportunities, so as to revitalising existing assets, optimising the balance sheet and mitigating the impact of COVID-19 pandemic. On the other hand, the associates of the Group affected by the COVID-19 pandemic to a different extent, resulting in fluctuation in investment gains of the year as compared to the last year. Even though the net profit attributable to the equity holders of the Company decreased, as to the equity investment and fund business, the Group showed up in the field of investment after continuous optimisation and with experience of years in fundraising, investment, management and exit of the fund, which improved the influence in the industry and the preliminary investment also was ushering in the exit.

In 2020, the Group actively strengthened and optimized its industrial investment business. During the Period under Review, the Group continued to focus on capital and assets, strengthened linkages with partners, actively perfected the asset structure and strictly controlled risks on the liability side. On the capital side, the Group successfully completed the fundraising of OCT Lvwen Technology Fund under the premise of insufficient market confidence in 2020, from which the fund scale under management has been proactively expanded. In 2020, the Group flexibly utilized instruments in the capital market and revitalized a number of projects such as the Xi'an OCT Land, Chengdu OCT and Tongcheng-Elong in a high efficient manner, which improved the Company's cash reserves and asset turnover efficiency. On the asset side, in 2020, the Group innovated its investment model, actively cooperated with industrial capital and financial capital partners, and made investments in urbannisation projects through its Runyu Fund, which improved the Company's industrial investment scale. In 2020, the Group was awarded as one of the "Top 50 Chinese State-owned Investment Institutions of 2020" by Zero2IPO, the "Top 30 Best Venture Capital Institutions in Guangdong-Hong Kong-Macao Greater Bay Area of 2020" by ChinaVenture and the "Top 10 Investment Institutions of Chinese Culture Industrial Investment Institutions of 2019-2020" by Chinese Venture, etc., with its professional investment capabilities being well recognized in the market.

OUTLOOK FOR 2021

The year 2021 marks the beginning of China's "14th Five-Year" Plan. There are still great uncertainties in the domestic and foreign environment, the global political and economic landscape is still complex and changeable, and the competition and frictions between China and the United States in the fields of economy, trade and technology will continue, and "steady growth" will remain an important point for the implementation of policies by the government of China. China has a vast economic hinterland and the largest consumer market in the world, which provides fertile soil for the continuous and rapid growth of new economies and new businesses. It is expected that the Chinese economy will maintain strong growth resilience and improving quality of growth as well as deepening opening-up polices in the "post-epidemic" era.

Looking ahead to the capital market in 2021, the Group believes that China's strong economic recovery has laid a good foundation for investment and financing in the capital market, and corporate profits will improve and investment opportunities will increase; at the same time, Chinese government emphasizes that fiscal and monetary policies of "no sharp turn", and the credit environment is expected to remain relatively good. The Group will continue to uphold the principle of prudence, strengthen risk identification and control, continuously improve the efficiency of resource allocation, and strive for stability and long-term development.

The Group takes advantage of the trend and leverage the momentum. 2021 is a new starting point for the Group to implement established strategies and achieve high-quality growth. The Group will focus on the strategic positioning of building a "cultural tourism + technology" cross-border investment and asset management company, optimize and strengthen equity investment and fund management business, as well as develop and deepen the "cultural tourism + technology" sub-ecology. The Group will continue to improve management efficiency and optimize business processes: on the fund-raising side, the Group will continue to strengthen cooperation with industrial capital and financial capital, expand financing channels, increase fund-raising efforts, and continuously increase the scale of fund management; on the investment side, the Group will continue to deepen the investment layout in key cities in the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, actively seize the investment opportunities in the "post-epidemic" era, and focus on investing in the tourism consumption industry chain led by consumption upgrading, the "cultural

tourism + technology" industry chain led by technological innovation, and cultural tourism urbanization investment products led by production promotion by financing; on the management side, the Group will persist to the bottom line of compliance, strengthen dynamic risk assessment and inspection, etc. and take full advantage of OCT brand and industrial resources to empower the invested enterpises, supporting their high quality development; on the withdrawal side, the Group will strengthen the flexible use of various innovative financial instruments in capital market, accelerate the revitalization and turnover of existing assets, and continuously optimize the asset structure and financial resource allocation.

Glorious achievements have been achieved last year, and next year we will make further progress. With the increase in the proportion of vaccinated people, the impact of the "COVID-19" epidemic will gradually dissipate. The Group will seize the development opportunities from the comprehensive start of the "14th Five-Year Plan" of China and accelerate the deployment of trending investment opportunities such as cultural and tourism industry consumption upgrades, digitalization of cultural and tourism industry as well as cultural and tourism urbanization products, and will pioneer and innovate, take the initiative, and strive to continue to create outstanding performance to reward to shareholders and the society.

Overseas Chinese Town (Asia) Holdings Limited
Chairman of the Board
Zhang Dafan

31 March 2021

Management Discussion and Analysis

Executive Director and
Chief Executive Officer
Xie Mei

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results and Business Review

In the first half of 2020, COVID-19 raided the world and increased instability of the world economy, but the crisis gave birth to new opportunities and new situations amidst changes. In the second half of the year, with the effective control of domestic epidemic, economic recovery showed a good momentum, and the overall investment atmosphere improved. The Group actively seized market opportunities, adjusted asset structure, and persevered in financing difficulties. The scale of asset management has steadily increased. The Group adhered to the value in the selection of investment targets and completed urbanization equity projects and fund investment through direct equity investment, industrial funds, etc. The Group continued to innovate in exit methods, realized project exit with the help of offshore funds, and formed replicable exit models to increase the speed of asset turnover. With its professional and industrial advantages, the Group will continue to optimize the closed-loop asset management of "fundraising, investment, management, and exit" to create comprehensive asset management capability.

During the Current Period, the Group recorded a revenue of approximately RMB1.307 billion, representing a decrease of approximately 36.9% as compared to the same period of 2019, which was mainly due to the decrease in revenue from the Chengdu OCT Project. In addition, profit attributable to equity holders of the Company amounted to approximately RMB64 million, representing a decrease of approximately 76.1% as compared with the same period of 2019, which was mainly due to the decrease in profit of equity investments and fund business.

Management Discussion and Analysis

Comprehensive Development Business

In 2020, China's real estate market has withstood the test of the epidemic. The sales in the first quarter were most affected, but since the second quarter, the market has gradually recovered and grown for the year, and the Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area have shown positive trend. In terms of policy, under the background of the main tone of "houses are for inhabitation, not for speculation, and implementing policies according to local conditions", there was an overall trend of loosening then tightening throughout the year, maintaining a stable and healthy development of the market. In terms of products, products for improvement performed well in the new housing market, and the demand continues.

The comprehensive development projects invested by the Group focus on cities in the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and other core metropolitan areas, and products for improvement are the majority. Although affected by the epidemic, newly acquired projects were launched ready for sale by the end of the year, crashing the construction period. Property sales grasped the policy pace, sped up the process of sales, and realized the equity exit of Chengdu OCT and Xi'an OCT Land Project. During the Current Period, the Group recorded a revenue from the comprehensive development business of approximately RMB1.279 billion, representing a year-on-year decrease of approximately 37.6% as compared to the same period in 2019, and a segment profit attributable to equity holders of the Company amounted to approximately RMB360 million, as compare to a loss of approximately RMB57.24 million for the same period in 2019.

Management Discussion and Analysis

The operation of each project of the Group is as follows:

No.	Name of project	Location	Use of Land	Area of land (ten thousand m^2, full caliber)	Gross floor area (ten thousand m^2, full caliber)	Way of acquisition	Percentage of interest	Phase of project
1	Hefei OCT Bantang Hot Spring Town Project	Hefei	Residential+ Commercial+ Hotel+ Waterpark	41.5	34.5	Listing-for-Sale	51.00%	Being marketed
2	Hefei Airport International Town Project	Hefei	Residential+ Commercial+ Hotel	69.5	84.8	Listing-for-Sale	51.00%	Being marketed
3	Zhongshan Yuhong Project	Zhongshan	Residential	9.1	27.2	Equity acquisition	21.00%	Being marketed
4	Shanghai Suhewan Project	Shanghai	Residential+ Commercial+ Hotel	7.1	43.0	Equity acquisition	50.50%	Being marketed
5	Chongqing OCT Land Project	Chongqing	Residential	18.0	44.0	Listing-for-Sale	49.00%	Being marketed

Management Discussion and Analysis

Hefei Airport International Town Project (owned as to 51% by the Company)

The phase I land parcel of Hefei Airport International Town Project is situated at the core of the Hefei Airport Economic Demonstration Zone. Hefei Airport Economic Demonstration Zone is a provincial project of Anhui province that has formed a cluster of integrated circuit, new energy automobiles, 5G, artificial intelligence and other high technology industries, and attracted the best of domestic and international talents. During the Current Period, the OCT Hefei Airport International Town Project Exhibition Center was launched to show the development vision of "post-urbanisation development demonstration" and development idea of "technology innovation+culture and creativity", building the project into an online celebrity check-in place in Hefei. During the Current Period, the contracted sales area and amount of the project were approximately 238,600 sq.m. and approximately RMB2,470 million, respectively.

Hefei OCT Bantang Hot Spring Town Project (owned as to 51% by the Company)

Situated at core tourism hotspots of Chaohu, the land parcel of the Hefei OCT Bantang Hot Spring Town Project is in close vicinity to the Chaohu Bantang Hot Spring Resort in Hefei City, the only national tourism resort in Anhui province. Since the start of the project, Hefei OCT Bantang Hot Spring Town has successively carried out activities such as "Small Town Life Aesthetics Season", National Day Carnival, "Intangible Cultural Heritage Workshop" and other activities and cultural travel experiences, which have triggered the widespread dissemination of Chaohu culture. During the Current Period, the contracted sales area and amount of the project were approximately 2,100 sq.m. and approximately RMB29 million, respectively.

Zhongshan Yuhong Project (owned as to 21% by the Company)

During the Current Period, the Group held 21% equity interest in Zhongshan Yuhong Real Estate Development Limited* (中山禹鴻房地產開發有限公司) ("Zhongshan Yuhong"). Situated at the Zhongshan Torch Development Zone* (中山市火炬開發區), the project enjoyed the geographical advantages as an important innovation base for the technology industry in the Guangdong-Hong Kong-Macao Greater Bay Area. The high-rise residential properties of Phase I of Zhongshan Yuhong Project commenced sales in October 2020. During the Current Period, the contracted sales area and amount of the project were approximately 49,400 sq.m. and approximately RMB944 million, respectively.

Shanghai Suhewan Project (owned as to 50.5% by the Company)

The Shanghai Suhewan Project is favourably situated at the junction of Suzhou River and Huangpu River banks and within the core district of the Inner Ring, Shanghai, adjoining the Bund and facing Lujiazui across the river, and possesses highly scarce landscape resources. The project is an integration of arts and humanities, fashion business, high-end residence and urban entertainment. During the Current Period, the contracted sales area and amount of the project were approximately 7,200 sq.m. and approximately RMB518 million, respectively, and the settled area and amount were approximately 7,400 sq.m. and approximately RMB532 million, respectively. Through fine management and multiple methods to overcome the impact of the COVID-19 pandemic, the revenue of Bvlgari Hotel operated thereunder is basically the same as last year.

Management Discussion and Analysis

Chongqing OCT Land Project (owned as to 49% by the Company)

The Chongqing OCT Land Project is located at Lijia Block, New North Zone, Chongqing City. The project overlooks the panorama of Jialing River with the Happy Valley theme park in the neighborhood. During the Current Period, the contracted sales area and amount of the project were approximately 47,900 sq.m. and approximately RMB695 million, respectively, and the settled area and amount were approximately 111,800 sq.m. and approximately RMB1,663 million, respectively.

Industrial Park Project

During the Current Period, the Group had industrial park projects in regions including Suzhou, Jiangsu province, Chuzhou, Anhui province and Huizhou, Guangdong province, offering a leasable area of approximately 179,000 sq.m. The parks were operated in good conditions with rental income for the year exceeding RMB21.54 million.

Equity Investment and Fund Business

In 2020, with the downward pressure on the macro economy brought by the COVID-19 pandemic, together with the increasingly stringent regulatory environment, for equity investment, the fundraising became more difficult, the industry concentration has increased, and the market has shown a structural trend of, for example, having more active state-owned entities. With the domestic pandemic under control, the number and amount of equity investment in the second half of 2020 has improved significantly. Companies in the mature and expansion phases have become popular investment, and those in initial phases have less intention. The pandemic and the Sino-US trade and industrial disputes have increased the attention of investment institutions to industries such as medical, high-end manufacturing, and technology and investment activities in related fields has significantly increased. During the year, the Science and Technology Innovation Board ran steadily for the first full year and the piloted reform of the registration system expanded the exit channels.

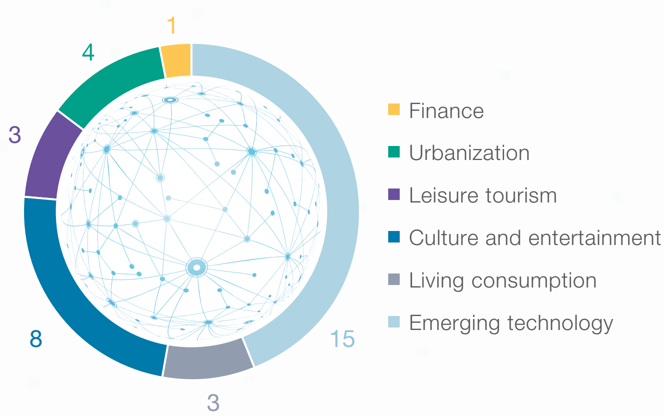
Management Discussion and Analysis

Being the only offshore listed platform of OCT Group, the Group has the ability to flexibly link the advantageous industrial resources including culture, tourism and technology of OCT Group. Direct equity investment and fund management business will be based in the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, focusing on industries such as culture, tourism, technology, education, consumption, pan-health and new urbanization, fully exert the advantages of industrial capital investment and mergers and acquisitions, enhance the investment management efficiency, explore ways of synergy and linkage and promote the rapid development of investees.

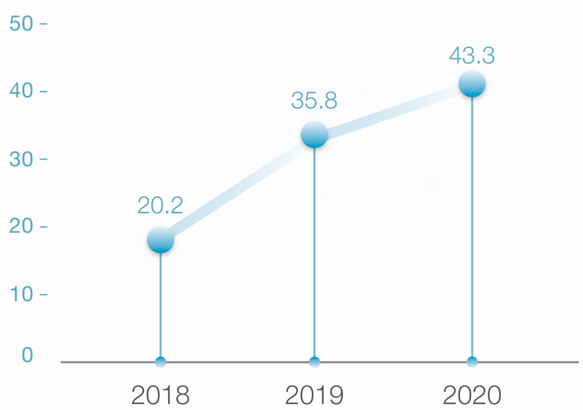
As of the end of 2020, the total size of funds under management of and invested by the Group amounted to approximately RMB4.3 billion, representing an increase of approximately 19.4% as compared with that of last year. In terms of fundraising, the Group and Dongguan Industrial Parent Fund and Yueke and other well-known state-owned institutions established OCT Lvwen Technology Fund, an actively managed fund, with the size of RMB300 million and investment in fields including cultural tourism, information technology, artificial intelligence, new retails (consumption) and modern education. In terms of investment, Xiamen OCT Runyu Fund under the Group successfully completed the full investment of the fundraising, and implemented sustainable and fast-turnover investment products. In addition, the Group cooperated with CCB International and established offshore funds and invested in Xi'an OCT Land Project with a size of approximately HK$850 million, and held by the Group as to approximately 49%. During the Current Period, the Group disposed the shares of Tongcheng Elong in the secondary market and realized approximately HK$550 million.

During the Current Period, there was a segment loss attributable to the equity holders of the Company amounting to approximately RMB278 million, as compared to a profit of approximately RMB316 million for the same period in 2019, which was mainly due to the loss arising from investment in associates.

Bidding Industry Distribution of Investment in Funds by the Group



Fund Management and Total Investment Participation
(RMB '00 million)



Management Discussion and Analysis

Finance Lease Business

During the Current Period, the Group recorded a revenue of approximately RMB22.50 million from the finance lease business, representing a year-on-year increase of approximately 5.4% as compared to the same period in 2019. Profit attributable to equity holders of the Company amounted to approximately RMB7.21 million, representing a year-on- year increase of approximately 187.6%, as compared to the same period in 2019. During the Current Period, the Group achieved excellent performance in cash collection for existing projects under the finance lease business. As of the end of 2020, the total asset size of the Group's existing projects under the finance lease business amounted to approximately RMB380 million.

FINANCIAL REVIEW

As at 31 December 2020, the Group's total assets amounted to approximately RMB25.422 billion, representing a decrease of approximately 3.9% over that as at 31 December 2019; the Group's total equity amounted to approximately RMB13.225 billion, representing an increase of approximately 2.4% over that as at 31 December 2019.

For the year ended 31 December 2020, the Group realised revenue of approximately RMB1.307 billion, representing a decrease of approximately 36.9% compared to the same period of 2019, of which, revenue of the comprehensive development business was approximately RMB1.279 billion, representing a decrease of approximately 37.6% compared to the same period of 2019, primarily due to the decrease in revenue of Chengdu OCT Project; and revenue of the finance lease business amounted to approximately RMB22.50 million, representing an increase of approximately 5.4% compared to the same period of 2019, primarily due to the increase in business during the Current Period.

Management Discussion and Analysis

For the year ended 31 December 2020, the Group's gross profit margin was approximately 24.2% (2019: approximately 37.0%), representing a decrease of 12.8 percentage points compared to the same period of 2019, of which, the gross profit margin of the comprehensive development business was approximately 22.8%, representing a decrease of 13.5 percentage points compared to the same period of 2019, mainly due to the proactive minimisation of inventories and speeding up the exit of late-stage projects with lower gross profit margin in 2020; and the gross profit margin of the finance lease business was approximately 57.6%, approximating to that of the same period last year. The net profit margin of the comprehensive development business attributable to equity holders of the Company was approximately 28.1%, representing an increase of 30.9 percentage points compared to the same period of 2019, mainly attributable to the recognition of profit from disposal of Chengdu OCT Project and Xi'an OCT Land Project during the Period under Review; and the net profit margin of the finance lease business was approximately 32.1%, representing an increase of 20.4 percentage points compared to that of 2019, mainly due to the decrease in administrative expenses during the Period under Review generated from the Group's expansion of finance lease business in 2019.

For the year ended 31 December 2020, profit attributable to equity holders of the Company was approximately RMB64 million, representing a decrease of approximately 76.1% compared to the same period of 2019, of which, profit attributable to the comprehensive development business was approximately RMB360 million, comparing to the loss of approximately RMB57.24 million in the same period of 2019, mainly attributable to the recognition of profit from disposal of Chengdu OCT Project and Xi'an OCT Land Project during the Period under Review; profit attributable to the finance lease business was approximately RMB7.21 million, representing an increase of approximately 187.6% compared to the same period of 2019, mainly due to the decrease in administrative expenses; and loss attributable to the equity investment and fund business was approximately RMB277 million, comparing to the profit of approximately RMB316 million in the same period of 2019, mainly due to the loss arising from investment in associates.

For the year ended 31 December 2020, the basic loss per share attributable to shareholders of the Company was approximately RMB0.29, and the basic earnings per share was approximately RMB0.04 over the same period of 2019. The losses for the year were RMB24 million, as compared to a profit for the year of approximately RMB250 million of the same period last year, mainly due to the loss arising from investment in associates.

Affected by the COVID-19 pandemic on global economy, the Group has prudently assessed the investment in associates held. For the year ended 31 December 2020, the Group recognised impairment loss of RMB70 million for the investment in associates, the amount was calculated by estimation the Group's share of the present value of the estimated future cash flows under valuation technique.

Distribution Costs and Administrative Expenses

The Group's distribution costs for the year ended 31 December 2020 were approximately RMB98 million (2019: approximately RMB103 million), representing a decrease of approximately 5.3% compared to the same period of 2019, which was mainly due to the decrease in sales commissions and advertising expenses as a result of the decrease in revenue from the comprehensive development business.

The Group's administrative expenses for the year ended 31 December 2020 were approximately RMB352 million (2019: approximately RMB403 million), representing a decrease of approximately 12.7% as compared to the same period of 2019, of which, administrative expenses of the comprehensive development business were approximately RMB234 million (2019: approximately RMB282 million), representing a decrease of approximately 17.2% as compared to the same period of 2019, which was mainly due to the decrease in relevant costs caused

Management Discussion and Analysis

by the decrease in revenue; administrative expenses from the finance lease business were approximately RMB3.90 million (2019: approximately RMB4.84 million), representing a decrease of approximately 19.3% as compared to the same period of 2019, which was mainly due to the decrease in professional consultant fees; and administrative expenses of the equity investment and fund business were approximately RMB16.55 million (2019: approximately RMB16.73 million), which were approximate with that of the same period last year.

Interest Expenses

The Group's interest expenses for the year ended 31 December 2020 were approximately RMB183 million (2019: approximately RMB269 million), representing a decrease of approximately 31.9% as compared to the same period of 2019, of which, interest expenses of the comprehensive development business were approximately RMB100 million (2019: approximately RMB113 million), representing a decrease of approximately 12.0% as compared to the same period of 2019, mainly due to the decrease in the weighted average ratio of loans; interest expenses of the finance lease business were approximately RMB9.27 million (2019: approximately RMB8.46 million), representing an increase of approximately 9.5% as compared to the same period of 2019, mainly due to the increase in the weighted average amount of loans; and interest expenses of the equity investment and fund business were approximately RMB69.19 million (2019: approximately RMB111 million), representing a decrease of approximately 38.0% as compared to the same period of 2019, mainly due to the decrease in the weighted average ratio of loans.

Dividends

The Board resolved not to proposed payment of a final dividend for the year ended 31 December 2020 (2019: HK$1.25 cents per ordinary share) after considering the Company's long-term development and active participation of potential investment opportunities.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2020 was approximately RMB13.225 billion (31 December 2019: approximately RMB12.919 billion); current assets were approximately RMB13.645 billion (31 December 2019: approximately RMB9.564 billion); current liabilities were approximately RMB4.634 billion (31 December 2019: approximately RMB7.219 billion). The current ratio was approximately 2.94 as at 31 December 2020, representing an increase of 1.62 as compared to that as at 31 December 2019 (31 December 2019: approximately 1.32), mainly due to the Group having sold the Chengdu OCT Project and Xi'an OCT Land Project to revitalize existing funds during the Current Period. The Group generally finances its operations with internally generated cash flow, credit facilities provided by banks and shareholder's loans.

As at 31 December 2020, the Group had outstanding bank and other loans of approximately RMB6.606 billion, of which, approximately RMB2.078 billion was fixed-rate loans (31 December 2019: outstanding bank and other loans of approximately RMB8.116 billion, without any fixed-rate loans). As at 31 December 2020, the interest rates of bank and other loans of the Group ranged from 1.33% to 4.75% per annum (31 December 2019: ranged from 3.37% to 4.99% per annum). Some of those bank loans were secured by certain assets of the Group and corporate guarantees provided by certain related companies of the Company. The Group's gearing ratio (being the total borrowings including bills payable and loans divided by total assets) was approximately 34.7% as at 31 December 2020, representing an increase of 0.3 percentage point as compared with approximately 34.4% as at 31 December 2019, which was approximate with that of the same period last year.

As at 31 December 2020, approximately 53.8% of the total amount of outstanding bank and other loans of the Group amounting to approximately RMB3.556 billion was

Management Discussion and Analysis

in Hong Kong Dollars (31 December 2019: approximately 61.9%); and approximately 46.2% of which amounting to approximately RMB3.050 billion was in Renminbi (31 December 2019: approximately 38.1%). As at 31 December 2020, approximately 0.4% of the total amount of cash and cash equivalents of the Group was denominated in United States Dollars (31 December 2019: approximately 58.5%), approximately 59.4% of which was denominated in Renminbi (31 December 2019: approximately 32.9%) and approximately 40.2% of which was denominated in Hong Kong Dollars (31 December 2019: approximately 8.6%).

The Group's liquidity position remains stable. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars and United States Dollars. For the year ended 31 December 2020, the Group has not experienced any material difficulties in or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. For the year ended 31 December 2020, the Group did not enter into any foreign exchange forward contracts and other material financial instruments for hedging foreign exchange risk purpose.

Contingent Liabilities

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate, the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance if the deposit balance is insufficient.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the properties and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. Therefore, no liabilities are recognised in respect of these guarantees.

As at 31 December 2020, guarantees given by financial institutions for mortgages facilities granted to buyers of the Group's properties amounted to approximately RMB100 million in total (31 December 2019: approximately RMB322 million).

OUTLOOK FOR 2021

Comprehensive Development Business

In 2021, with the establishment and implementation of a long-term mechanism for the real estate industry, it is expected that future policies will remain consistent, under the main tone of "houses are for inhabitation, not for speculation, and implementation policies according to local conditions", strengthening risk control, cultivating core areas, and exerting brand and product strength will become the homeopathic way to maintain competitive advantage.

The Group will accelerate the development process of high-quality characteristic comprehensive development projects, continue to promote the realisation of existing properties, accelerate asset turnover, finely manage costs, and improve the efficiency of capital utilization. At the same time, we will actively acquire low-cost land, reserving comprehensive development projects in core metropolitan areas such as the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area.

In 2021, the Group's comprehensive development projects are planned as follows: Hefei Airport International Town project is scheduled to promote the sales of residential and commercial area of approximately 201,000 square meters. Hefei OCT Bantang Hot Spring Town project is scheduled

Management Discussion and Analysis

to promote the sales of residential and commercial area of approximately 112,000 square meters. The hotel and certain commercial projects are planned to start at the second half of 2021. Zhongshan Yuhong project is scheduled to continue to promote the high-rise residential sales plan, with a saleable area of approximately 92,600 square meters. Shanghai Suhewan project and Chongqing OCT Land project will continue to increase product sales.

Equity Investment and Fund Business

In 2021, the private equity investment industry will have new usher in a new round of development opportunities amid adjustments. With policies encouraging the entry of long-term funds such as those from banks and insurance, and increasing support, the private equity investment industry may have more resources. The implementation of the comprehensive registration system will be accelerated, and the exit channels will be smoother and more diverse. Meanwhile, an intensification of industry competition, increasing financial supervision, a return to value investment, a focus on risk control and strengthening post-investment management will lay the foundation for the development and prosperity of investment institutions. Benefiting from these, industrial capital will have a good time for investment allocations. In addition, as the downward pressure on the global economy will increase and uncertain factors will lead to increased risk aversion, mature companies in middle and late stages will also receive more capital attention.

In 2021, the Group will actively implement the established strategies. In terms of fundraising, the Group will continue to expand the scale of fund management with government-guided funds and high-quality enterprises in the industry as its main partners. In terms of investment, the Group will combine direct equity investment with industry funds, to reasonably match short-term, medium-term and long-term project investments. Qiaorun Investment Partnership will continue to accelerate corporate equity investment in urbanization projects in the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta Economic Zone and other regions. OCT Tourism and Culture Technology Fund will actively seek high-quality companies with the potential to become a leader in the segment, and carefully select high-quality projects. In early 2021, it has invested in Liweijia (a home Internet platform) and Yidong Technology (a research and development and manufacturing company of marine electric drive system). In terms of management, the Group will actively reserve high-quality equity investment projects, and strengthen the post-investment empowerment with the invested companies in the advantageous industries of OCT Group. At the same time, the Company will continue to optimize the post-investment management system, strengthen the risk identification and response capabilities of the investee enterprises to minimize investment risks. In terms of exit, the Group's equity investment projects and fund investments will usher in partial exits, contributing investment income and bringing back capital.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this report, the Group has no significant investment, or any material acquisitions or disposal of subsidiaries, associated companies or joint ventures for the year ended 31 December 2020. Save as disclosed in this report, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this report.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had approximately 314 full-time employees. The basic salaries of the employees of the Group are determined with reference to the industrial benchmark, the employees' experience and their performance, and equal opportunities will be offered to all the staff. Salaries of our employees are maintained at a competitive level and reviewed annually, with reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits, the Group provides discretionary bonuses based on the Group's operating results and the individual performance of the staff.

Management Discussion and Analysis

IMPORTANT EVENTS

Disposal of Listed Securities in Tianli Education

On 3 January 2020, City Legend Limited ("City Legend"), a subsidiary of the Company, disposed of an aggregate of 42,666,000 Tianli Education shares in a series of transactions on the market and through block trade. After a further decrease in shareholding, the Group ceased to hold any Tianli Education shares. For further details, please refer to the announcement of the Company dated 3 January 2020.

Establishment of Dongguan City OCT Lvwen Technology Investment Partnership (Limited Partnership)

On 6 March 2020, 深圳市華僑城華鑫股權投資管理有限公司 (Shenzhen OCT Huaxin Equity Investment Management Limited) ("OCT Huaxin") and 深圳市華友投資有限公司 (Shenzhen Huayou Investment Co., Ltd.) ("Shenzhen Huayou"), indirect wholly-owned subsidiaries of the Company, entered into a limited partnership agreement with Dongguan City Industrial Investment Parent Fund Co., Ltd.* (東莞市產業投資母基金有限公司), Guangdong Province Yueke Songshan Lake Innovation Venture Capital Parent Fund Co., Ltd.* (廣東省粵科松山湖創新創業投資母基金有限公司) and Dongguan City Multiplier Program Industrial M&A Parent Fund Partnership* (東莞市倍增計劃產業併購母基金合夥企業) for the establishment of a limited partnership for investment purpose. The total capital contribution subscribed for by all the partners to the partnership is RMB300 million. For further details, please refer to the announcement of the Company dated 6 March 2020.

Renewal of Finance Lease and Factoring Framework Agreements

As the 2019 Finance Lease and Factoring Framework Agreements will expire on 18 June 2020, on 18 May 2020, 華僑城融資租賃有限公司 (OCT Financial Leasing Co., Ltd.) ("OCT Financial Leasing"), a direct wholly-owned subsidiary of the Company, entered into agreements with 華僑城集團有限公司 (Overseas Chinese Town Group Company Limited) ("OCT Group") and 深圳華僑城股份有限公司 (Shenzhen Overseas Chinese Town Company Limited) ("OCT Ltd."), pursuant to which OCT Financial Leasing agreed to provide finance lease and factoring services to OCT Group and OCT Ltd., respectively. For further details, please refer to the announcement dated 18 May 2020 and the circular dated 29 May 2020 of the Company.

Issue of US$800,000,000 Perpetual Capital Securities

The Company issued perpetual capital securities with a total principal of US$800,000,000 in two installments which were unconditionally guaranteed by OCT Group and listed on The Stock Exchange of Hong Kong Limited. The initial distribution rate was 4.50%. For further details, please refer to the announcements dated 6 July 2020 and 9 July 2020 and the listing notices dated 15 July 2020 and 25 August 2020 of the Company.

Entering into A Finance Lease Agreement for Chengdu Happy Valley

On 13 August 2020, Chengdu Tianfu OCT Industry Development Co., Ltd.* (成都天府華僑城實業發展有限公司) ("Chengdu OCT"), an indirect non-wholly owned subsidiary of the Company, entered into a finance lease agreement with CMB Financial Leasing Co., Ltd. (招銀金融租賃有限公司), pursuant to which: (i) CMB Financial Leasing Co., Ltd. conditionally agreed to purchase certain amusement and ancillary facilities (such as roller coaster and waterpark facilities) used in Chengdu Happy Valley currently owned by Chengdu OCT, and (ii) following the acquisition, CMB Financial Leasing Co., Ltd. conditionally agreed to lease the leased assets to Chengdu OCT, for a lease term of 36 months. For further details, please refer to the announcement dated 13 August 2020 and the circular dated 30 September 2020 of the Company.

Assignment of 50.99% of Equity Interest and Debt in Chengdu OCT

Bantix International Limited ("Bantix International") entered into the equity transfer agreement with OCT (Chengdu) Investment Co., Ltd. (華僑城(成都)投資有限公司) ("OCT Chengdu Investment") and Chengdu OCT on 4 September

Management Discussion and Analysis

2020 in relation to the transfer of 50.99% of the equity interest in Chengdu OCT to OCT Chengdu Investment at the consideration of RMB1,092 million; Bantix International, OCT Chengdu Investment and Chengdu OCT entered into the debt transfer agreement on 4 September 2020 in relation to the assignment of the debt of RMB160 million from Bantix International to OCT Chengdu Investment. For further details, please refer to the announcement dated 4 September 2020 and the circular dated 30 September 2020 of the Company.

Subscription of 49% Interest in the Cayman Fund and Disposal of Part Equity Interest of the Target Company

The Company and HNW Investment Fund Series SPC entered into the cooperation agreement on 8 December 2020 in relation to (among others) (i) the subscription of not more than 49% interest of Serica segregated portfolio at the subscription amount of not more than HK$417 million; (ii) the disposal of the entire issued shares of City Turbo Limited (港名有限公司) ("City Turbo") (including the entire assets, rights and liabilities of City Turbo) at the consideration of approximately HK$2,037 million; and (iii) the granting of share repurchase options to other investors in respect of their respective participating shares. For further details, please refer to the announcement dated 8 December 2020 and the circular dated 15 December 2020 of the Company.

Disposal of Listed Securities of Tongcheng-Elong

City Legend disposed on-market the listed securities of Tongcheng-Elong in a series of transactions. After six disposals, the Group held 70,549,880 of Tongcheng-Elong shares, accounting for approximately 3.25% of the issued share capital of Tongcheng-Elong as at 30 November 2020. For further details, please refer to the announcements dated 28 August 2020, 11 November 2020, 17 November 2020, 20 November 2020, 2 December 2020 and 18 December 2020 of the Company in relation to six disposals and the circular dated 31 December 2020.

SUBSEQUENT EVENTS

Further Disposal of Listed Securities of Tongcheng-Elong

City Legend disposed on-market the listed securities of Tongcheng-Elong in a series of transactions. As at the date of this report, the Group held 46,925,080 of Tongcheng-Elong shares, accounting for approximately 2.14% of the issued share capital of Tongcheng-Elong as at 28 February 2021. The Board proposed a further dispose of up to 46,925,080 Tongcheng-Elong shares, which will constitute a very substantial disposal of the Group. For further details, please refer to the announcements dated 17 February 2021, 19 February 2021 and 25 February 2021 of the Company.

Establishment of Xiamen Qiaorun Investment Partnership (Limited Partnership)(廈門僑潤投資合夥企業(有限合夥))

On 23 February 2021, Shenzhen Huayou and 深圳華僑城港亞控股發展有限公司 (Shenzhen OCT Gangya Holdings Development Co., Ltd.) ("OCT Gangya"), both of which are indirect wholly-owned subsidiaries of the Company, entered into the limited partnership agreement with Panxing Capital Management (Shenzhen) Co., Ltd.* (潘興資本管理(深圳)有限公司), Shanghai Xuxiang Trading Co. Ltd.* (上海煦翔貿易有限公司) and Xiamen Zhongmao Yitong Commerce Co., Ltd. (廈門中茂益通商貿有限公司) in relation to the establishment of a partnership for the purpose of investment. The total capital contribution to be subscribed by all partners to the partnership is RMB800,020,000. The capital contribution to be subscribed by the Group will be RMB600,010,000. For further details, please refer to the announcement of the Company dated 23 February 2021.

Directors and Senior Management

DIRECTOR

Executive Directors

Mr. Zhang Dafan, aged 54, being an executive Director and the Chairman of the Company, is currently the vice president of OCT Ltd. (which wholly owns Overseas Chinese Town (HK) Company Limited ("OCT (HK)") and listed on the Shenzhen Stock Exchange), the chairman of the board of OCT (HK) (which wholly owns Pacific Climax Limited, a controlling shareholder of the Company), the general manager of the west division of OCT Ltd., a general manager of Overseas Chinese Town West Division Company Limited (華僑城西部投資有限公司) (a wholly-owned subsidiary of OCT Group). Since joining OCT Group in 1991, Mr. Zhang had worked as, including but not limited to: (i) the deputy general manager of the import and export division of OCT Group; and (ii) the deputy general manager of OCT (HK). He is the Chairman of the nomination committee of the Company. Mr. Zhang graduated from Nanjing Aeronautical Institute (南京航空學院) in 1988 with a bachelor's degree in engineering, specialising in industrial management engineering. In 1999, he obtained a master's degree in economics, specialising in industrial economics, from Renmin University of China (中國人民大學).

Ms. Xie Mei, aged 53, being an executive Director and the chief executive officer of the Company, joined the Group in 2004. She also holds directorships in various subsidiaries of the Company, including Hefei OCT Industrial Development Co., Ltd.* (合肥華僑城實業發展有限公司). Ms. Xie is also the president assistant of OCT Ltd., the director and general manager of OCT (HK), and the deputy general manager of Shenzhen OCT Capital Investment Management Company Limited* (深圳華僑城資本投資管理有限公司) (a wholly-owned subsidiary of OCT Group), whilst acting as a non-executive director of each of Yuzhou Group Holdings Company Limited (stock code: 1628.HK) and E-House (China) Enterprise Holdings Limited (stock code: 2048.HK). Ms. Xie joined OCT Group in 1994 and she had been a deputy director and director of the strategic development department of OCT Group. Ms. Xie graduated from the Department of Electrical Engineering of Xi'an Jiaotong University and obtained a bachelor's degree in Engineering in 1989. She also obtained a master's degree in Economics from the Renmin University of China in 1999.

Mr. Lin Kaihua, aged 54, is the executive Director and the vice president of the Company. Mr. Lin holds directorships in various subsidiaries of the Company and the chairman of Beijing Guangying Real Estate Development Co., Ltd (北京廣盈房地產開發有限公司), an associate of the Company. He is also the deputy general manager of OCT (HK) and a director of Minsheng Education Group Company Limited (listed on the Main Board of the Stock Exchange, stock code: 1569.HK). Since joining OCT Group in 1992, Mr. Lin had held a number of positions including the deputy general manager and the chief financial officer of Overseas Chinese Town (Shanghai) Land Company Limited (a non-wholly owned subsidiary of the Company), the deputy general manager of Shenzhen Overseas Chinese Town Entertainment Investment Company Limited (深圳華僑城都市娛樂投資公司) (a wholly-owned subsidiary of OCT Ltd.), chief financial officer of OCT Ltd. and Shenzhen Bay Hotel (now known as "InterContinental Shenzhen"). Mr. Lin holds a bachelor's degree and a master's degree in accounting, and has obtained Certified Public Accountant and Senior Accountant title.

Directors and Senior Management

Non-executive Director

Mr. Wang Wenjin, aged 53, is currently the general manager of the strategic planning department of OCT Group and the director of the investment management department of OCT Ltd. He is also a director of Overseas Chinese Town (HK) Company Limited; chairman, director and general manager of Shenzhen OCT Investment Company Limited and a director of various subsidiaries of OCT Group, including Shenzhen Guangming Group Co., Ltd. (深圳市光明集團有限公司)、Happy Valley Cultural Tourism Development Co., Ltd.* (歡樂谷文化旅遊發展有限公司) and Yunnan World Expo Tourism Holding Group Company Limited* (雲南世博旅遊控股集團有限公司). Since joining the Group in 2006, Mr. Wang worked as the vice general manager of Shenzhen OCT Real Estate Company Limited (深圳華僑城房地產有限公司) ("OCT Real Estate"), the chair of the board and general manager of Shenzhen OCT Urban Renewal Investment Company Limited (深圳華僑城城市更新投資有限公司), and the deputy general manager of OCT Huanan Investment Company Limited (華僑城華南投資有限公司). Prior to joining OCT Group, Mr. Wang has served as a practicing lawyer. Mr. Wang graduated from Hunan Normal University (湖南師範大學) in 1989, majoring in physics, and graduated from Tsinghua University in 2005 with a Master of Business Administration.

Independent Non-executive Directors

Ms. Wong Wai Ling, aged 59, joined the Group in 2007. Ms. Wong holds a bachelor's degree of arts from the University of Hong Kong and a post-graduate diploma in accounting and finance from the London School of Economics and Political Science. Ms. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and has more than twenty years of extensive experience in accounting, tax, auditing and business. Ms. Wong had worked in various international and local audit firms for more than seven years until she began to be in private practice as a Certified Public Accountant since 1993. In addition to the Company, Ms. Wong is also an independent non-executive director and chairman of the audit committee and remuneration committee of Yongsheng Advanced Materials Company Limited (stock code: 3608.HK). Meanwhile, Ms. Wong is also a non-executive director of Hin Sang Group (International) Holdings Co., Ltd (衍生集團(國際)控股有限公司) (a company listed on the Main Board of the Stock Exchange, stock code: 6893.HK). Ms. Wong previously served as an independent non-executive director and chairman of the audit committee of AVIC International Holdings Limited (stock code: 00161), whose shares were listed on the main board of the Stock Exchange and has been delisted voluntarily since 17 April 2020. Ms. Wong previously served as an independent non-executive director and chairman of the audit committee of China Ruifeng Renewable Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0527.HK), an independent non-executive director of Glory Flame Holdings Limited (a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange, stock code: 8059.HK) and an executive director of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (a company listed on the GEM of the Stock Exchange, stock code: 8326.HK). Ms. Wong is the chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Company.

Directors and Senior Management

Professor Lam Sing Kwong Simon, aged 62, joined the Group in 2009. He is currently serving as a professor in management and business strategy at the faculty of Business and Economics of the University of Hong Kong, the Ian Davies Professorship in Ethics, as well as the director of the Research Centre of Asian Entrepreneurship and Business Values of the University of Hong Kong. Professor Lam is well known for his studies and research in corporate strategy, organization development and operations management, and has published a number of academic papers and case analysis on the said topics. Before joining the University of Hong Kong, Professor Lam had worked as a management consultant and as a regional manager for a bank. He has gained extensive experience in the area of corporate governance, strategy development and corporate finance. Professor Lam is also the independent non-executive director of Kwan On Holdings Limited (listed on the Main Board of the Stock Exchange, stock code: 1559.HK), and Sinomax Group Limited (listed on the Main Board of the Stock Exchange, stock code: 1418.HK). Professor Lam is also the non-executive director of Jacobson Pharma Corporation Limited (listed on the Main Board of the Stock Exchange, stock code: 2633.HK). Professor Lam is a member of the audit committee, the remuneration committee and the nomination committee of the Company.

Mr. Chu Wing Yiu, aged 63, joined the Group in 2019. Mr. Chu is a fellow member of the Chartered Insurance Institute of the United Kingdom and has been designated as a fellow, Life Management Institute of the Life Office Management Association. Mr. Chu is currently the independent non-executive director and chairman of the risk committee of Zurich Life Insurance (Hong Kong) Limited, and the independent non-executive director and chairman of the risk committee of SCOR Reinsurance Co. (Asia) Limited (法國再保險（亞洲）有限公司). Mr. Chu entered the insurance industry in Hong Kong in 1981, and is equipped with rich management experience. In the past, he acted as the director and chief executive officer of BOCI – Prudential Trustee Limited (中銀國際英國保誠信託有限公司) and the director of BOC Group Trustee Company Limited (中銀集團信託人有限公司). He also served as a director and head of Employee Benefits of the Employee Benefits Division of HSBC Insurance (Asia) Limited, as well as a director of the Bank of China Group Insurance Company Limited (中銀集團保險有限公司). Within the insurance industry, Mr. Chu is also currently a panel member of the Insurance Appeals Tribunal and the vice chairman of the Insurance Industry Training Advisory Committee, a member of the Independent Police Complaints Council, a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption and a member of the insurance subsector of the Election Committee for the election of Chief Executive of the Hong Kong Special Administrative Region.

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Xie Mei, aged 53, the Chief Executive Officer of the Company. Her biographical detail is set out on page 21 of this annual report.

Mr. Lin Kaihua, aged 54, the vice president of the Company. His biographical detail is set out on page 21 of this annual report.

Mr. Chen Hongjiang, aged 39, is the vice president of the Company. He currently also serves as the deputy general manager of OCT (HK), a director of Hefei OCT Huanchao Culture & Tourism Development Company Limited* (合肥華僑城環巢文旅置業發展有限公司), a non-wholly owned subsidiary of the Company, and a director of Overseas Chinese Town (Shanghai) Land Company Limited* (華僑城(上海)置地有限公司), a non-wholly owned subsidiary of the Company. Mr. Chen joined OCT Group in 2004, and had acted as the deputy general manager of the strategic development department of OCT Group and the vice supervisor of the investment management department of OCT Ltd.. Mr. Chen graduated from Harbin Institute of Technology in 2004 with a bachelor's degree in economics. He obtained a master's degree in business administration from Nankai University in 2011.

Mr. Zhang Xiaojun, aged 50, is the vice president of the Company and also holds various positions including director, supervisor or general manager in various subsidiaries of the Company. Mr. Zhang joined OCT Group in 1993. Mr. Zhang served as the general manager of Shenzhen OCT Gangya Holdings Development Co., Ltd. (深圳華僑城港亞控股發展有限公司) and the vice president of the Company since 2007. Mr. Zhang graduated from Zhuzhou Institute of Technology of Hunan (now known as Hunan University of Technology) and obtained his bachelor's degree in engineering.

Mr. Fong Fuk Wai, aged 57, is the chief financial officer, company secretary and qualified accountant of the Company. He concurrently serves as a supervisor of various subsidiaries of the Company. Mr. Fong joined the Group in 2005. Prior to joining the Group, Mr. Fong worked with an international CPA firm and members of companies listed in Hong Kong. He had held the positions of senior accountant, manager and financial controller. Mr. Fong graduated from the Hong Kong Polytechnic University and obtained a bachelor's degree in Accountancy in 1994, and subsequently obtained a master's degree in business administration at the Chinese University of Hong Kong in 1999. Mr. Fong is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Ms. Qi Jianrong, aged 49, is the vice president of the Company, an accountant and an economist. Ms. Qi also holds directorships or supervisor positions in various subsidiaries of the Company. Ms. Qi joined OCT Group in 1994, and had served as manager of financial development department and finance department, accounting manager of the finance department and the assistant to the chief financial officer of InterContinental Shenzhen, manager of financial operation department and chief accountant of the Venice Hotel Shenzhen and the supervisor of the finance department of OCT (HK). Ms. Qi also served as the vice financial officer of Seaview Hotel (海景酒店) and vice president, chief financial officer and the secretary to the board of Shenzhen City Rough Diamond Trading Centre Company Limited. Ms. Qi graduated from the Department of International Finance of Jinan University in 1994, where she obtained her bachelor's degree in economics.

Ms. Cheng Mei, aged 48, is the vice president of the Company and holds directorship or supervisor in various subsidiaries of the Company. Ms. Cheng joined the Company in 2005, and had served as a vice supervisor and a supervisor of the Board of Director office of the Company. Prior to joining the Group, Ms. Cheng had successively worked for a tourism group and OCT (HK). Ms. Cheng graduated from Beijing International Studies University and obtained her bachelor's degree of Arts in 1995.

Corporate Governance Report

The Company believes that high standard corporate governance and highly efficient management team are very important in enhancing the investors' confidence and safeguarding the return to the shareholders, and can also increase long-term share value. Therefore, the Company is committed to implementing and maintaining a high standard of corporate governance, focusing on good communication with shareholders and investors, and nurturing the corporate culture of strict code of conduct, with a view to continuously improving the Company's transparency in management. This includes timely, comprehensive and accurate disclosure of information of the Company to safeguard the shareholders' interest and to increase long term share value.

During the year ended 31 December 2020, the Company had complied with the applicable provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, with the exception of the deviation from code provision A.6.7, details of which are set out in the paragraph headed "The Attendance of Directors and Committee Members" in this section. Details are summarized as below.

BOARD OF DIRECTORS

Board Responsibilities and Delegation

The Board is responsible for the leadership and governance of the Company. The Board ultimately assumes responsibility for the Company's business, financial performance and preparation of financial statements. The Board formulates strategies, policies and business plans of the Group, controls corporate risks and monitors the operation and financial performance of the Company. The Board endeavors to make decisions in line with the interest of the shareholders and the Company as a whole, and delegate's powers and responsibilities to the management led by the chief executive officer of the Company to carry out the daily management and operation of the Group. All Board members have separate and independent access to the senior management, and are provided with full and timely information about the operation and business development of the Company, including monthly reports. In order to assist the Directors to carry out their duties, the Board has established procedures to enable the Directors to seek independent professional advice upon reasonable request under appropriate circumstances at the Company's expense.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in provision D.3.1 of the Code. As of the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices in compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the disclosure requirements set out in the Code.

Composition of the Board

The Board currently comprises seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. The number of independent non-executive Directors is more than one-third of the members of the Board. Independent non-executive Directors are experienced professionals with profound expertise and experience in various fields including accounting, financial, economic and risk management aspects. The Board considers that all the independent non-executive Directors are independent in their judgment. They ensure that the Board has attained the strict standards in financial and other statutory reporting areas and they provide sufficient check and balance to safeguard the interests of the shareholders and the Company as a whole.

Corporate Governance Report

As at the date of this report, the Directors are as follows:

Executive Directors

Mr. Zhang Dafan *(Chairman of the Board)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Lin Kaihua

Mr. Zhang Dafan was appointed as an executive Director of the Company at the board meeting of the Company held on 12 August 2020, and has entered into a service contract with the Company for a term of three years commencing from 12 August 2020 until the conclusion of the 2020 annual general meeting of the Company to be held in 2021.

Ms. Xie Mei has been re-elected as an executive Director at the annual general meeting of the Company held on 19 June 2020, and has entered into a service contract with the Company for a term of three years commencing from 19 June 2020 until the conclusion of the 2022 annual general meeting of the Company to be held in 2023.

Mr. Lin Kaihua has been re-elected as an executive Director at the annual general meeting of the Company held on 5 June 2018, and has entered into a service contract with the Company for a term of three years commencing from 5 June 2018 until the conclusion of the 2020 annual general meeting of the Company to be held in 2021.

Non-executive Director

Mr. Wang Wenjin

Mr. Wang Wenjing was appointed as a non-executive Director at the annual general meeting of the Company held on 19 June 2020, and has entered into a service contract with the Company for a term of three years commencing from 19 June 2020 until the conclusion of the 2022 annual general meeting of the Company to be held in 2023.

Independent Non-executive Directors

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon have been re-elected as independent non-executive Directors at the annual general meeting of the Company held on 5 June 2018 and have entered into service contracts with the Company for a term of three years commencing from 5 June 2018 until the conclusion of the 2020 annual general meeting of the Company to be held in 2021. Under provision A.4.3 of the CG Code, if an independent non-executive Director serves more than 9 years, his/her further appointment shall be subject to a separate resolution to be approved by the shareholders. Although each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon will have served as independent non-executive Directors for more than nine years by 2021, the Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon is a person of integrity and independent in judgement and character. They are independent of the management and free from any business or other relationships or circumstances which could materially interfere with the exercise of their independent judgement. The Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon meets the independent guidelines set out in Rule 3.13 of the Listing Rules, and is of the view that their independence is not affected by their extended term of office with the Company.

Corporate Governance Report

Mr. Chu Wing Yiu has been re-elected as an independent non-executive Director of the Company at the annual general meeting of the Company held on 19 June 2020, and has entered into a service contract with the Company for a term of three years commencing from 19 June 2020 until the conclusion of the 2022 annual general meeting of the Company to be held in 2023.

The biographies of each Director are set out on pages 21 to 23 of this report.

The Company has complied with Rules 3.10(1) and 3.10(A) of the Listing Rules. During the year ended 31 December 2020, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board. The Company has also complied with Rule 3.10(2) of the Listing Rules, which stipulates that one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has also complied with the relevant requirements of the Listing Rules.

The Company has established a Nomination Committee. The Nomination Committee evaluates the independence of all independent non-executive Directors each year and make sure that they comply with the independence requirement under Rule 3.13 of the Listing Rules. All members of the Board are not related to one another in all aspects, including finance, family and business.

Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are settled as two independent positions assumed by different persons in order to ensure that their independence, accountability and power are clear. Mr. Zhang Dafan, the Chairman, is responsible for the operation of the Board and the formulation of the Company's strategies and policies. Ms. Xie Mei, the Chief Executive Officer, with the assistance of other members of the Board and the senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation.

Appointment and Re-election of Directors

The Nomination Committee identifies appropriate individuals qualified to become Board members and provides advice to the Board in respect of nominating such persons to the Board. The Nomination Committee also makes recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. The Board is responsible for formulating the procedures for appointing Directors, and nominating suitable candidates for approval at the annual general meetings so as to fill vacancies due to resignation of Directors.

When selecting candidates for appointment as Directors, the Board will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors of the Company.

Corporate Governance Report

Pursuant to the articles of association of the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Number of Board Meetings Held and Procedures

The Board convened 14 meetings for the year ended 31 December 2020.

The Board has established meeting procedures and has complied with the provisions of the Code. The procedures of Board meetings provide that the Board shall meet at least four times each year and can convene additional meetings when necessary. The agenda and other reference documents shall be distributed prior to the Board meeting to allow sufficient time for the Directors to review. Directors can express different opinions at Board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflicts of interest or material interests in the relevant transactions will not be counted in the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of Board meetings and other committee meetings will be drafted by the Company Secretary and will be sent to all members for their comment or record. Directors are entitled to inspect the minutes at any time.

THE ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The Directors' attendances of the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and general meetings of the Company for the year ended 31 December 2020 are as follows:

	Number of meetings attended/Number of meetings				
Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders' meeting
Zhang Dafan *(Note 1)*	6/6	N/A	N/A	0/0	1/2 *(Note 2)*
He Haibin *(Note 3)*	7/7	N/A	N/A	3/3	2/2
Xie Mei	14/14	N/A	N/A	N/A	4/4
Lin Kaihua	14/14	N/A	N/A	N/A	4/4
Wang Wenjin *(Note 4)*	8/8	1/1	1/1	N/A	0/3 *(Note 2)*
Zhang Jing *(Note 5)*	6/6	2/2	2/2	N/A	0/1 *(Note 2)*
Wong Wai Ling	14/14	3/3	3/3	3/3	4/4
Lam Sing Kwong Simon	14/14	3/3	3/3	3/3	4/4
Chu Wing Yiu	14/14	N/A	N/A	N/A	4/4

Notes:

1. Mr. Zhang Dafan was appointed as the chairman of the Board, an executive Director and the chairman of the nomination committee at the Board meeting held on 12 August 2020. Only two general meetings and six Board meetings were held and no meeting of the Nomination Committee was held in his term of office during the year.

Corporate Governance Report

2. Provision A.6.7 of the Code provides that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain executive Directors and non-executive Directors were not able to attend the general meetings held in 2020 due to their unavoidable business engagements. Other Board members who attended the general meetings were already of sufficient calibre and number for answering questions raised by the shareholders at the general meetings.

3. Mr. He Haibin retired from office as the chairman of the Board, an executive Director and the chairman of the Nomination Committee at the Board meeting held on 12 August 2020. Only two general meetings and seven Board meetings were held in his term of office during the year.

4. Mr. Wang Wenjin was appointed as a non-executive Director on the annual general meeting held in 2020. Three general meetings, eight Board meetings and one meeting of Audit Committee and Remuneration Committee were held in his term of office during the year.

5. Mr. Zhang Jing retired from the position as an independent non-executive Director on the annual general meeting held in 2020. Only one general meeting, six Board meetings and two meetings of Audit committee and Remuneration committee were held in his term of office during the year.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year ended 31 December 2020, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance with and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2020, the Company also organised director responsibilities training conducted by Hong Kong permanent legal advisers for directors. The content includes, but is not limited to, the Guidelines on Directors' Responsibilities and interpretation on the terms concerning directors' responsibilities in the Listing Rules of the Hong Kong Stock Exchange.

Corporate Governance Report

According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2020 are as follows:

Name of Directors	Reading the seminar materials regarding the interpretation on Rules of Procedures of Directors to the Listing Rules and the Stock Exchange	Attending Seminar
Executive Directors		
Zhang Dafan	✓	✓
He Haibin	✓	N/A *(Note 1)*
Xie Mei	✓	✓
Lin Kaihua	✓	✓
Non-executive Director		
Wang Wenjin	✓	✓
Zhang Jing	✓	N/A *(Note 2)*
Independent Non-executive Directors		
Wong Wai Ling	✓	✓
Lam Sing Kwong Simon	✓	✓
Chu Wing Yiu	✓	✓

Notes:

1. Mr. He Haibin retired from office as an executive Director on the Board meeting held on 12 August 2020. No seminar was held in his term of office during the year.

2. Mr. Zhang Jing retired from office as a non-executive Director on the annual general meeting held in 2020. No seminar was held in his term of office during the year.

Corporate Governance Report

SPECIAL COMMITTEES UNDER THE BOARD

The Board comprises the following committees:

Audit Committee

As of 31 December 2020, the Audit Committee consists of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Wang Wenjin. Ms. Wong Wai Ling is the chairman of the Audit Committee.

The principal terms of reference of the Audit Committee are as follows:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment or removal of the external auditors, and the approval of remuneration and terms of engagement of the external auditors;

(b) reviewing risk management and internal control systems and monitoring the work of the internal audit department;

(c) reviewing the financial statements of the Company, the Company's annual reports and accounts, interim reports and quarterly reports (if any);

(d) examining financial statements and reporting to the Board for any significant opinions in relation to financial reporting;

(e) conferring with external auditors on any problems and matters of doubt arising from the audit process, as well as other issues the external auditors may like to discuss (if necessary, such discussions may be undertaken in the absence of the management); and

(f) reviewing correspondences addressed to the management by the external auditors and responses from the management.

The Audit Committee held three meetings during the year ended 31 December 2020, and performed the major works as below:

1. reviewed the annual audited and unaudited financial results and report for the year ended 31 December 2019 and the interim financial results and report for the six months ended 30 June 2020;

2. reviewed the internal audit department's report regarding the review and procedures of the internal control and risk management of the Company; and

3. provided opinions to the Board in respect of the appointment of external auditors. The Audit Committee has reviewed this annual report, and confirmed that it is complete and accurate and complies with the Listing Rules.

Corporate Governance Report

Remuneration Committee

As of 31 December 2020, the Remuneration Committee consists of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Wang Wenjin. Ms. Wong Wai Ling is the chairman of the Remuneration Committee.

The main role and function of the Remuneration Committee are as follows:

(a) consulting the chairman of the Board on remuneration recommendations concerning other executive Directors;

(b) making recommendations to the Board on matters relating to the overall remuneration policy and structure for the Directors and senior management of the Company, as well as establishing a formal and transparent remuneration policy of the Company;

(c) with authority delegated by the Board, establishing compensation packages for all executive Directors and senior management and making recommendations to the Board on remuneration for non-executive Directors; and

(d) reviewing and approving compensations paid to executive Directors and senior management, for loss or termination of their office or appointment, in order to ensure that the compensations are paid in accordance with relevant contractual terms.

The Remuneration Committee held three meetings during the year ended 31 December 2020, and performed the major works as below:

1. reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the executive Directors, senior management and other staff of the Company; and

2. reviewed and discussed the remuneration of the newly appointed Directors and make recommendations to the Board.

Nomination Committee

As of 31 December 2020, the Nomination Committee consists of three members, including one executive Director, namely Mr. Zhang Dafan, and two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon. Mr. Zhang Dafan is the chairman of the Nomination Committee.

The Board has adopted the board diversity policy (the “Board Diversity Policy”). All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Corporate Governance Report

The Board has also adopted a Directors nomination policy ("Nomination Policy") in compliance with the Code, which establishes criteria and procedures for the nomination committee to identify and consider individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for the selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant skills, experience and diversity of perspectives critical to the Group's business to enable the Board to make sound and well considered decisions.

Nomination Process

When receiving the proposal to appoint a new Director, the nomination committee shall (i) assess the candidate with reference to the selection criteria as set out in the Nomination Policy to determine the eligibility of the candidate to serve as a Director; (ii) if there are more than one desirable candidates, rank them in accordance with the needs of the Company and the merits of each candidate; and (iii) make recommendations to the Board on the appointment of a suitable candidate to serve as a Director (if applicable).

When a retiring Director, being eligible, offers himself for re-election, the nomination committee shall (i) review the overall contribution and services of the retiring Director and the performance and level of participation of the retiring Director; (ii) assess whether the retiring Director satisfy the selection criteria as set out in the Nomination Policy; and (iii) if considered appropriate, make recommendations to the Board, which may make a recommendation to the Shareholders to re-elect the retiring Director at a general meeting.

Selection Criteria

The Nomination Committee will take into account the Board Diversity Policy, a candidate's (i) character (in terms of his/her honesty, integrity, motivation or reputation), (ii) merits (in terms of his/her qualifications (including professional qualifications), skills, knowledge, accomplishment and experience related to the business and strategy of the Company and the diversity in skill set of the Board in accordance with Board Diversity Policy of the Company), (iii) business expertise, (iv) whether sufficient time can be devoted to properly discharge its duties as a member of the Board and a member of the board committees; and (v) his/her independence (if an independent non-executive director is being considered).

Corporate Governance Report

The Board shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

The main role and function of the Nomination Committee are as follows:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) reviewed the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

(c) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(d) assessing the independence of independent non-executive Directors; and

(e) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee held three meetings during the year ended 31 December 2020 and performed the major works as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business;

2. reviewed the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

3. assessed the independence of all independent non-executive Directors of the Company; and

4. reviewed and discussed the nominations of Mr. Zhang Dafan as the chairman of the Board, an executive director and the chairman of the nomination committee, and the nomination of Mr. Wang Wenjin as a non-executive Director, and make recommendations to the Board.

Risk Management and Internal Control

The Company's management pays high attention to comprehensive risk management. We believe that all-around risk management and internal control systems play an important role in achieving the Company's strategic goals. The Board acknowledges its ultimate responsibility to establish and maintain appropriate risk management and internal control systems for the business of the Company. For this purpose, the Board ensures that the Company has established a robust framework of ongoing risk management procedures in identifying, evaluating and managing significant risks faced by the Company to promote the long-term success of the Company.

Corporate Governance Report

The Board acknowledges its ultimate responsibility to establish and maintain appropriate risk management and internal control systems for the business of the Company. Meanwhile, the Board is responsible for maintaining and reviewing the effectiveness of the Company's internal control systems. The Board fully recognises that good risk management and internal control systems are designed to manage rather than eliminate the risks, and the systems and procedures that have been put in place do not provide an absolute shield against factors including unpredictable risks and uncontrollable events such as natural catastrophes or errors of judgment. Accordingly, they can only provide reasonable but not absolute assurance against misstatement of management and financial information and records or against financial losses or fraud.

The Company has not encountered any risk incident in the capital market since its listing. There has been no significant error or weakness in respect of internal control, nor such condition or consequence which may have a material impact on the truthfulness, accuracy and fairness on the financial matters of the Company.

The Company established the risk control and compliance management department, which is responsible for internal audit and independent from other departments of the Company. The department conducts special audit of subsidiaries based on the annual audit plan, and submits reports on its audit results to the management of the Company. Meanwhile, its opinions and recommendations in respect of the existing problems of the subsidiaries are included in the audit report, which will be issued to the relevant subsidiaries. The relevant subsidiaries will then be required to make rectification within a specific period. By conducting comprehensive inspection to the risk management system, control measures and governance procedures of the Company, the risk control and compliance management department monitors the effectiveness of internal control of the Company.

In addition, the risk control and compliance management department, on an annual basis, submits the comprehensive risk management report at the beginning of the year, and submits the interim report in the middle of the year. The comprehensive risk management report comprehensively describes the integrity and effectiveness of the risk management system of the various departments of the Company and its subsidiaries, the results of internal and external risk assessment on the strategy, finance, regulation and compliance, market and operation, identifies the significant risks which could have material impacts on the Company, and activates the supervision and improvement mechanisms for principal risk management strategies and solutions with respect to the aforementioned risks. The interim report presents the standardised operation procedures of the Company's business as well as the risk control and compliance management department's supervision on business. The report describes how the Company prevents project risks before, during and after project investment in a comprehensive manner and formulates new system and procedures for new businesses and situations to control risks efficiently. The existing control measures may not only identify and address all principal risks but also contribute to improving the skills, interests and costs required, thus helping the Board to assess the actual control status and effectiveness of risk management of the Company.

Corporate Governance Report

Three Lines of Defence

With respect to its existing businesses and under the risk management framework of the Stock Exchange regarding regulatory requirements for listed companies in Hong Kong, we have established and improved the three lines of defence for our risk management organisational system which cover decision making and monitoring of comprehensive risk management, implementation of comprehensive risk management measures and assessment of comprehensive risk management.

The framework of the Group's risk management and internal control systems is guided by the "Three Lines of Defence" model:

First Line of Defence: Defence line for decision-making and monitoring of comprehensive risk management

As the first line of defence for the Company's comprehensive risk management organisational system, the line of defence for decision-making and monitoring of comprehensive risk management comprises of the Board and the management. As the decision-making and monitoring authorities of comprehensive risk management, the Board and the management of the Company are mainly responsible for (among others) approving the organisational structure and functions of risk management of the Company; approving the risk management policies, risk management measures and significant risk solutions of the Company; and monitoring and supervising the comprehensive risk management system as well as the establishment and implementation of internal control assessment mechanisms.

Second Line of Defence: Defence line for implementation of comprehensive risk management measures

All functional departments, subsidiaries, special teamwork groups and the "risk manager" system of the Company constitute the second line of defence for implementation of comprehensive risk management measures, mainly responsible for conducting and implementing comprehensive risk management and internal control systems and relevant affairs, and strictly implementing day-to-day risk management measures; organising all departments and subsidiaries to identify and evaluate the actual risk management of their respective businesses; and promptly reporting risks in relation to the implementation of management strategies and solutions for significant risks.

Third Line of Defence: Defence line for assessment of comprehensive risk management

As the third line of defence for comprehensive risk management, the Company's risk control and compliance management department is mainly responsible for supervising and assessing the implementation and quality of comprehensive risk management measures, and on-going effectiveness of risk countermeasures in combination with audit projects, and issuing reports on supervision, assessment and audit, etc.

Corporate Governance Report

Management Procedures for Significant Risks

In order to improve the monitoring and management of significant risks and fully leverage the effect of the three lines of defence for the Company's risk management organisational system, the Company will organise all departments and subsidiaries to conduct risk assessment under the lead of the risk control and compliance management department.

Based on risk management provisions and actual corporate status, the Company conducts risk assessment mainly focusing on four aspects: strategic risk, financial risk, operational risk, as well as legal and compliance risk. To identify the abovementioned risks, potential significant risks are ultimately determined with qualitative and quantitative standards, while risk factors are identified and assessed based on the Company's core business. The Company prevents the occurrence of risk events by tracking and managing the whole process of risk assessment and relevant significant risks during the year, implementing the supervision and improvement mechanisms for significant risk management strategies and solutions, and establishing and implementing relevant solutions.

Measures and Means of Defence Lines:

With an aim to improve the Company's risk management and internal control systems while enhancing its management standards and ability to mitigate risks, the risk control and compliance management department organises all functional departments and subsidiaries of the Company for promoting and training on self-assessment of internal control and comprehensive risk management, requiring all departments and subsidiaries to carry out risk assessment as required and penetrate risk management in their daily operations in combination with their actual conditions, so as to create an unified cultural atmosphere for risk management within the Company. In addition, the Company is equipped with a certain cultural base for risk management due to the development of comprehensive risk assessment and response mechanisms.

In order to further improve the risk management awareness of all employees, the Company strives for innovative model for establishment of internal control system, trains the internal control personnel through the model of "sharing of experience", and provides support for employees in respect of their training courses and relevant budgets involved. A "risk manager" mechanism has been established within the Company. The "risk managers" are under supervision of the Company's risk managing unit, namely the risk control and compliance management department, and have been deployed in each department and subsidiaries. The mechanism systematically improved the effectiveness of the internal control system and risk management, thus achieving smooth and standardised business flow between the headquarters and subsidiaries of the Company.

Corporate Governance Report

Principal Risks

A number of factors may affect the results and business operations of the Group. The Group focuses on addressing the following principal risks.

Principal Risks and Control Measures in 2021

Type of Risk	Description	Key Control Measures	Caused by
Operation risk	The Company currently has a relatively large stock of equity direct investment projects that occupy a lot of funds. Due to the long exit time, it is difficult to match the existing debt maturity, resulted in a mismatch between the debt maturity and the investment recovery maturity, and increased the pressure of new added financing.	1. Make a plan for fund use, strictly implement the regular fund analysis meeting, timely track and supervise the cash flow, analyze and discover potential risks in real time, and formulate countermeasures; 2. Appropriately increase the proportion of investment projects with strong liquidity and projects that can generate stable cash income on a regular basis, and reserve necessary short-term cash acquisition capabilities to fund operations; 3. Revitalize the existing investment projects, optimize the cash flow, and ensure short-term debt solvency.	The Company currently has a relatively large stock of equity direct investment projects that occupy a lot of funds. Due to the long exit time, it is difficult to match the existing debt maturity.

Corporate Governance Report

Principal Risks and Control Measures in 2021			
Type of Risk	**Description**	**Key Control Measures**	**Caused by**
Safety, environmental protection and quality risks-contigent safety risks	At present, the COVID-19 pandemic is fluctuating in partial areas of the country. With the gradual deepening of the resumption of work and production, the flow of personnel on business travel and visitors has been increasing. At the same time, the upward trend of the pandemic makes people relax their awareness of prevention and control, and there is a certain risk of pandemic spread.	Strictly implement the relevant policies and guidelines for pandemic prevention and control, promote all staff to continue to maintain their awareness of prevention and control, continue to distribute pandemic prevention materials on time, ensure staff's self-prevention and control capabilities, and conduct regular internal disinfection and inspection work to reduce the potential pandemic spread.	At present, the COVID-19 pandemic is fluctuating in partial areas of the country. With the gradual deepening of the resumption of work and production, the flow of personnel on business travel and visitors has been increasing. At the same time, the upward trend of the pandemic makes people relax their awareness of prevention and control.
Macroeconomic risk – risk of economic downturn beyond expectation	The weakening of global economy and the complicated situation of epidemic management and control may cause domestic economy to face greater downward pressure, and business risks will increase significantly.	1. Strengthen the in-depth and forward-looking research on the macro and industry level, predict risks in a timely and accurate manner, and provide sufficient buffer time for subsequent risk response and risk disposal; 2. Optimize investment screening model, prioritize the selection of high-quality leading companies with strong anti-risk ability and good profit stability for direct equity investment, and reduce the risk of operating income fluctuation from the source.	The weakening of global economy and the complicated situation of epidemic management and control may cause domestic economy to face greater downward pressure.

Corporate Governance Report

	Principal Risks and Control Measures in 2021		
Type of Risk	**Description**	**Key Control Measures**	**Caused by**
Policy risk – risk of rapid credit tightening and speeding up deleveraging	Under the situation that financial risk is getting more and more attention, the Company credit may implement tightening policies, and once again promote the whole society to start deleveraging, leading to a rapid increase in interest rates.	1. Strengthen the tracking and anticipation of fiscal and monetary policies and industry policies, predict risks in a timely manner, and provide sufficient buffer time for subsequent risk response and risk disposal; 2. Strengthen the coordination and node management of investment projects before, during and after investment to ensure that investment projects could successfully recover funds; 3. Introduce sufficient social capital in time to solve the liquidity pressure when necessary.	Under the guidance of financial risk prevention and control policy, the Company may implement credit tightening policy, and once again promote the whole society to start deleveraging.

Corporate Governance Report

Principal Risks and Control Measures in 2021

Type of Risk	Description	Key Control Measures	Caused by
Post-investment project risk – operation risks and contingent agency risks of investee enterprises	The investee enterprises have business operation risks and contingent agency risks during the holding period by the Company.	1. Strengthen the tracking and anticipation of the industry market in which investee enterprises are located and related policies, predict risks in a timely manner, and provide sufficient buffer time for subsequent risk response and risk disposal; 2. Strengthen the communication with the management of investee enterprises, and timely follow up and conduct research and analysis to minimize the contingent agency risk caused by information asymmetry.	Adverse changes in the market environment and industry policies of the industry in which investee enterprises are located; misjudgment of operation decision by the operation team of investee enterprises and unstable management team, etc.

In 2021, the Audit Committee of the Group will continue to refine and improve the Group's risk management process in line with the Corporate Governance Code and the best industry practices. In addition, we will focus on communication for internal risk, raise awareness on risks and determine ownership of risks across the Group.

Financial Reporting

The Directors are responsible for overseeing the preparation of the financial statements, to ensure that the annual report gives a true and fair view of the financial position, results and cash flow of the Group for the year. In preparing the financial statements for the year ended 31 December 2020, the Directors have:

- selected appropriate accounting policies and applied them consistently; and

- made judgments and estimates that are reasonable. The Company recognises that high quality corporate reporting is very important in reinforcing mutual trust between the Company and its stakeholders and aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all corporate communications. In order to achieve timely and effective communications with its shareholders, the Company publishes its annual results in a timely manner within the limit of four months after the end of a financial year.

Corporate Governance Report

The auditors' responsibilities are set out in the Auditor's Report on page 103. Through the Audit Committee, the Board has reviewed the internal control system in respect of finance, operations and compliance of the Company and its subsidiaries. The Audit Committee considers that the Company and its subsidiaries have established all necessary mechanisms. The above control mechanism has ensured compliance in respect of the Company's operations. The Board considers that the Company has complied with the code provisions of the Code on internal control.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group paid total Directors' remuneration amounts of approximately RMB2.65 million, RMB2 million, RMB0.213 million, RMB0.213 million and RMB0.213 million to Ms. Xie Mei, Mr. Lin Kaihua, Ms. Wong Wai Ling, Professor Lam Sing Kwong Simon and Mr. Chu Wing Yiu respectively for the year ended 31 December 2020. Mr. Zhang Dafan and Mr. Wang Wenjin did not receive any Director's remuneration from the Group as of 31 December 2020. Details in relation to the Director's remuneration payment of the Group for the year ended 31 December 2020 are set out on page 155 of this annual report.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Senior management's remuneration payment of the Group for the year ended 31 December 2020 falls within the following bands:

	Number of People
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	6

Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year ended 31 December 2020.

SECURITIES TRANSACTIONS BY SENIOR MANAGEMENT AND STAFF

The senior management and staff have been individually notified and advised about the Model Code by the Company.

Financial Officer

The Financial Officer is responsible for preparing interim and annual financial statements based on accounting principles generally accepted in Hong Kong and ensuring that the financial statements fairly reflect the Group's results and financial position as well as are in compliance with the disclosure requirements under the applicable provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and other relevant laws and regulations. The Financial Officer reports directly to the chairman of the Audit Committee and coordinates with external auditors on a regular basis. In addition, the Financial Officer will review the control of financial risks of the Group and provide advice thereon to the Board.

Corporate Governance Report

Company Secretary

The Company Secretary of the Company reports directly to the Board. All Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure that the Board meeting procedures are properly followed and are in compliance with relevant laws and regulations. The Company Secretary is also responsible for giving advice to the Board with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of notifiable transactions, connected transactions and inside information. The Company Secretary shall provide advice to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long term value to the shareholders of the Company. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investors' relations of the Group.

The Company Secretary has complied with Rule 3.29 of the Listing Rules in respect of professional training requirements for the year ended 31 December 2020.

External Auditor

KPMG will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2020, the auditing and non-auditing (including reporting accountants' services for the notifiable transactions) fees paid to our external auditor KPMG were approximately RMB2.85 million and approximately RMB3.27 million respectively.

The auditor's responsibilities to the shareholders of the Company are set out on page 97 of this annual report.

Investor Relations

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels, such as press conferences and seminars, to communicate with the media, analysts and fund managers. Designated senior management staff holds dialogue with analysts, fund managers and investors, who are also arranged to visit the Company and investment projects from time to time, so as to keep them abreast of the Group's business and latest developments. In addition, investors can also visit the Company's website at www.oct-asia.com for the most-updated information and the status of the business development of the Group.

COMMUNICATION WITH THE SHAREHOLDERS OF THE COMPANY

The Board and senior management recognise the responsibility of safeguarding the interest of the shareholders of the Company and provide highly transparent and real-time information on the Company, so as to keep the shareholders of the Company and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders of the Company can facilitate their understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of the shareholders of the Company. In order to safeguard the interest of the shareholders of the Company, the Company reports its financial and operating performance to the shareholders of the Company through annual reports and interim reports. Shareholders of the Company can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Company's website at www.oct-asia.com.

Corporate Governance Report

The annual general meetings of the Company provide an appropriate platform for direct communications between the Board and the shareholders of the Company. Shareholders of the Company can raise questions directly to the Board in respect of the performance and future development of the Group at the annual general meetings.

SHAREHOLDER'S RIGHTS

Procedures for convening an extraordinary general meeting by shareholders

In accordance with the requirements under Article 64 of the articles of association of the Company, extraordinary general meetings shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within twenty-one days after such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 113 of the articles of association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office of the Company. The minimum length of the period, during which the notices required under the articles of association of the Company, will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board of the Company in writing through the Company Secretary whose contact details are as follows:

Attention: The Company Secretary
Overseas Chinese Town (Asia) Holdings Limited
59/F., Bank of China Tower, 1 Garden Road, Hong Kong
Email: ir-asia@chinaoct.com

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the questions of the shareholders of the Company.

Environmental, Social and Governance Report

1. About This Report

Report Overview

This report is the fifth annual *Environmental, Social and Governance Report* published by Overseas Chinese Town (Asia) Holdings Limited to the public, which aims to disclose the relevant principles, management policies, measures, and performance of OCT (Asia) in environmental, social and governance (from now on referred to as "ESG"). This report's reporting period is from January 1 2020, to December 31, 2020 (the "Reporting Period"), with some contents extending to a moderate extent.

Reporting Guideline

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide (ESG Guide)* under Appendix 27 of the Listing Rules issued by the Stock Exchange of Hong Kong Limited ("HKEx"). This report has disclosed in all sections with strict compliance to "General disclosure", "Materiality", "Quantization", "Balance", "Consistency", and "Director responsibilities" in the "ESG Report Guide" issued by HKEx.

Reporting Scope

This report is disclosed to Overseas Chinese Town (Asia) Holdings Limited and its subsidiaries. The scope of reporting covers the social responsibility performance of OCT (Asia) in terms of governance responsibility, environmental protection, employee care, customer service, and contribution to society.

Reference Statement

For the convenience of expression and reading, the "OCT (Asia)" and "the Company" mentioned in this report represent "Overseas Chinese Town (Asia) Holdings Limited". "The Group" and "we" refer to the subsidiaries of OCT (Asia) Holdings Limited.

Data Sources and Reliability Assurance

The data and statistics in this report are provided by OCT (Asia) and its subsidiaries and further approved by OCT (Asia). The Group undertakes that there are no false records, misleading statements, or material omissions in this report.

Confirmation and Approval

This report was formally approved by the Board of Directors on March 31, 2021.

Access and Feedback on this Report

The Group attaches great importance to the evaluation of our performance from all parties. Should you have any feedback and suggestions, please email ir-asia@chinaoct.com or call (86) 755 2693 5118.

Environmental, Social and Governance Report

2. ESG Management

As a listed Central State-owned Enterprise, OCT (Asia) attaches great importance to high-level corporate governance and continues to pursue comprehensive and sustainable development while striving to enhance economic benefits. Based on compiling the *Listing Rules of Corporate Governance Practices*, we continue to promote the green operation, protect the rights and interests of employees, improve service level, actively give back to society, and strictly implement the decision-making and deployment of the Group's social responsibility strategy.

2.1 ESG Management Structure

OCT (Asia) has established the decision-making level of our ESG management with senior managers serving as its principal members, which provides strategic guidance for the overall ESG management of the Company, and regularly reports to the Board of Directors on risk management and control to achieve systematic and standardized ESG management. In addition, we actively carried out various ESG work in 2020 through the ESG Steering Team:

1. Through organizing ESG-related meetings, the Group carried out ESG training for various sub-departments and subsidiaries of the Group, defined their respective ESG responsibilities, and improved employees' ability to perform their responsibilities, to lay a foundation for further improving the ESG management system and promoting the sustainable development of the Group;

2. The Group communicated with stakeholders to understand their concerns on ESG issues of the Group, and actively carried out the analysis of the Group's current ESG management structure and benchmarking of the best ESG practices of peers to improve the work plan of the Group's ESG management structure and lay a solid foundation for enhancing the Group's ESG management capabilities in the future.

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In addition, the Board of Directors, as the highest decision-making body of the Group, will continue to strengthen ESG participation and guide the Company's sustainable development more effectively. In the future, we plan to have a better understanding of the ESG risks and opportunities faced by the Group through conducting annual risk assessment and internal control assessment and add agendas focusing on ESG topics to the annual board meetings to regularly review the Group's ESG work, to ensure the effective implementation of the ESG management mechanism, thereby protecting the long-term interests of the Group and its stakeholders.

Decision-making level **OCT (Asia) Leading Group**	• Coordinate and lead ESG management • Plan and formulate ESG policies and regulations • Oversee and approve ESG implementation and disclosure
Supervision and coordination level **OCT (Asia) Steering Team**	• Implement the resolutions of the Leading Group • Communicate and coordinate ESG issues • Prepare and compile ESG reports
Execution level **Sub-departments and subsidiaries**	• Implement work plans related to ESG • Collect and report ESG information • Execute ESG management

OCT (Asia) ESG Management Structure

Environmental, Social and Governance Report

2.2 Stakeholder Engagement

OCT (Asia) listens to various stakeholders' opinions by preparing and publishing ESG reports, questionnaires, face-to-face communication, and other channels. On one hand, these measures have built a bridge for OCT (Asia) to communicate with stakeholders, make timely and effective responses over stakeholders' concerns and demands, and ensure their rights to be informed and participation; On the other hand, they have also conveyed OCT's principles of social responsibility to the general, which not only improves the brand influence but also achieves a harmonious and win-win scenario amongst parties.

Stakeholders	Engagement Channels
Government and Regulatory Authorities	Participation in governmental conference Reporting to authorities Questionnaires
Investors/Shareholders	Shareholders' meeting Listed company information disclosure Investors' meeting Questionnaires
Suppliers and Business Partners	Questionnaires
Employees	Regular and irregular employee interviews Employees training Employee activities Interviews
Serving Clients (property owners, tenants, consumers)	Client complaint mechanism Client satisfaction survey
Mass Media (media, NGOs, etc.)	Community activities Targeted poverty alleviation

2.3 Materiality Analysis

To have a more in-depth and accurate understanding of the expectations and demands of stakeholders, the Group strictly follows the materiality analysis procedures below, conducts stakeholder questionnaire surveys, and screens material issues.

Step 1	Stakeholder identification	Identify key stakeholders and develop various engagement channels.
Step 2	Topic identification	Understand stakeholders' concerns over the materiality of issues through different engagement channels.
Step 3	Stakeholder engagement	Further understand and quantify stakeholders' ESG concerns and expectations over the Group via questionnaires and interviews.
Step 4	Materiality report	Analyze and prioritize material issues based on the results of stakeholder engagement.
Step 5	Management confirmation	Submit the results of the materiality analysis to the Company's management for final endorsement.

2.4 Materiality Matrix

In 2020, OCT (Asia)'s materiality matrix of sustainable development is shown as below:

OCT (Asia) 2020 Materiality Matrix

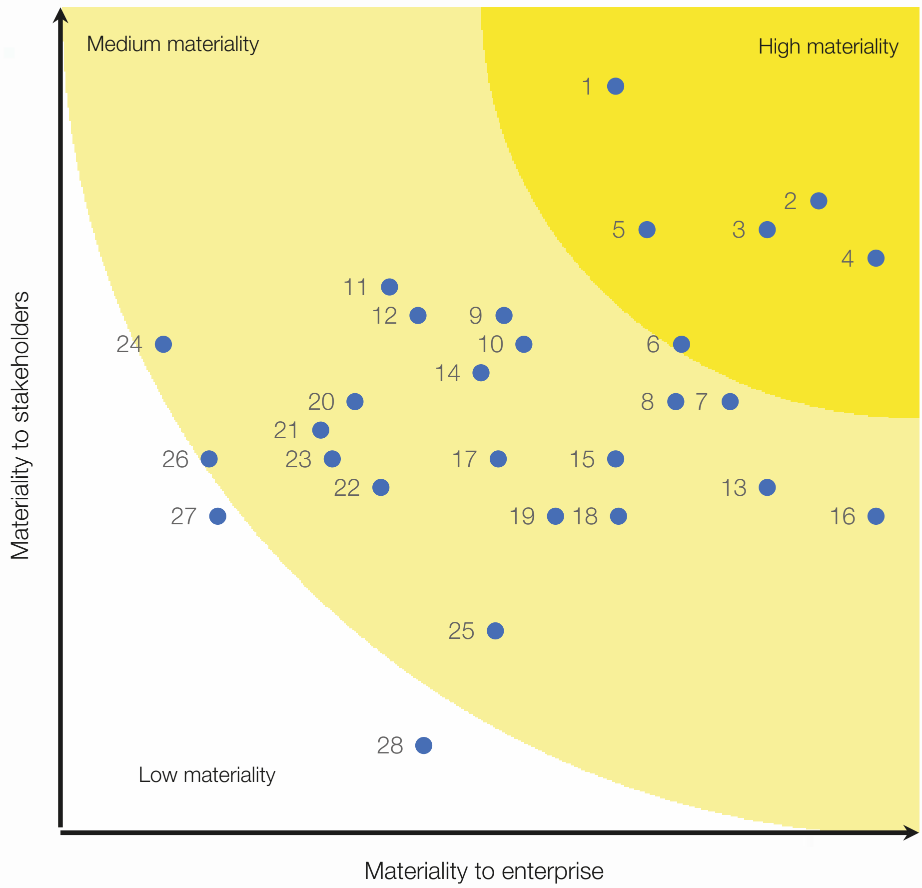

Figure: ESG Materiality Matrix

2.5 List of Material Issues

During the reporting period, by integrating 28 material issues of concerns to the stakeholders, the Group understood that stakeholders attached great importance to five issues, mainly "Compliant operation and anti-corruption" and "Ensure product and service quality, especially product safety". We will fully expound on these issues in this report and prioritize issues when formulating internal business strategies and management policies.

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The ESG material issues of OCT (Asia) are ranked below: (from high to low)

High Materiality	1	Compliant operation and anti-corruption
	2	Ensure product and service quality, especially product safety
	3	Safeguard employee health and safety, prevent work injury and fatality
	4	Focus on and regularly review corporate governance of sustainable development and improve social responsibility
	5	Establish clear and transparent screening criteria to invest in the enterprise with positive contributions
Medium Materiality	6	Protect investor rights and interest and share the results of appreciation
	7	Disclose and manage emissions, such as sewage and waste gas
	8	Proper handling of customers' complaints and conduct regular customer satisfaction surveys
	9	Disclose and manage hazardous and hazardless wastes, such as waste light tubes, used batteries, and construction wastes, etc.
	10	Disclose and manage energy consumption, and energy-conserving measures
	11	Adopt measures to protect client information and privacy
	12	Compliant recruitment, diversity and equality, good employment relationship, and employee turnover control
	13	Adopt measures to reduce emission and environmental pollution
	14	Conserve land and other natural resources and reduce environmental impacts of a business operation via green building and green community
	15	Disclose and manage material consumption, such as fit-out materials
	16	Demonstrate shareholders' rights and negotiate with investee regularly
	17	Establish and improve quality testing and product recall procedures
	18	Disclose and manage greenhouse gas emission, including carbon dioxide, nitrogen oxide, and sulfur oxide
	19	Organize employee training and encourage employee development
	20	Adopt measures to protect intellectual property rights
	21	Disclose and manage water consumption, and water-conserving measures
	22	Establish social responsibility investment funds, such as ethics funds
	23	Control supply chain environmental and social risks and support industrial development and upgrading via green and local procurement
	24	Compliance with laws and regulations and prevention measures on child labor or forced labor
	25	Serve community interest and support community development in business operation, such as operation localization and supporting rural revitalization and development
	26	Establish a mechanism to ensure that investees consider the community's interest and sustainable development, invest funds in community development, and actively respond to community needs
Low Materiality	27	Respond to government policies, such as Rural Revitalization
	28	Engage in charity and volunteering activities

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3. Governance Responsibility

With the strategic positioning of "making full use of overseas financing platforms, domestic and overseas investment platforms as well as domestic and overseas M & A platforms", the Group is committed to becoming a leading investment group in China with "culture, tourism, new urbanization, and industrial ecosphere investment" as its core business. We attach great importance to comprehensive risk management and believe that a sound risk management and internal control system is critical to achieving the Company's strategic objectives. Therefore, we have established a robust framework for our ongoing risk management process to identify, evaluate and manage the significant risks faced by the Company to enhance the level of corporate governance and support the long-term development of the Group.

3.1 Establishment of Risk Management System

Based on the existing business conditions, relevant domestic and overseas regulatory requirements, and the risk management system deployed by Overseas Chinese Town (Asia) Holdings Limited, OCT (Asia) strives to establish and improve the "Three lines of defense" of the risk management system, namely decision-making and supervision in managing risk, implementation of risk management measures and risk management assessment. Therein, the first line of defense is the decision-making and supervision in managing risks. Its primary responsibilities include approving the Group's risk management structure and responsibilities, risk management policies and measures and major risk solutions, and supervising the establishment and implementation of the comprehensive risk management system and internal control evaluation system. The performance of risk management measures is the second line of defense, which consists of the sub-departments, subsidiaries, special joint steering teams, and the "risk manager" system of the Group, and is mainly responsible for the implementation and execution of comprehensive risk management policies and internal control systems, and the total utilization of management strategies for significant risk matters. The risk management assessment is the third line of defense, mainly responsible for implementing and executing comprehensive risk management and internal control systems and matters.

3.2 Investment risk management

To regulate and guide the investment activities of the Group and its subsidiaries and strengthen the risk prevention in the investment and financing process, as of 2020, the Group has formulated and improved investment risk management systems such as *the Comprehensive Risk Management System, the Interim Measures on Investment Management, the Internal Audit Procedures, the Contract Management System and the Work System for Accountability for Non-compliant Operation and Investment (Trial)*. Shenzhen OCT Huaxin Equity Investment Management Co., Ltd., a fund company of the Group, has also revised the *Investor Appropriateness Management System* this year. The systems comprehensively sorted out and guided the identification and response of potential risks that may be involved in the business operation of the Company from the aspects of organizational system, risk information collection, risk assessment and solutions, accountability mechanism, etc., and standardized internal audit and investor appropriateness management. Guided by the system, the Group will effectively identify, evaluate and manage potential investment risks to ensure that the investment and financing process complies with laws and regulations.

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Investment Procedures

In order to standardize the Company's investment management process for real estate and equity, we have formulated *the Interim Provisions on Investment Management of Overseas Chinese Town (Asia) Holdings Limited* and *the Investment Management System of Shenzhen OCT Huaxin Equity Investment Management Co., Ltd.* to strictly regulate the whole process management from project screening, due diligence, project approval, signing of investment agreements to fund delivery, so as to ensure smooth completion of the signing of the agreements, fund payment and delivery between investees and investment-related personnel.

At the same time, we adhere to the guidance of the *Negative List of Investment Projects* for future investment activities, projects, and plans, in line with the national economic and social development planning and industrial policies, and comply with laws and regulations in our operations, striving to build a new urbanization industrial ecosystem.

Post-investment and Strategic Management

In order to effectively manage investment risks and protect the legitimate rights and interests of all parties, we have formulated the *Interim Measures on Post-investment Management* in terms of post-investment and strategic management, which set out the main work of post-investment management, including but not limited to supervising the implementation of the matters stipulated in the investment agreement, monitoring the operating conditions of the invested enterprises, conducting property management and assisting in investment exit.

In 2020, the Investment and Development Department were responsible for formulating the exit mechanism of investment projects, and the Post-investment and Strategic Management Department and other relevant departments assisted. Starting from the commencement of the exit plan, we set up a project steering team consisting of personnel from various departments to jointly design and discuss the exit plan and negotiate with the invested enterprises and cooperative investors to balance the interests of multiple parties on the premise of ensuring that our interests are not infringed. Simultaneously, based on the actual situation of project exit, we consulted professional third-party institutions to improve the efficiency and return of project exit.

The Group has precise requirements on environmental protection and social responsibility for the target enterprises to be invested. Currently, the projects funded and concerned are all positive enterprises in the field of sustainability. We will also develop green finance to expand financing channels.

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3.3 Supply Chain Responsibility Management

In terms of supply chain management, ensuring the integrity of the procurement process is one of the priorities of the Group. According to *the Bidding Law of the People's Republic of China, the Regulation on the Implementation of the Bidding Law of the People's Republic of China,* and the Group's *internal Regulations on Bidding and Procurement Management* and the requirements for bidding evaluation, employees who participate in bidding evaluation and responsible for bidding and procurement shall strictly abide by professional ethics and carry out bidding activities in compliance with laws and regulations. In performing the review, we require our employees to maintain an objective and professional review ability and prohibit any illegal conducts such as extorting, giving, or receiving bribes in business activities. We adopt a zero-tolerance attitude towards any form of corruption and bribery and require our suppliers to sign the *Anti-corruption Construction Agreement*, aiming to build a clean and healthy relationship with our partners.

During the reporting period, OCT (Asia) was not involved in any litigation arising from illegal procurement.

3.4 Anti-corruption Management

The Group is committed to improving the system construction, forming a long-term mechanism for system construction via conducting system publicity, training and other meetings, improving corruption reporting channels, and carrying out training to enhance employees' awareness of integrity.

Building a Long-Term Mechanism

We have established and improved the anti-corruption system, and improved the standardization of integrity construction through system construction. Secondly, we conducted in-depth research in various functional departments, sorted out and summarized the integrity risks in key areas and key links, and continuously strengthened the supervision and inspection of anti-corruption issues.

Strengthening Integrity Education

The Company has established an integrity publicity and education platform to enhance employees' awareness of discipline and regulation and constantly remind employees to stay alert to corruption and bribery risks. In 2020, we organized employees to participate in anti-corruption training and watch warning education videos several times, so that employees' awareness of integrity can be effectively improved.

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Improving the Whistleblowing System

To improve the corruption reporting management system and protect the legitimate rights and interests of the whistleblowers, we have formulated management documents such as the *Accountability System for Illegal Operation*. In addition, we have expanded the reporting channels to encourage employees to report corruption cases through QR code, reporting email, telephone, on-site reporting and mail reporting. We also undertake to keep the reported information strictly confidential and strictly punish any possible corruption.

During the reporting period, OCT (Asia) did not receive any cases of corruption or violations.

3.5 Intellectual Property Rights Management

Intellectual property rights are an essential to Group's assets. While valuing intellectual property rights, we continue to strengthen the protection of intellectual property rights, especially in the use and management of software assets. We have formulated the *Software Rights Infringement Handling Guidelines,* regularly revised the *Assets Ledger Software Guidelines,* and appoint specific management personnel to reinforce the protection of intellectual property rights, while actively protecting our legitimate rights and interests through trademark monitoring, and rights protection through litigation. In the future, the Group will continue to improve the intellectual property rights management system and further clarify the responsibilities of intellectual property rights management to play better the role of managing and protecting intellectual property rights and supporting the business operations.

4. Environmental Protection

The Group always adheres to the green development and operation principles of "Innovation, coordination, sustainable, open and sharing" and integrates the concept of sustainable development into environmental management, production and operation, day-to-day office and project investment. In recent years, we have focused on the comprehensive development and investment in the new urbanized industrial business ecosphere and constantly updated and improved the environmental management system to drive green development while adjusting the main business and structure.

4.1 Green Operation

In response to the national call for sustainable development and environmental protection, the Group strictly abides by the laws and regulations, including *the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the People's Republic of China, the Urban and Rural Planning Law of the People's Republic of China, the Construction Law of the People's Republic of China* and *the Regulation on Energy Conservation in Civil Buildings*. While improving the eco-efficiency of buildings and landscapes, the Group has launched several people-oriented green building development projects and green property operation solutions to adopt sustainability principles to building design and operation.

Environmental, Social and Governance Report

4.1.1 Green Building and Green Construction

We earnestly implement *the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China, the Administrative Measures for the Filing of Environmental Impact Registration Form of Construction Projects, the Administrative Provisions on the Declaration and Registration of Pollutant Discharge, the Implementation Plan for the Permit System for Controlling Pollutant Emission* and other relevant policies, and conduct prior investigation, forecast and evaluation on significant construction, planning or development that may affect the environment, to formulate the best plan for preventing environmental damage; The pollution prevention facilities of new projects shall be designed, constructed and put into operation simultaneously with the main project, and the sewage disposal facilities, pollutant treatment facilities and the types, quantities and concentrations of pollutants discharged under normal operation conditions shall be reported to and registered with the competent environmental protection administrative department according to the prescribed procedures.

- In terms of exhaust gas emissions, the Company has set up special channels for kitchen fumes and exhaust gas, exhaust pipes or special channels for gas boilers, and exhaust air outlets for underground parking lots.

- In terms of wastewater and domestic sewage, domestic sewage, the sewage, the platform, the balcony drainage, and the temporary centralized storage of garbage bins are set up, and the drainage, commercial wastewater, and the wastewater from the washing of underground garages are discharged into the municipal pipe network after taking pre-treatment measures.

- In terms of solid waste, domestic waste is collected and disposed of by relevant departments, and commercial solid waste is recycled by properties and sold to waste acquisition stations; Food waste and grease trap sludge are collected, transported, and treated by qualified food waste treatment enterprises entrusted by the property.

- In terms of noise, sound-proof windows are installed, green sound-proof belts are constructed, the overall layout and the interior structure of residential buildings are reasonably designed, and low-noise equipment is adopted.

- In terms of ecology, the Company has increased the investment in greening and the artificial vegetation.

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Also, in respect of the selection of environmentally friendly and green materials, we use environmentally friendly materials as much as possible, such as reducing natural stone consumption and using artificial stone materials, by the principle of green building assessment based on the project's conditions. In the procurement process, the Company implements national and local regulations on thermal insulation and energy conservation and strictly controls the actual use of environmental-friendly and green materials through the selection of materials for preliminary design, determination of samples for the construction process, and acceptance of materials on site.

4.2 Green Office

The Group implements "green office" and promotes the transformation of employees' lifestyle to green, low-carbon, and civilized health, aiming to build an "energy-saving, efficient, environmentally-friendly, hygienic and healthy" office environment and cultural atmosphere.

Energy Saving and Consumption Reduction

We strictly implement *the Regulations on the Management of the Use of Vehicles of the Company (Provisional) and the Management System of the Company's Responsible Business Vehicles* to regulate vehicles' use. The Company strives to achieve unified scheduling and unified carpooling for employees to handle the Company's matters when leaving the Company. For non-urgent business trips, we use buses and subways as much as possible and adhere to the principles of "one vehicle for multiple uses" and "one vehicle for one card" to improve the use efficiency of vehicles. At the same time, we carry out education and training on safe driving and energy-saving for drivers, enhance the awareness of fuel-saving and efficient driving, further strengthen the – company's energy-saving and consumption reduction, and help the Group fulfill its commitment to green operation.

Low Carbon and Environmental Protection

We advocate the green and low-carbon office and promote green culture among employees to enhance the environmental awareness of all employees of the Group. We give priority to the procurement of energy-saving, water-saving, and material-saving products and optimize the allocation of office furniture and office equipment to reduce and eliminate the waste of idle assets. We set the air-conditioning temperature in the office reasonably, use natural lighting as much as possible, ensure that lights are turned off when leaving, set the computer power supply plan reasonably, and turn off the monitor when employees leave the office table within a short period. On the other hand, we promote the paperless office and online office and call on employees to print documents on both sides. We carry out publicity activities on energy and water conservation, post relevant slogans, further improve employees' awareness of green and low-carbon life, advocate green consumption, popularize energy-saving knowledge, and practice the consumption concept of energy resources that are saved and recycled.

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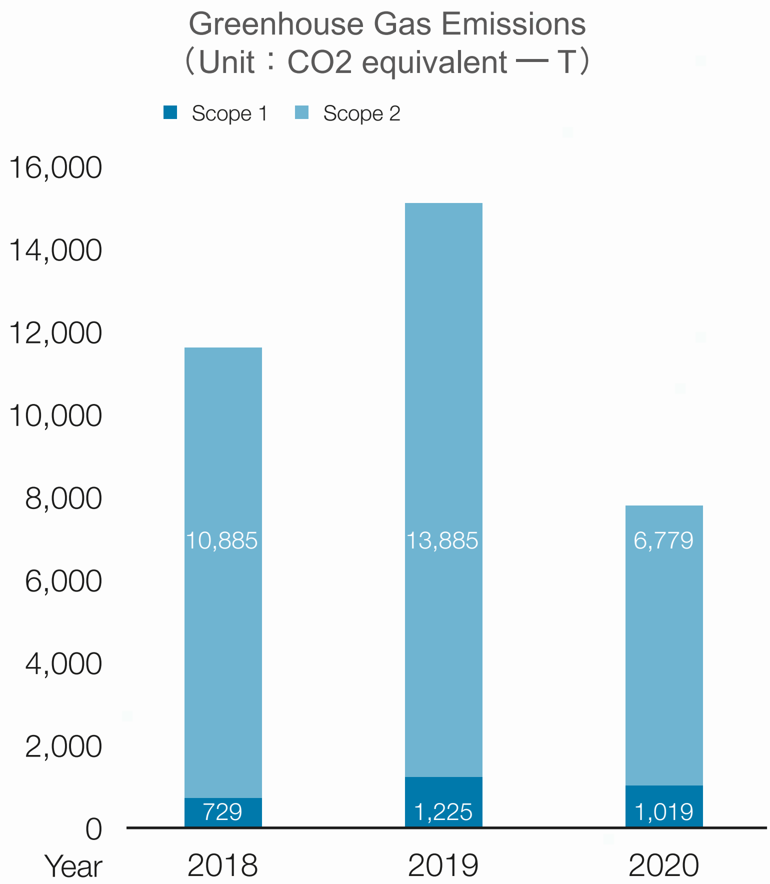

Waste Sorting

For non-recyclable wastes such as food waste and used masks, the Company regularly cleans them by professional cleaning staff to ensure a clean and hygienic environment. The company places different recycling areas in particular regions for recyclable waste and classifies them according to the national waste classification regulations. In addition, we allow qualified professional enterprises to recycle and dispose of retired fixed assets such as obsolete computers, printers, and other electronic equipment. At the same time, we carried out waste classification activities during the company's team-building to further enhance employees' awareness of waste classification and treatment and urge employees to comply with the relevant regulations of Shenzhen on waste classification and treatment.

Environmental, Social and Governance Report

Save Food

The Company strictly implements dining standards in official reception, meetings, training and other activities, actively promotes simple meals and standardized meals, and scientifically and reasonably arranges the number of meals. We encourage our employees to save meals, reasonably arrange meals in the canteen's logistics according to the number of daily meals, and encourage employees to take meals as needed, in small amounts and multiple times, to resolutely eliminate the waste of catering. At the same time, the Group will lead the healthy and civilized catering consumption, consciously carry out the "Clean Your Plate" campaign, advocate the consumption habits of saving, hygiene, and civilization, and jointly protect the "civilization on the right fingers".

Poster promoting food saving in the Company's canteen

Case: Carrying out the Food Saving Month activity

In September 2020, Hefei OCT Industry and Hefei OCT Huanchao actively launched the promotional Food Saving Month activity. We organized employees to watch the promotional and educational movie about food saving and initiated *the Proposal on Strengthening Work, Saving and Saving • Objection to Food and Beverage Waste* to strengthen the publicity and implementation of the spirit of diligence and saving through various channels such as the event launching meeting, general manager meeting and regular project meeting, and posted posters in areas such as canteens, promotion windows and printing rooms to strengthen employees' awareness of saving.

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4.3 Green Investment

Under the background of "driving by innovation, leading by high-quality supply and creating new demand", we actively deployed the "cultural tourism + technology" industrial ecosystem through equity investment to promote the integration of the cultural tourism industry and the technology internet and other emerging technologies, help to improve the digital and intelligent level of the cultural tourism industry and promote the high-quality development of the cultural tourism industry.

At the same time, we actively expanded the fund management scale and investment scale, promoted and deepened the supply-side structural reform of the cultural tourism industry through industrial investment, and continuously integrated high-quality industrial resources to provide consumers with more and more diversified cultural tourism products and services, to fully meet the people's growing needs for a better life.

We believe that green investment is an essential guarantee for achieving sustainable economic development, and in recent years, we have started to expand the investment layout in the green industry, especially in energy conservation, environmental protection, clean energy and other industries. In each project's investment practice, we pay attention to the financial indicators of the enterprise and pay great attention to the environmental protection, contribution to the community, and good corporate governance of the enterprise in the investment decision-making and investment behavior.

5. Care for Employees

The Group always adheres to the talent concept of "talents are the first element of the Company's growth". In 2020, the Group continued to improve the employee management mechanism based on employee development, improved the level of employee remuneration and benefits, provided various training programs for employees, and designed diversified career development paths. We are committed to creating a healthy and safe working environment for our employees and caring for their lives, aiming to build a unified, stable and sustainable career platform.

5.1 Compliance Employment

The Group strictly abides to the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Minors* and other relevant laws and regulations, and has formulated internal management documents such as the *Administrative Measures for Labor Contracts*, the *Guidelines on Employee Recruitment and Deployment of Overseas Chinese Town (Asia) Holdings Limited* and the *Employee Handbook* to improve the management of the Company's personnel recruitment and staffing, and select and introduce outstanding talents based on the principles of equality, competition and merit-based selection.

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We are committed to building a diverse talent team and prohibit any forms of discrimination. While we prohibit the employment of underage workers, we also require our contractors to strictly comply with national and local labor laws and regulations to ensure that no worker is forced to work overtime and pay workers' wages in full and on time.

In 2020, we revised the *Administrative Measures for Performance Appraisal of Overseas Chinese Town (Asia) Holdings Limited (for Trial Implementation)*, the *Administrative Measures for Remuneration System of Overseas Chinese Town (Asia) Holdings Limited (for Trial Implementation),* and other internal systems to improve performance appraisal management and salary system adjustment for employees and protect their legitimate rights and interests. In 2020, the total number of employees of the Group was 314.

5.2 Focusing on Talent Training

The Group always adheres to the talent concept of "people-oriented, creation, identification, and excellence", and has launched training programs such as the "Rejuvenation Program", which provides a smooth channel for employees to grow into talents through innovative employee training system, evaluation and selection, and incentive mechanism, to build a team of employees with high quality and loyalty in line with the development of the Company.

Sound Training System

Guided by the three concepts of building a "learning organization", adopting the "horse racing mechanism" and creating a "win-win corporate culture", we tailor-made the talent cultivation brand "Slimming Plan". We carry out the "Elite Program", "Elite Program" and "Jing Xin Program" training in accordance with the three-level talent echelon. Based on the training direction and training needs of different levels, we organize and carry out management, professional and general courses training to improve team management, professional skills and comprehensive quality capabilities, and carry out targeted, targeted and systematic training, so as to accelerate the construction of a high-quality professional cadre team and build a high-quality and professional management team that can support the implementation of strategic planning.

For new employees, the Company has gradually established a scientific and reasonable training and learning system for new employees. In 2020, we launched a new employee training camp to help new employees integrate into the team more quickly, adapt to the Company's corporate culture and new job positions, understand the Company's policy on selection and employment and incentive orientation, and enhance the sense of belonging and cohesion of new employees.

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Diversified Training Methods

In 2020, we organized employees to participate in China Online Academy and Creative Academy courses to learn management, professional and general-related knowledge. Through the online + offline hybrid training model, special training on national security law promotion of the appropriateness management of private equity funds, company Risk Management and compliance system, cross-department communication, and collaboration were conducted for employees at different levels. A variety of training activities enable employees to learn relevant laws and regulations more comprehensively and systematically and enhance employees' understanding of business and team collaboration capabilities. During the reporting period, OCT (Asia) employees were trained for 1,798 times and 1,982 hours long.

In the future, the Group will continue to focus on talent cultivation projects, build a reserve talent echelon system, increase training efforts, and expand employees' growth platform.

The Company organized special training on "cross-department communication and collaboration"

5.3 Ensure Health and Safety of Employees

The Group strictly abides by the *Production Safety Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China*, the *Emergency Response Law of the People's Republic of China*, the *Regulations on the Reporting and Investigation and Handling of Production Safety Accidents*, the *Administrative Measures for the Withdrawal and Use of Corporate Production Safety Expenses*, the *Regulations on the Supervision and Administration of Labor Protection Articles* and the *Regulations on the Administration of Quality and Safety of Construction Projects in Shanghai* and other laws and regulations, and has formulated internal management systems such as the *Compilation of Safety Management System of Overseas Chinese Town Asia Holdings Limited* and the *Measures for the Implementation of the Annual Performance Examination of Production Safety of Overseas Chinese Town (Asia) Holdings Limited* to improve the employee health and safety protection system continuously.

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Providing a Safe Working Environment

In 2020, the safety management departments of the Company and its subordinate units strengthened the investigation and rectification of fire hazards, implemented the three-year action plan for the special rectification of production safety of the Company, and earnestly carried out the investigation and rectification of fire hazards to ensure the safety and stability of the Company and improve the "four capabilities" of fire prevention of the Company. We also organize publicity and education training to strengthen employees' fire safety awareness. During the reporting period, the number of work-related fatalities and lost days due to employees' work injury in the OCT (Asia)'s 0.

Case: The Company held special fire safety training to strengthen fire safety publicity and education
The Company held a special fire safety training on November 24 2020. According to the activity arrangement of "Fire Publicity Month", the Company engaged training lecturers from the Guangdong Production Safety Association to give lectures. According to the characteristics of the Company, the teachers gave wonderful lectures on fire safety laws and regulations, the basic concept of fire prevention, the use of fire-fighting equipment, fire escape and other aspects, with strong systematic and theoretical knowledge, and practical fire-fighting skills, which further enhanced the fire safety awareness of all employees.

Fire-fighting practical skills training

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Protecting Employees' Health

We strictly abide by the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and the *"Three Simultaneous" Supervision and administrative measures for Occupational Disease Protection Facilities in Construction Projects*, promote the establishment of occupational health monitoring and file management work system, improve the responsibility system for prevention and control of occupational disease hazards, and strengthen the publicity, education and training of employees' occupational health related knowledge. We actively purchase supplementary medical insurance for our employees, covering various traffic accidents, outpatient hospitalization, principal diseases protection, etc., to fully protect the life health and safety of our employees. Since the beginning of this year, the Company has further carried out renovation, reinforcement, and safety facilities installation for some old staff dormitories focusing on field construction and service optimization, which has improved the safety and comfort of staff dormitories. Focusing on heatstroke prevention and production safety, we organized four condolence activities with the theme of "sending cool summer and caring for entering into the field" to prevent heatstroke and cool down in high temperature and ensure the occupational health and safety of front-line construction workers.

Case: Carrying out heatstroke prevention and cooling work to protect the health of employees

In August 2020, Hefei OCT Industry and Hefei OCT Huanchao organized an excellent condolence activity to protect the air for the battle of high temperature, schedule and node. The Company appropriately adjusted the construction and worker's working time, avoided the high-temperature period, reserved and distributed heatstroke prevention and cooling supplies, and effectively carried out heatstroke prevention and cooling work to ensure safety and progress. In addition, since the high-temperature weather, the Company has always given priority to the occupational health and construction safety of construction workers, and has set up a green shed and a medical room at the open-air operation construction site where workers are concentrated, and distributed heatstroke prevention drugs and drinks to construction workers. The Group also strengthened the training and safety education on heatstroke prevention and cooling for all construction workers, and enhanced self-prevention and heatstroke prevention and the ability to deal with emergencies.

"Delivering Cool" condolence activity

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Implementation of Epidemic Prevention

During the epidemic, we attached great importance to the prevention of the epidemic, and timely issued the epidemic prevention resumption management documents such as the *Overseas Chinese Town Epidemic Prevention and Control Work Resumption Plan and Emergency Pla*n, the *COVID-19 Prevention and Control Knowledge Manual and Emergency Handling Measures*, and the *Key Issues of the Implementation Plan for Epidemic Prevention and Control Work during Work*, and established the epidemic work leading group to clarify the responsibilities of the persons in charge of different departments, and formulate relevant emergency plans and work measures for epidemic prevention and control.

We care about the physical and mental health of our employees. The Company has prepared rapid infrared body temperature detectors, disinfectant water, masks and other materials for epidemic prevention and control, and has established a training system for all employees before the resumption of work to promote health and hygiene among employees, so as to improve employees' knowledge of protection. In order to enhance the immunity of employees, we have transformed the basement of the staff dormitory into a home for employees with functions such as a gym, reading room and multi-media activity room, so that employees can exercise physical and mental health. In addition, we organized our employees to participate in psychological courses provided by the company to help them actively face the psychological damage and mental impact caused by COVID-19.

Ensuring Work Resumption and Production Safety

After the resumption of work, we have implemented the deployment and initiatives of employees' health quarantine and office protection. We have the list of crucial monitoring categories, and allow employees who are from or have been in the key areas of the epidemic to stay in the local area for temporary suspension of work, and flexibly adapt flexible office and work-from-home strategies. All employees must undergo a body temperature check, wear masks and hand disinfection before entering the office, and employees with suspected symptoms may choose to return home for observation or visit the hospital for treatment.

During the work, we try our best to adopt online communication methods such as video or telephone conferences, and suspend business trips and research activities to reduce the risk of social contact and spread of the virus. We have arranged lunchboxes in the form of packing-in-pack for our employees, which are cleaned by themselves after dining, and the utensils are placed at designated locations to reduce unnecessary contact. Each department also has a designated person responsible for understanding and counting the physical conditions of the employees of the department and their families, and the statistics shall be reported to the Safety Commission Office regularly. The Company consistently maintains air circulation in the office, strengthens disinfection and hygiene management, and performs prevention and control in the office.

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body temperature screening and disinfection tools of the Company

The Company conducts body temperature checks on employees

5.4 Caring for Employees' Well-being

The Group strictly abides by *the Social Insurance Law of the People's Republic of China*, the *Regulations on Paid Annual Leave for Employees* and other laws and regulations, and internal management documents such as the *Employee Handbook*. In 2020, the Group revised the *Administrative Measures for Performance Assessment of Overseas Chinese Town (Asia) Holdings Limited (Trial)* and the *Administrative Measures for Remuneration System of Overseas Chinese Town (Asia) Holdings Limited (Trial)* to optimize the new performance assessment management mechanism and clarify the work process of employee remuneration and benefits payment. In addition, we have also implemented the administrative measures for Employee Attendance and Leave, which stipulates the management process of paid holidays and leave application to ensure that employees enjoy high-quality remuneration and benefits.

Caring for Employees' Life

We organize regular body checks for employees every year, and regularly carry out sports activities for physical and mental health such as badminton, basketball and football training. In 2020, the Company also organized the cinemas to watch exciting films such as the "Eight Million" and the "Champion" to boost the Company's confidence and determination. On statutory holidays such as Dragon Boat Festival, Mid-Autumn Festival and National Day, the Company will send holiday care to each employee on time and organize themed walking activities. We continued to do an excellent job in the "Warmth" project and sent care and condolence to employees who are bearing birth and hospitalized. We innovated the form of the "March 8 Festival" activity, and continuously improved the happiness experience of female employees in the labor union through sending festival greetings on WeChat and sending them home on delivery. Through a series of cultural, sports and recreational activities, the Company enhanced the physical fitness of employees and improved their sense of happiness, collective cohesion and centripetal force, and built a harmonious and upward atmosphere for the Company.

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Case: Hefei OCT Huanchao carried out a team-building activity with the theme of "Staying true to our original aspiration and striving for excellence and forging ahead"

On November 30 2020, Hefei OCT Huanchao carried out the expansion activity of "Staying true to our original aspiration and striving for excellence", which fully demonstrated the spirit of the Hefei OCT Huanchao team in pursuing excellence, striving for excellence and solidarity and collaboration, and encouraged every employee to stay true to our original aspiration and pursue their dreams in the "Battle of the Hefei Conference", striving to overcome difficulties and forging ahead with determination, so as to achieve outstanding results.

Team building and development

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"U-RIGHT" badminton competition
and fun sports meeting

Movie-viewing activities

Strengthening Employee Interaction

The labor union of the Group has set up a "Lian Xin Qiao" employee care team to collect and answer employees' opinions and suggestions on the development and operation of the Company regularly through forums, conversations, general manager meetings, regular project meetings, employee meetings, WeChat, emails, questionnaires, suggestion boxes, etc., to understand their intention to make valid requests, pay attention to the physical and mental health of each employee, let employees feel the warmth of home in the Company, and strive to create a happy and positive working environment.

Enhancing Employee Communication

In 2020, we issued an electronic questionnaire regarding the quality and hygiene of canteen dishes, service attitude of staff and hygiene of dining, and carefully summarized and analyzed the results of the questionnaire to improve the quality of canteen dishes and service quality and enhance the happiness of staff. In order to further listen to the opinions and suggestions of employees on the development of the Company, the Company organized and held the New Year Tea Party in batches and by departments. The prominent leaders and leaders in charge of the Company and everyone have a better understanding and development, and jointly expect a bright future. In order to further enhance the contact and communication between employees and the Company, we have set up a suggestion box to put forward anonymous suggestions, and regularly provide feedback on employees' opinions and recommendations, striving to build efficient and smooth communication and liaison mechanism to support the steady development of the Company.

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6. SERVING CUSTOMERS

The Group attaches great importance to providing customers with high-quality services and products, and has developed a comprehensive service system to ensure smooth communication channels with customers, timely feedback on customer's needs and opinions, and establish a long-term positive relationship with customers. In addition, we always strive for our customers and regularly review our internal policies and systems to protect their rights and privacy and provide high-standard services and products.

6.1 Listening to Customers' needs

The Group attaches great importance to customers' needs and always follows the after-sales service policy of "Customers first, devoted services, aligned practice, and full precaution", establishes customer complaint channels, and establishes a more convenient and efficient complaint handling platform to solve the problems reflected by property owners and customers in a fair, just, reasonable and rapid manner through real-time feedback on the progress of handling and classification of complaints from property owners and customers.

The subsidiaries establish internal policies such as the *Guidelines on Customer Complaints of OCT Shanghai Land Co., Ltd.*, which classify complaints into four levels based on risk assessment and the attention of owners and customers. Any received complaints should proceed to the process in response to the feedback from customers within a week. Whereas the Customer Service Center records and analyzes complaints then presents a report to the Group every month.

In order to improve the quality of customer service, each subsidiary has formulated the corresponding customer relationship maintenance management system. At the same time, each company has set up a customer service system and supporting team, for example, Chengdu OCT has set up a customer service center, opened a WeChat public account, carried out customer-oriented SMS notification, care and condolence services, etc., and regularly organized activities for Overseas Chinese Town to provide owners with festival care such as painting and calligraphy party, large-scale distribution of movie coupons and point redemption.

6.2 Ensuring Product Quality

In order to ensure the product quality and maintain the reputation of the enterprise, we strictly abide by the *Construction Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China* and other laws and regulations. At the same time, we have formulated internal systems such as the *production safety Management Responsibility System* and the *Safe Electricity Management System*, and adopted various measures in the product design, construction, delivery, maintenance and other stages to ensure product quality and safety, to ensure that the owners and customers can move in safely. In addition, we thoroughly studied and implemented the critical discussion of General Secretary Xi Jinping on production safety, strengthened daily production safety management, and organized on-site supervision and inspection from time to time to ensure that the responsibility is fulfilled. The Company will earnestly implement the safety policy of "safety first, prevention first, and comprehensive management", firmly establish the safety awareness of "hidden dangers are at risk, prevention is better than disaster relief, and safety is more important than ever", and firmly implement the safety production responsibility system.

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Design Stage

The Group requires design institutes with relevant service qualifications obtained before the practice. Each subsidiary's senior executives hold accountability for and undertake responsibilities over the final quality and safety of its construction projects without sub-contracting its business. Professional technicians such as survey engineers shall also practice within the qualified scope with relevant qualifications obtained, and liable to the project quality and safety.

Construction Phase

The Group requires its subsidiaries to conduct monthly safety inspections during construction, including detailed records of various safety hazards such as safety systems, fire safety, electricity safety, exceptional safety and environmental sanitation, and carry out rectification and follow-up. The Safety Committee sends Safety Risk Notice to contractors that violate safety regulations and demands the correction in a specified period.

Delivery Stage

The Group continuously improves the delivery process, reduces delivery risks and improves delivery quality. Before the delivery of commodity housing, the project shall organize the local construction administrative department to inspect the completion of the "one household one inspection" of the residential project; organize the establishment of a property delivery risk inspection team and arrange for each department to conduct a pre-delivery risk self-inspection to summarize various risk issues and respond accordingly; no property shall be delivered without the completion acceptance/completion filing (determined according to the commodity housing sale and purchase contract and the provisions of the local government) or fire control acceptance (or fire control filing).

Maintenance Stage

The Group pays equal attention to after-acceptance processes such as interior maintenance, supporting facility improvement and renovation to ensure efficiency and quality aligned with customer expectations. The *Operation Guidelines on Project Maintenance of OCT Shanghai Land* specified that the constructor conducts maintenance right upon identifying problems and works with the property management company, the Engineering Department and the Customer Service Department to collect evidence of liability and determine responsible party. After completing the maintenance, the responsible party shall bear the corresponding liability upon the results jointly confirmed by all parties.

6.3 Protecting Customers' Rights and Interests

The Group places great emphasis on protecting customers' privacy. In order to standardize the procedures for the handling and protection of personal privacy and information of property owners and customers, we have formulated the *Customer Privacy Protection Regulations* and the *Property Owner Privacy Protection System*, and regularly conduct special training for relevant personnel; we require employees to sign the *Confidentiality Undertaking*, and strictly abide by the provisions of the Undertaking, and shall not publish or disclose any customer personal information without the authorization of customers.

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7. Giving Back to Society

"Firmly fulfilling social responsibility" has always been an essential component of the development strategy of OCT (Asia). We actively respond to the national call, actively participate in targeted poverty alleviation and public welfare activities with employees, and are committed to promoting enterprises and society's integration and development.

Alleviate Poverty and Be a Responsible Corporate Citizen

In response to OCT Group's call, the Group held a special work conference on poverty alleviation to encourage all employees to participate in the follow-up support for targeted poverty alleviation. In 2020, we carried out donation assistance and caring activities in Gaoli Town, Tianzhu County, a targeted poverty alleviation area. We carried out poverty alleviation work through joint construction, and donated materials including fire-fighting mechanical pumps, dry powder fire extinguishers, fire hoses, water level detectors and disposable medical masks to Diliang Village, Gaocha Town, Tianzhu County, equivalent to RMB56,520. In addition, we donated RMB50,000 to the impoverished village, demonstrating the social responsibility and responsibility of the central enterprise.

Group's Support to the Primary School of Gaoji Town, Tianzhu County

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In order to help Sansui Zhazhai in Guizhou Province, we, together with Qiaocheng Hui and Shenzhen China Fund Ecological and Environmental Protection Charity Foundation, jointly launched a gift box for the Chinese New Year to help the farmers in Sansui County plan to expand the economic market, promote the sales of community agricultural products as the leading industry in Guizhou Province, and bring real economic and social benefits to the community.

Caring for Environmental Workers and Delivering Love

OCT (Asia), bearing in mind its corporate public responsibilities and mission, is enthusiastic in participating in social and general welfare undertakings, and has been committed to caring for particular groups, striving to achieve the coordination and unity of corporate development social harmony.

In October 2020, Hefei OCT Huanchao launched the “Love and Warmth” activity, and distributed nearly 200 wool scarves, umbrellas and other gift packs to sanitation workers of “urban beauticians” sincere condolences to them. The event further demonstrated the Group’s care for sanitation workers and its responsibility and passion for supporting the sanitation industry.

25th Environmental Protection Workers’ Day Caring Activities

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8. OUTLOOK FOR 2021

Looking back to 2020, while actively transforming and developing its business, the Group adheres to the sustainable development goals and fulfills its corporate social responsibilities in different issues. Looking forward, we will continue to comply with the concept of sustainable development. Facing the ever-changing challenges, we are pleased to seize the opportunities of moving forward, comply with the government policy of integrating governance, environment and society, and practice the concept of "quality life creating imagination". In terms of business, we adhere to providing high-quality products and services, continuously improve the investment and financing platform, and effectively integrate the concept of sustainable development into the investment and financing plan. While ensuring economic benefits, we give priority to investment projects with higher environmental and social benefits and actively fulfill social responsibilities.

Care for the environment and bring forward a sustainable development

- We will continue to adopt the concept of sustainable development to environmental management, production operation, provision of products and services that strictly abide by relevant environmental laws and regulations.

- We will advocate the green concept in daily office, put the concept into practice in the department's work, deeply promote energy saving and consumption reduction, waste reduction at source, and green the office mode.

- While screening the investment projects, we will combine sustainability principle with investment business that shall meet the compliance requirements as well as further derive economic and social benefits to the society as a whole.

Care for employees and create a healthy, safe, equal and diverse work environment

- We will further improve employment and human resources management by conducting various professional training for employees and enhancing our professional business and operation management comprehensiveness.

- Complying with relevant laws and regulations, we will conduct regular inspections and maintenance of facilities, and promote safety awareness through publicity, education, and training.

- As we care for our employees' well-being, we will offer competitive remuneration and welfare and provide diverse cultural and sports activities to enhance communication and understanding among employees.

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Serve customers and provide high-quality services and products

- We will emphasize on providing customers with high-quality services and products, maintaining smooth customer communication channels, and listening and feedback to customers' needs and opinions.

- We strictly abide by each content in the commitment letter, handle and protect private information, and protect customers' rights and interests.

- We will undertake various measures in phases of design, construction, delivery, maintenance to ensure every step is in compliance with relevant laws and regulations that ensure product quality.

Give back to society and promote social integration

- Utilizing technology to uphold the cultural interpretation and inheritance, that will enrich the cultural life and unite people within the shared community.

- We will support the poor in overcoming poverty and sharing prosperity as demonstrate corporate social responsibility.

Summarizing the past, we insisted on fulfilling our responsibilities and commitments to society by fully harnessing the advantages of our brand, funds and resources, in parallel with launching our business to take the emerging opportunities in sustainable development. In the coming year, the Group will focus on the strategic positioning of building a "cultural tourism + technology" cross-border investment and asset management company, optimize and strengthen the equity investment and fund management business, deepen the sub-ecosystem of "cultural tourism + technology", accelerate the pace of sustainable development, embrace more new challenges in governance, environment and society, and create a better and green lifestyle.

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APPENDIX I LIST OF POLICIES

ESG KPI	COMPLIANCE WITH EXTERNAL LAWS AND REGULATIONS	Internal policies of OCT (Asia)
A1 Emissions	Environmental Protection Law of the PRC Law of the PRC on the Prevention and Control of Atmospheric Pollution Water Pollution Prevention Law of the PRC Urban and Rural Planning Law of the PRC Construction Law of the PRC Environmental Impact Assessment Law of the PRC Administrative Provisions for the Declaration and Registration of Pollutant Discharge Implementation Plan for the Permit System for the Control of Pollutant Discharge Administrative Measures for Filing of Environmental Impact Registration Form for Construction Projects	Regulations on the Management of Official Vehicles of the Company Management System for Official Vehicles of Persons in Charge of the Company
A2 Use of Resources	Regulations on Energy Conservation in Civil Buildings	Regulations on the Management of Official Vehicles of the Company Management System for Official Vehicles of Persons in Charge of the Company
A3 The Environment and Natural Resources	NA.	NA.
B1 Employment	Labour Law of the PRC Labor Contract Law of the PRC PRC Tax Law Social Insurance Law of the PRC Employment Promotion Law of the PRC Interim Provisions on Payment of Wages	Employee Handbook Administrative Measures on Labor Contracts Administrative Measures on Remuneration System Administrative Measures for Performance Appraisal Regulations on Paid Annual Leave for Employees
B2 Health and Safety	Production Safety Law of the PRC Fire Prevention Law of the PRC Emergency Response Law of the PRC Regulations on the Reporting, Investigation and Handling of production safety Accidents Regulation of the PRC on Work-Related Injury Insurance Administrative Measures for the Withdrawal and Use of Safety Production Expenses of Enterprises Provisions on the Supervision and Administration of Labor Protection Articles Regulations on the Quality and Safety Management of Construction Projects in Shanghai Law of the PRC on the Prevention and Control of Occupational Diseases Labour Law of the PRC	Implementation Measures for Annual Performance Examination of Safety Production

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ESG KPI	COMPLIANCE WITH EXTERNAL LAWS AND REGULATIONS	Internal policies of OCT (Asia)
B3 Development and Training	NA.	Employee Handbook
B4 Labour Standards	Labour Law of the PRC Labor Contract Law of the PRC Law of the PRC on the Protection of Minors Provisions on the Prohibition of Using Child Labour	
B5 Supply Chain Management	Tendering and Bidding Law of the PRC	Tender and Procurement Management Regulations Software Infringement Handling Solution Software Asset Accounts
B6 Product Responsibility	Consumer Protection Law of the PRC Construction Law of the PRC Advertising Law of the PRC Patent Law of the PRC Consumer Protection Law of the PRC Opinions of the General Office of the State Council on Promoting the Sustainable and Healthy Development of the Construction Industry Guiding Opinions of the General Office of the State Council on Developing Prefabricated Construction Several Opinions on Promoting the Modernization of Building Materials Industry and Improving the Quality of Residential Buildings	Property Owner Privacy Protection System Customer Privacy Protection Ordinance Contract Management System Software Infringement Handling Solution Software Asset Accounts Confidentiality Undertaking
B7 Anti-corruption	Anti-Corruption and Bribery Law of the PRC Anti-money Laundering Law of the PRC Anti-Unfair Competition Law of the PRC Interim Provisions on Banning Commercial Bribery Anti-Monopoly Law of the PRC	Tender and Procurement Management Regulations Accountability System for Violation of Rules
B8 Community Investment	Charity Law of the PRC	Comprehensive Risk Management System Negative List of Investment Projects

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APPENDIX II LIST OF KEY PERFORMANCE INDICATORS

ESG Indicators		Unit	2020 Data	2019 Data	2018 Data
A1.1	**The types of emissions and respective emissions data**				
	Nitrogen oxides (NOx)	kg	426.10	109.56	353.00
	Sulphur oxides (SOx)	kg	0.93	0.59	0.70
	Particulate emissions	kg	38.25	10.48	34.00
	Total emissions per ten thousand RMB revenue	kg/ten thousand RMB revenue	0.0036	0.0006	0.0024
A1.2	**Total greenhouse gas emissions and intensity**				
	Direct carbon emission (scope I)	CO2 equivalent – T	1,094	1,225	729
	Indirect carbon emission (scope II)	CO2 equivalent – T	6,779	13,885	10,885
	Total greenhouse gas emissions	CO2 equivalent – T	7,798	15,110	11,614
	Greenhouse gas emission per ten thousand RMB revenue	CO2 equivalent-T/ten thousand RMB revenue	0.06	0.07	0.07
A1.3	**Total hazardous wastes produced**				
	Waste fluorescent tubes	Piece	27	35	25
	Waste printer cartridges	Piece	2	124	130
	Waste batteries	Piece	134	128	106
	Waste ink	Piece	16	73	42
	Total hazardous waste produced per ten thousand RMB revenue	Piece/ten thousand RMB revenue	0.0014	0.0017	0.0019
A1.4	**Total hazardless wastes produced**				
	Household wastes	Ton	2.61	7.19	7.49
	Kitchen wastes	Ton	11.25	4.50	4.70
	Total household and kitchen wastes per ten thousand RMB revenue	Ton/ten thousand RMB revenue	0.000106	0.000056	0.000077
	Dust	Ton	0.00	3.90	3.50
	Construction waste	Ton	0	272	229
	Fit-out wastes	Ton	0	70	167
	Total construction wastes per ten thousand RMB revenue	Ton/ten thousand RMB revenue	0.0000	0.0017	0.0025
	Waste stationeries	Ton	0.01	0.05	0.03
	Waste office papers	Ton	2.22	0.20	0.25
	Waste glass bottles	Piece	0	35	21
	Waste plastic bottles	Piece	11,424	6,893	5,671

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ESG Indicators		Unit	2020 Data	2019 Data	2018 Data
A2.1	**Total energy consumption and intensity**				
	Overall energy consumption	Ton of standard coal	1,661	2,696	1,447
	Overall energy consumption per ten thousand RMB revenue	Ton standard coal/ten thousand RMB revenue	0.013	0.013	0.009
	Gasoline consumption	Liter	62,896	36,302	44,656
	Gasoline consumption per ten thousand RMB revenue	Liter/ten thousand RMB revenue	0.48	0.18	0.28
	Diesel consumption	Liter	555	3,369	2,562
	Diesel consumption per ten thousand RMB revenue	Liter/ten thousand RMB revenue	0.004	0.016	0.016
	Natural gas consumption	Liter	436,981.20	523,250.91	28.55
	Natural gas consumption per ten thousand RMB revenue	Liter/ten thousand RMB revenue	3.34	2.53	0.00018
	Outsourced electricity	kWh	8,422,662	16,164,691	11,346,710
	Outsourced electricity per ten thousand RMB revenue	kWh/ten thousand RMB revenue	64.5	78.0	71.6
A2.2	**Water consumption and intensity**				
	Total water consumption	Ton	91,097	350,110	19,183
	Water consumption per ten thousand RMB revenue	Ton/ten thousand RMB revenue	0.70	1.69	0.12
B1.1	**Number of employees by gender, employment type, age group and geographical region**				
	Total number of employees	Person	314	1,352	1,735
Gender	Male	Person	190	746	1,018
	Female	Person	124	606	717
Employee type	Senior	Person	22	24	34
	Middle	Person	47	56	65
	Grassroots	Person	245	1,272	1,686
Age	Below 30	Person	81	671	741
	Aged 30-50	Person	219	647	870
	Over 50 years old	Person	14	34	124
Region	South China	Person	90	82	359
	Eastern China	Person	224	148	109
	Southwest China	Person	0	1,080	1,249
	Northwest China	Person	0	42	18
B2.1	**Number of work-related fatalities**				
	Number of work-related fatalities	Person	0	0	0
	Number of work-related injury	Time	0	1	10
B2.2	Lost days due to work injury				
	Lost days due to work injury	Day	0	0	184

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ESG Indicators		Unit	2020 Data	2019 Data	2018 Data
B3.1	**Number of employees trained by gender and employee category**				
	Total number of employees trained	Person time	1,798	6,010	6,941
B3.2	**Training hours of employees: Training hours by gender and employee category**				
	Total training hours	Hour	1,982	23,295	15,632
	Average training hours	Hour	1.1	3.9	2.3
B6.2	**Number of products and service related complaints received**				
	Receiving customer service complaints	Time	12	1,291	522
	Receipt of engineering complaints	Time	108	686	258
	Receiving sales complaints	Time	5	133	86
	Receiving design complaints	Time	10	1	16
	Receiving commercial complaints	Time	0	61	64
	Receiving property complaints	Time	16	133	86
B7.1	**Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period**				
	Number of concluded legal cases regarding corrupt practices	Case	0	0	0

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Note:

1. ESG data for 2020 covers office operation, property management and other areas of OCT (Asia) Headquarter and its three subsidiaries, OCT Shanghai Land, Hefei OCT Huanchao and Hefei OCT Industry. As the Group continues to promote strategic transformation, the statistical scope in 2020 is different from that in 2019 (the Group Headquarter, OCT Shanghai Land, Chengdu OCT, Xi'an OCT Land). Therefore, the relevant greenhouse gas emissions, energy consumption and other data have changed significantly.

2. Carbon emissions only refer to carbon dioxide emissions, excluding greenhouse gases such as methane and nitrous oxide emitted by other emission sources.

3. Based on the business content of OCT (Asia), the air emissions, including nitrogen oxides, sulfur oxides and other pollutant emissions regulated by national laws and regulations, generated during its operation are not significant, mainly from fuel consumption of business vehicles.

4. According to the business nature and actual operation of OCT (Asia), the waste mainly comes from property operation projects and office environment, and no waste is generated from the "List of Hazardous Waste of the People's Republic of China".

5. According to the standard of ISO 14064 Greenhouse Gases, direct greenhouse gas ("GHG") emissions (Scope 1) include direct GHG emissions from sources that are owned or controlled by the organization, such as emission from its own transportation vehicles; indirect greenhouse gas emissions (Scope 2) include direct GHG emission that results from indirect emission sources, such as indirect GHG emissions caused by the purchase of electricity.

6. Calculation of greenhouse gas emissions: CO 2 is calculated in accordance with the "Appendix II: Reporting Guidance on Environmental KPIs" of "How to Prepare an ESG Report" of the Stock Exchange and the "Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions for Enterprises in Other Industries (Trial)" of the National Development and Reform Commission, among which, the emission factors of purchased electricity are calculated using the power grid in Southern China, Central China, Eastern China and Northwest China (based on the "Appendix II: Reporting Guidance on Environmental KPIs").

7. Comprehensive energy consumption calculation: calculated in accordance with the General Principles for Calculation of Comprehensive Energy Consumption (GB2589-2008) from the conversion of comprehensive energy consumption (unit: ton of standard coal) such as electricity, diesel, gasoline and natural gas.

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APPENDIX III ESG GUIE INDEX

ESG KPI	Guideline Requirements	Report Section/Statement
A. Environmental		
A1 Emissions	General Disclosure	Chapter 5 Environmental Protection
	A1.1 The types of emissions and respective emissions data.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	A1.2 Greenhouse gas emissions in total and intensity.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	A1.3 Total hazardous waste produced and intensity.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	A1.4 Total non-hazardous waste produced and intensity.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	A1.5 Description of measures to mitigate emissions and results achieved.	Chapter 5 Environmental Protection
	A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Chapter 5 Environmental Protection
A2 Use of Resources	General Disclosure	Chapter 5 Environmental Protection
	A2.1 Direct and/or indirect energy consumption by type in total and intensity level.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	A2.2 Water consumption in total and intensity.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	A2.3 Description of energy use efficiency initiatives and results achieved.	Chapter 5 Environmental Protection
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Chapter 5 Environmental Protection
	A2.5 Total packaging material used for finished products and with reference to per unit produced.	Not applicable.
A3 Environment and Natural Resources	General Disclosure	Chapter 5 Environmental Protection
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Chapter 5 Environmental Protection
B. SOCIAL		
Employment and Labour Practices		
B1 Employment	General Disclosure	Chapter 6 Caring for Employees
	B1.1 Employees by gender, employment type, age group and geographical region Total.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	B1.2 Employee turnover rate by gender, age group and geographical region.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS

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ESG KPI	Guideline Requirements	Report Section/Statement
B2 Health and Safety	General Disclosure	Chapter 6 Caring for Employees
	B2.1 Number and rate of work-related fatalities.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	B2.2 Lost days due to work injury.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Chapter 6 Caring for Employees
B3 Development and Training	General Disclosure	Chapter 6 Caring for Employees
	B3.1 The percentage of employees trained by gender and employee category.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	B3.2 The average training hours completed per employee by gender and employee category.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
B4 Labour Standards	General Disclosure	Chapter 6 Caring for Employees
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Chapter 6 Caring for Employees
	B4.2 Description of steps taken to eliminate such practices when discovered.	Chapter 6 Caring for Employees
OPERATING PRACTICES		
B5 Supply Chain Management	General Disclosure	
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	CHAPTER 4 GOVERNANCE RESPONSIBILITY
B6 Product Responsibility	General Disclosure	
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	B6.2 Number of products and service related complaints received and how they are dealt with.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	CHAPTER 4 GOVERNANCE RESPONSIBILITY
	B6.4 Description of quality assurance process and recall procedures.	CHAPTER 7 SERVICE TO CUSTOMERS
B7 Anti-corruption	General Disclosure	CHAPTER 4 GOVERNANCE RESPONSIBILITY
	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.	APPENDIX II LIST OF KEY PERFORMANCE INDICATORS
	B7.2 Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	CHAPTER 4 GOVERNANCE RESPONSIBILITY
Community Investment		
B8 Community Investment	General Disclosure	Chapter 8 Giving Back to Society
	B8.1 Focus areas of contribution.	Chapter 8 Giving Back to Society
	B8.2 Resources contributed to the focus area.	Chapter 8 Giving Back to Society

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 December 2020.

Principal Place of Business

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 February 2005. Its registered office and principal place of business are at Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and 59/F., Bank of China Tower, 1 Garden Road, Hong Kong, respectively.

Principal Activities and Business Review

The Company is an investment holding company. During the Period under Review, the Group is principally engaged in the comprehensive development, equity investment and fund management.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of financial key performance indicators, possible future development plans for the Group's business, employment policy and subsequent event(s), can be found in "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 20 of this annual report. A summary of the principal risks faced by the Group is set out in the section headed "Corporate Governance Report" of the annual report on pages 38 to 41. This discussion forms part of this "Directors' Report".

Results and Distributions

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 106.

The Board has adopted a dividend policy (the "Dividend Policy") to enhance the transparency of dividends distributed by the Company and to facilitate the Shareholders and potential investors to make informed investment decisions. There is no guarantee or assurance that dividends of any amount will be declared or distributed in any given period and the Company does not have a predetermined dividend payout ratio. The declaration, payment and form of dividends are at the absolute discretion of the Board, and the final dividend to be declared shall be subject to the approval of the Shareholders, memorandum and articles of association (the "Articles") of the Company, the laws of Cayman Islands, any other applicable laws and regulations, and the provision of this Dividend Policy.

The Board in determining the level of dividends will consider factors including: 1. distributable profits; 2. earnings; 3. current financial position; 4. capital requirements and expense planning; 5. past financial performance; 6. past and forecasted cash flows; 7. business status and strategies; 8. future operations and profitability; 9. shareholder interests; and 10. restrictions on dividend payments (including contractual restrictions, such as restrictions stipulated in any financing agreements). Subject to Shareholders' approval at a general meeting and to the relevant laws and regulations of the PRC, any applicable rules and regulations, and the Articles, and after taking consideration of the factors above, the Company may also declare interim dividends, final dividends, special dividends and/or any distributions that are considered appropriate by the Board in addition to the annual distributions. The Board will review the Dividend Policy from time to time.

Directors' Report

Subject to the above, the Directors didn't propose the distribution of a dividend of ordinary share for the year ended 31 December 2020.

Financial Statements

The profit of the Group for the year ended 31 December 2020 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 108 to 110.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 17 May 2021 to 21 May 2021 (both days included), for the purpose of determining the list of shareholders entitled to attend the forthcoming annual general meeting (the "Annual General Meeting"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 14 May 2021.

TRANSFER TO RESERVES

The loss attributable to Shareholders of the Company of approximately RMB219 million (2019: profit of approximately RMB28 million) has been transferred to reserves. Other movements in the reserves are set out in the consolidated statement of changes in equity and note 30 to the consolidated financial statements.

FIXED ASSETS

During the Period under Review, the Group invested approximately RMB242 million for the acquisition of fixed assets (including construction in progress). Details of the movements of fixed assets and construction in progress are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

As of 31 December 2020, the total number of the issued ordinary shares of the Company was 748,366,000 shares, which is equal to the number of the prior year.

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2020 amounted to RMB1.93 billion.

PRE-EMPTIVE RIGHTS

There was no provision in respect of pre-emptive rights in the Articles or any requirement in the laws of the Cayman Islands requiring the Company to issue new shares to the existing Shareholders proportionately.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not purchased its own listed shares during the Period under Review. During the Period under Review, save as disclosed in this report, the Company or any of its subsidiaries has not purchased or sold or redeemed any listed shares of the Company.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

SERVICE CONTRACTS

No Director has an unexpired service contract which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

ENVIRONMENTAL POLICIES AND PERFORMANCE

In implementing green development and operations, the Group has always adhered to the principles of development of "Innovation, Coordination, Green, Open and Sharing", integrating the concept of sustainable development into environment management, production, daily operation and project investment. In recent years, we focused on the comprehensive development business and investment in the new urbanisation industrial ecosphere business. As we adjust principal business and structure, we also continuously update and improve the environmental management system, facilitating green development.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China while the Company itself is listed on the Stock Exchange. Our operations accordingly shall comply with relevant laws and regulations in Mainland China and Hong Kong. During the year ended 31 December 2020, the Group did not violate the relevant laws and regulations that have a significant impact on the Company.

DIRECTOR

The Directors during the year were as follows:

Executive Directors:

Mr. He Haibin *(Chairman) (retired on 12 August 2020)*
Mr. Zhang Dafan *(Chairman) (appointed on 12 August 2020)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Lin Kaihua

Non-executive Director:

Mr. Zhang Jing *(retired on 19 June 2020)*
Mr. Wang Wenjin *(appointed on 19 June 2020)*

Independent Non-executive Directors:

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no contract of significance in relation to the Group's business to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERSONAL BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Personal biographies of Directors and senior management are set out on page 21 to 24.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business other than the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2020 and up to and including the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed below, as at 31 December 2020, no interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules:

Name of Director	Capacity/Nature	Class of shares	Number of shares held	Approximate percentage of issued share capital of the Company
Lam Sing Kwong Simon	Beneficial owner	Ordinary shares	1,000,000	0.13%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2020, to the knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which should be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Directors' Report

Long and Short Positions in Shares

Name of substantial shareholders	Capacity/Nature	Number of shares	Approximate percentage of shareholding
Pacific Climax Limited ("Pacific Climax") *(note 1)*	Beneficial owner	530,894,000 (long position)	70.94%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation *(note 2)*	530,894,000 (long position)	70.94%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.")	Interest of a controlled corporation *(note 3)*	530,894,000 (long position)	70.94%
Overseas Chinese Town Group Company Limited ("OCT Group")	Interest of a controlled corporation *(note 4)*	530,894,000 (long position)	70.94%

Notes:

(1) The interests held by Pacific Climax consist of interests (long position) in 530,894,000 ordinary shares. Ms. Xie Mei and Mr. Lin Kaihua, both being executive Directors, and Mr. Wang Wenjin, being a non-executive Director, are also directors of Pacific Climax.

(2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT (HK) is deemed, or taken to be interested in all the Shares beneficially held by Pacific Climax for the purpose of the SFO. Mr. Zhang Dafan, Ms. Xie Mei, being an executive Director, and Mr. Wang Wenjin, being a non-executive Director, are also directors of OCT (HK).

(3) OCT Ltd. is the beneficial owner of all the issued share capital of OCT (HK), which is in turn the beneficial owner of all the issued share capital of Pacific Climax. OCT Ltd. is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT (HK) and Pacific Climax pursuant to the SFO. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.

(4) OCT Group is the holding company of OCT Ltd. and together with its wholly-owned subsidiary, 深圳華僑城資本投資管理有限公司 (Shenzhen OCT Capital Investment Management Company Limited), hold 47.97% interests in OCT Ltd., which is the beneficial owner of all the issued shares of OCT (HK) and in turn, the beneficial owner of all the issued share capital of Pacific Climax. Therefore, OCT Group is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT Ltd., OCT (HK) and Pacific Climax for the purpose of the SFO.

Save as disclosed above, as at 31 December 2020, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Period under Review.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the Period under Review is as follows:

	Percentage of the Group's total	
	Revenue	Purchases
The largest customer	20.0%	
Five largest customers in aggregate	36.0%	
The largest supplier		50.5%
Five largest suppliers in aggregate		77.6%

At no time during the year have the Directors of the Company, their close associates or any shareholders (who to the knowledge of the Directors own more than 5% of the share capital of the Company) had any interest in the Group's five largest suppliers or customers.

Connected Transactions

During the year, the Group has the following continuing connected transactions (the "Connected Transactions") and the Company has fully complied with the announcement, reporting and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules (where applicable):

1. On 29 September 2017, Shenzhen Overseas Chinese Town Entertainment Investment Limited (深圳華僑城都市娛樂投資公司) ("OCT Entertainment") entered into a new tenancy agreement with Shenzhen OCT Gangya Holdings Development Co., Ltd ("Gangya Holdings") for a term of three years with effect from 1 October 2017 and ended on 30 September 2020 (the "Tenancy Agreement"), pursuant to which, OCT Entertainment agreed to continue to lease certain properties located in Nanshan district, Shenzhen, Guangdong Province, the PRC to Gangya Holdings as office premises.

   OCT Entertainment is a wholly-owned subsidiary of OCT Real Estate. OCT Real Estate is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Real Estate is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Tenancy Agreement constitutes a continuing connected transaction under the Listing Rules.

2. On 7 May 2019, OCT Financial Leasing entered into a finance lease and factoring agreement with OCT Group effective for one year from the date of approval of the finance lease and factoring agreement by the independent Shareholders at the extraordinary general meeting held on 19 June 2019 (the "Finance Lease and Factoring Agreement I"), pursuant to which, OCT Financial Leasing agreed to provide finance lease and factoring services to OCT Group.

   OCT Group is the holding company of OCT Ltd. and holds approximately 47.97% interests in OCT Ltd. OCT Ltd. owns 100% equity interest in OCT (HK), which in turn owns 100% equity interest in Pacific Climax. Therefore, OCT Group is a connected person of the Company. Therefore, the arrangement of the said finance lease and factoring agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

3. On 7 May 2019, OCT Financial Leasing entered into a finance lease and factoring agreement with OCT Ltd. effective for one year from the date of approval of the finance lease and factoring agreement by the independent Shareholders at the extraordinary general meeting held on 19 June 2019 (the "Finance Lease and Factoring Agreement II"), pursuant to which, OCT Financial Leasing agreed to provide finance lease and factoring services to OCT Ltd.

   OCT Ltd. is a connected person of the Company. Therefore, the arrangement of the said finance lease and factoring agreement constitutes a continuing connected transaction under the Listing Rules.

4. On 30 December 2019, Shenzhen OCT Huaxin Equity Investment Management Limited ("OCT Huaxin") entered into the Happy Coast tenancy agreement ("Happy Coast Tenancy Agreement") with OCT Entertainment for a term of three years with effect from 1 March 2020 and ending on 28 February 2023, pursuant to which, OCT Entertainment agreed to lease a property located in Jacaranda International Business Center, Shenzhen, the PRC to OCT Huaxin as office premises.

   OCT Entertainment is a connected person of the Company, therefore, the arrangement concerning the Happy Coast Tenancy Agreement project constitutes a connected transaction of the Company.

5. On 30 December 2019, Xi'an OCT Real Estate Limited ("Xi'an OCT Land") entered into the Xi'an Tenancy with Overseas Chinese Town (Xi'an) Industry Company Limited ("OCT Xi'an Industry") for a term of three years with effect from 1 January 2020 and ending on 31 December 2022, pursuant to which, Xi'an OCT Land agreed to lease three units of a property located at Nanguanzheng Street, Xi'an, the PRC to OCT Xi'an Industry as office premises.

   OCT Xi'an Industry is an indirect non-wholly owned subsidiary of OCT Ltd. Therefore, OCT Xi'an Industry is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

6. On 30 December 2019, 華僑城(上海)置地有限公司 (Overseas Chinese Town (Shanghai) Land Company Limited) ("OCT Shanghai Land") entered into a property management agreement (the "Property Management Agreement") with Shanghai Zhabei branch office of 深圳市華僑城物業服務有限公司 (Shenzhen Overseas Chinese Town Property Service Company Limited) ("OCT Property Service") ("OCT Property Service Shanghai Zhabei Branch") for a term of three years with effect from 1 January 2020 and ending on 31 December 2022. Pursuant to the Property Management Agreement, OCT Property Service Shanghai Branch will provide property management services to OCT Shanghai Land in relation to the Shanghai Suhewan Project.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property Service is a connected person of the Company within the meaning of the Listing Rules. OCT Property Service Shanghai Zhabei Branch is a branch office of OCT Property Service. Therefore, the arrangement of the said Property Management Agreement constitutes a continuing connected transaction under the Listing Rules.

7. On 30 December 2019, OCT Shanghai Land entered into an electrical and mechanical services consultation agreement (the "Electrical and Mechanical Services Consultation Agreement") with Shenzhen Overseas Chinese Town Water and Electricity Company Limited (深圳華僑城水電有限公司) ("OCT Electricity") for a term of three years with effect from 1 January 2020 and ending on 31 December 2022. Pursuant to the Electrical and Mechanical Services Consultation Agreement, OCT Electricity will provide electrical and mechanical consultation services to OCT Shanghai Land in relation to the Shanghai Suhewan Project.

Directors' Report

OCT Electricity is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Electricity is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Electrical and Mechanical Services Consultation Agreement constitutes a continuing connected transaction under the Listing Rules.

8. On 30 December 2019, Chengdu OCT entered into the Chengdu Tenancy I with 深圳市華僑城創意文化酒店有限公司 (Shenzhen OCT Creative Culture Hotel Co., Ltd) ("OCT Creative Culture Hotel") Chengdu Branch for a term of three years with effect from 1 January 2020 and ending on 31 December 2022, pursuant to which, Chengdu OCT agreed to lease certain properties owned by Chengdu OCT located in Jinniu District, Chengdu, Sichuan Province, the PRC to OCT Creative Culture Hotel Chengdu Branch for the operation of a inn.

   OCT Creative Culture Hotel is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Creative Culture Hotel is a connected person of the Company within the meaning of the Listing Rules. OCT Creative Culture Hotel Chengdu Branch is a branch office of OCT Creative Culture Hotel. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

9. On 30 December 2019, Chengdu OCT entered into the Chengdu Tenancy II with Chengdu branch office of Shenzhen OCT Hake Culture Company Limited ("OCT Hake") for a term of three years with effect from 1 January 2020 and ending on 31 December 2022, pursuant to which, Chengdu OCT agreed to lease certain properties located in Jinniu District, Chengdu, Sichuan Province, the PRC to OCT Hake Chengdu Branch for the operation of an entertainment centre ("Entertainment Centre") for children.

   OCT Hake is a wholly-owned subsidiary of OCT Group. Therefore, OCT Hake is a connected person of the Company within the meaning of the Listing Rules. OCT Hake Chengdu Branch is a branch office of OCT Hake. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

10. On 30 December 2019, Chengdu OCT entered into an electricity consultation services agreement (the "Electricity Consultation Services Agreement") with OCT Electricity Chengdu Branch with a term of three years with effect from 1 January 2020 and ending on 31 December 2022, pursuant to which, OCT Electricity Chengdu Branch will provide, among others, daily and regular inspection, maintenance and management service to Chengdu OCT, its subsidiaries and branches in relation to certain electricity facilities in properties in the operating areas of Chengdu OCT and provide consultation services to Chengdu OCT, its subsidiaries and branches in relation to professional electricity supply skills and related business and the plan of constructing an electricity monitoring system of Chengdu OCT.

    OCT Electricity is a connected person of the Company. OCT Electricity Chengdu Branch is a branch office of OCT Electricity. Therefore, the arrangement of the said Electricity Consultation Services Agreement constitutes a continuing connected transaction under the Listing Rules.

11. On 30 December 2019, Chengdu OCT entered into a property management framework agreement (the "Property Management Framework Agreement") with OCT Property Service Chengdu Branch for a term of three years with effect from 1 January 2020 and ending on 31 December 2022, pursuant to which, OCT Property Service Chengdu Branch will provide property management services to Chengdu OCT in relation to Chengdu OCT's projects in Chengdu.

    OCT Property Service is a connected person of the Company. OCT Property Service Chengdu Branch is a branch office of OCT Property Service. Therefore, the arrangement of the said Property Management Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

12. On 30 December 2019, Chengdu OCT entered into a framework agreement (the "Konka Framework Agreement") with Konka E-display Co., Ltd (康佳壹視界商業顯示有限公司) ("Konka E-display") for a term of three years with effect from 1 January 2020 and ending on 31 December 2022. Pursuant to the Konka Framework Agreement, Chengdu OCT, its subsidiaries and branches agreed to purchase and Konka Group Chengdu Branch agreed to supply the LED equipment, television and other electronic products and services to Chengdu OCT.

    OCT Group directly owns approximately 21.75% of the total issued share capital of Konka Group, and has gained control over the majority of its board. Hence, Konka Group is a connected person of the Group within the meaning of the Listing Rules. Konka E-display is a non-wholly owned subsidiary of Konka Group. Therefore, the arrangement of the said Konka Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

13. As the 2019 Finance Lease and Factoring Agreement has expired on 18 June 2020, OCT Financial Leasing, a direct wholly-owned subsidiary of the Company, entered into the OCT Group agreement with OCT Group on 18 May 2020, pursuant to which, OCT Financial Leasing agreed to provide finance lease and factoring services to OCT Group. The new finance lease and factoring agreement will be valid for one year from 19 June 2020.

    OCT Group is a connected person of the Company. Therefore, the arrangement of the said finance lease and factoring agreement constitutes a continuing connected transaction under the Listing Rules.

14. As the 2019 Finance Lease and Factoring Agreement has expired on 18 June 2020, OCT Financial Leasing, a direct wholly-owned subsidiary of the Company, entered into the OCT Ltd. agreement with OCT Ltd. on 18 May 2020, pursuant to which, OCT Financial Leasing agreed to provide finance lease and factoring services to OCT Ltd.. The new finance lease and factoring agreement will be valid for one year from 19 June 2020.

    OCT Ltd. is a connected person of the Company. Therefore, the arrangement of the said Finance Lease and Factoring Agreement constitutes a continuing connected transaction under the Listing Rules.

15. On 8 July 2020, Hefei OCT Huanchao Cultural Tourism Real Estate Development Co., Ltd* (合肥華僑城環巢文旅置業發展有限公司) ("Hefei OCT Huanchao"), an indirect non-wholly owned subsidiary of the Company, entered into a property management framework agreement with Hefei branch office of 華僑城物業(集團)有限公司 (OCT Property (Group) Co., Ltd.) ("OCT Property (Hefei)"), pursuant to which OCT Property (Hefei) will provide property management services for the development project in respect of Hefei Chaohu Bantang Hot Spring Town* (合肥巢湖半湯溫泉小鎮) and the office areas of Hefei OCT Huanchao to Hefei OCT Huanchao for the period from 8 July 2020 to 31 December 2022.

    OCT Property (Hefei) is an indirect wholly-owned subsidiary of OCT Ltd.. Therefore, OCT Property (Hefei) is a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the property management framework agreement constitutes a continuing connected transaction of the Company.

Directors' Report

16. On 17 August 2020, Hefei OCT Industry Development Co., Ltd. (合肥華僑城實業發展有限公司) ("Hefei OCT Industry"), an indirect non-wholly owned subsidiary of the Company, has entered into a planning technical services framework agreement with Shenzhen OCT Innovation and Research Institute Co., Ltd. (深圳華僑城創新研究院有限公司) ("OCT IRI"). Pursuant to the agreement, OCT IRI will provide planning and project design technical services for the Hefei Airport Town Project to Hefei OCT Industry for the period from 17 August 2020 to 31 December 2022.

    OCT IRI directly wholly-owned by OCT Group is a connected person of the Company, and under Chapter 14A of the Listing Rules, the transaction contemplated under the planning technical services framework agreement constitutes a continuing connected transaction of the Company.

17. As the former tenancy agreement has expired on 30 September 2020, OCT Gangya, as the lessor, has entered into a new tenancy agreement with OCT Entertainment, as the landlord, on 28 September 2020, for a term of three years with effect from 1 October 2020 and ending on 30 September 2023, pursuant to which, OCT Entertainment agreed to continue to lease certain properties located in Nanshan district, Shenzhen, Guangdong Province, the PRC to Gangya Holdings as office premises.

    OCT Entertainment is a connected person of the Company. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

Details of item 1 of the Connected Transaction are set out in the announcement of the Company dated 29 September 2017. Details of items 2 to 3 of the Connected Transactions are set out in the announcement of the Company dated 7 May 2019 and the circular dated 23 May 2019. Details of items 4 to 12 of the continuing connected transactions are set out in the announcement of the Company dated 30 December 2019. Details of items 13 to 14 of the Connected Transactions are set out in the announcement of the Company dated 18 May 2020 and the circular dated 29 May 2020. Details of item 15 of the Connected Transactions are set out in the announcement of the Company dated 8 July 2020. Details of item 16 of the Connected Transactions are set out in the announcement of the Company dated 17 August 2020. Details of item 17 of the Connected Transactions are set out in the announcement of the Company dated 28 September 2020.

The transaction amount and cap amount of the Connected Transactions for the year ended 31 December 2020 are as follows:

	Status of Connected Transactions	**Maximum Cap of the Connected Transactions for 2020** (RMB'000)	**Actual Amount Incurred in 2020** (RMB'000)
1	Tenancy Agreement between Gangya Holdings and OCT Entertainment (2017.10.01-2020.09.30)	3,400	2,661
2	Finance Lease and Factoring Agreement I between OCT Financial Leasing and OCT Group (2019.6.19-2020.6.18) – Principal	890,000	50,000
	Finance Lease and Factoring Agreement I between OCT Financial Leasing and OCT Group (2019.6.19-2020.6.18) – Interest fee	110,000	2,378

Directors' Report

	Status of Connected Transactions	Maximum Cap of the Connected Transactions for 2020 (RMB'000)	Actual Amount Incurred in 2020 (RMB'000)
3.	Finance Lease and Factoring Agreement II between OCT Financial Leasing and OCT Ltd. (2019.6.19-2020.6.18) – Principal	2,225,000	200,000
	Finance Lease and Factoring Agreement II between OCT Financial Leasing and OCT Ltd. (2019.6.19-2020.6.18) – Interest fee	275,000	9,512
4	New Tenancy Agreement between OCT Huaxin and OCT Entertainment with respect to office premises	1,000	582
5	New Tenancy between Xi'an OCT Land and OCT Xi'an Industry	5,232	3,360
6	New Property Management Agreement between OCT Shanghai Land and OCT Property Service Shanghai Zhabei Branch	48,528	13,939
7	Electrical and Mechanical Services Consultation Agreement between OCT Shanghai Land and OCT Electricity	1,000	700
8	Chengdu Tenancy I between Chengdu OCT and OCT Creative Culture Hotel Chengdu Branch	2,000	638
9	Chengdu Tenancy II between Chengdu OCT and OCT Hake Chengdu Branch	1,850	501
10	Electricity Consultation Services Agreement between Chengdu OCT and OCT Electricity Chengdu Branch	15,000	2,695
11	Property Management Framework Agreement between Chengdu OCT and OCT Property Service Chengdu Branch	24,000	757
12	Konka Framework Agreement between Chengdu OCT and Konka E-display	11,500	306
13	Finance Lease and Factoring Agreement I between OCT Financial Leasing and OCT Group (2020.6.19-2021.6.18) – Principal	890,000	–
	Finance Lease and Factoring Agreement I between OCT Financial Leasing and OCT Group (2020.6.19-2021.6.18) – Interest fee	110,000	–
14	Finance Lease and Factoring Agreement II between OCT Financial Leasing and OCT Ltd. (2020.6.19-2021.6.18) – Principal	890,000	–
	Finance Lease and Factoring Agreement II between OCT Financial Leasing and OCT Ltd. (2020.6.19-2021.6.18) – Interest fee	110,000	–
15	Property Management Service Agreement between Hefei OCT Huanchao and OCT Property (Hefei)	5,000	149
16	Planning Technical Services Framework Agreement between Hefei OCT Industry and OCT IRI	9,000	7,972
17	New Tenancy Agreement between Gangya Holdings and OCT Entertainment with respect to office premises (2020.10.01-2023.09.30)	1,015	979

Directors' Report

The Directors confirm that for the above Connected Transactions, the Company has complied with the disclosure, reporting and/or shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above Connected Transactions and confirmed that the above Connected Transactions are:

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

(2) on normal commercial terms, or if there are insufficient comparable transactions to judge whether the terms of those transactions are on normal commercial terms, as far as the Company is concerned, the terms of the above transactions are not less favourable than those available to or from independent third parties (as the case may be); and

(3) entered into under the terms of the agreements in respect of the relevant transactions, and the terms of the transactions are fair and reasonable and in the interest of the shareholders of the Company as a whole.

In addition, the Company's auditors have also confirmed in writing to the Board:

Nothing had come to their attention which caused them to believe that:

- the Connected Transactions had not received the approval of the Board;
- the Connected Transactions had not been entered into, in all material aspects, in accordance with the relevant agreements governing the transactions;
- the Connected Transactions had not been entered into, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group; and
- the transaction amount incurred in 2020 for each of the Connected Transactions had exceeded the aggregate annual value as disclosed in the Company's announcements dated 29 September 2017, 7 May 2019, 5 July 2019, 30 December 2019, 18 May 2020, 8 July 2020, 17 August 2020 and 28 September 2020.

The related party transactions are set out in note 34 to the consolidated financial statements of the Company. Except for the connected transactions and continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2020, OCT Group and its associates provided financial support to the Group, and the interest and related expenses payable by the Group to OCT Group and its associates amounted to approximately RMB90 million in total. Such financial support constitutes a connected transaction of the Company, but was exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on the reason that the financial support provided to the Group by OCT Group and its associates and which benefited the Company was made on normal commercial terms (or more favourable than that provided to the listing issuer) to provide loans to the Company and no asset of the Group was pledged as collateral for this financial support.

Directors' Report

The Group entered into the connected transactions set out below on 12 June 2020 and 21 September 2020 respectively, and has complied with Chapter 14A of the Listing Rules.

1. On 12 June 2020, Shenzhen Huayou entered into an equity transfer agreement with Happy Valley Cultural Tourism Development Co., Ltd.* (歡樂谷文化旅遊發展有限公司) ("Happy Valley Cultural Tourism") and Dongguan City OCT Lvwen Technology Investment Partnership (Limited Partnership), pursuant to which Shenzhen Huayou agreed to transfer 1% of the equity interest in the Partnership to Happy Valley Cultural Tourism at the consideration of RMB3,000,185.40, representing the capital contribution of RMB3,000,000 from Shenzhen Huayou under the limited partnership agreement.

   Happy Valley Cultural Tourism was held as to 60% by OCT Ltd. and is a connected person of the Company under Chapter 14A of the Listing Rules, and the transfer contemplated under the equity transfer agreement therefore constitutes a connected transaction of the Company under the Listing Rules.

2. On 21 September 2020, Hefei OCT Huanchao entered into a design and planning agreement, which comprises design and planning agreement I and design and planning agreement II, with OCT IRI, pursuant to which, OCT IRI will provide design and planning service for the phase I and phase II of the Waterpark Project. The total service fee amounts to RMB5,852,600.00 (tax inclusive).

   Under the Listing Rules, OCT IRI, directly wholly-owned by OCT Group, is a connected person of the Company, and the transaction contemplated under the design and planning agreement constitutes a connected transaction of the Company.

   Details of items 1 and 2 of the above connected transactions are set out in the announcements of the Company dated 12 June 2020 and 21 September 2020 respectively.

BANK LOANS AND OTHER LOANS

Particulars of bank loans and other loans of the Company and the Group as at 31 December 2020 are set out in note 26 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on pages 218 to 220 of this annual report.

RETIREMENT SCHEMES

The Group participates in two defined contribution retirement schemes which cover the Group's full-time employees. Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes organised by the relevant local government authorities. The only obligation of the Group with respect to such retirement benefit schemes is to make the specified contributions under the schemes. Furthermore, the Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

Directors' Report

Particulars of these retirement schemes are set out in note 28 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Company has purchased appropriate and sufficient liability insurance to indemnify its Directors and senior management in respect of legal actions against the Directors and senior management.

AUDITOR

KPMG has been appointed as the auditor of the Company since 22 December 2017. At the Company's last annual general meeting, KPMG was reappointed as the auditor of the Company. KPMG will retire and be eligible for reappointment. A resolution for the re-appointment of KPMG as the auditor of the Company will be proposed at the forthcoming Annual General Meeting.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

SHARE OPTION SCHEME

Under the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to attract and retain the best available talent, to provide additional incentive to the employees (full-time and part-time), Directors, consultants and advisers of the Group and to promote the business development of the Group. The New Scheme shall be valid and effective for a period of ten years ending on 14 February 2021, unless terminated earlier by shareholders of the Company at a general meeting.

The participants of the New Scheme include any full-time or part-time employee, Director, advisor and professional consultant of the Group or any member of the Group. The Directors may at their absolute discretion and on such terms as they may think fit, propose any eligible people under the New Scheme to take up options.

An offer for the grant of options must be accepted within 28 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer is HK$1.00.

The subscription price of an ordinary share in respect of any particular option granted under the New Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) 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 date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

Directors' Report

The Company shall be entitled to issue options, provided that the total number of ordinary shares which may be issued upon exercise of all options to be granted under all the New Schemes and any other share option scheme of the Company does not exceed 10% of the ordinary shares in issue at the date of the approval of the New Scheme. The Company may at any time refresh such limit, subject to the Shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all options granted but yet to be exercised under all new schemes and any other share option scheme of the Company does not exceed 30% of the shares in issue at the time.

An option may be exercised in accordance with the terms of the New Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant. The total number of shares issued and may be issued upon exercise of options granted to any grantee (including both exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company then in issue.

Pursuant to the terms of the New Scheme, the Company granted 30,100,000 options to some eligible participants (including some Directors and employees) at the exercise price of HK$4.04 and the grant price of HK$1 on 3 March 2011. Details of the above share options granted under the New Scheme are set out in the announcement of the Company dated 3 March 2011. As at 2 March 2016, all share options granted under the New Scheme have expired, lapsed and cancelled. As at 31 December 2020, no share options was granted, exercised, lapsed and cancelled under the New Scheme. As the New Scheme had already expired, no further options could be issued under the New Scheme as at the date of this report.

Save for the above, at no time during the period prior to the date of this report was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement that enables the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporates.

After the end of the Period under Review, the Directors proposed no final dividend. Further details are disclosed in note 30 to the consolidated financial statements of the Company.

By Order of the Board
Chairman
Zhang Dafan

Hong Kong, 31 March 2021

Independent Auditor's Report

Independent auditor's report to the shareholders of
Overseas Chinese Town (Asia) Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Overseas Chinese Town (Asia) Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 106 to 217, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Independent Auditor's Report

Key audit matters *(continued)*

Valuation of financial assets measured at fair value through profit or loss (FVTPL)

Refer to note 17 to the consolidated financial statements and the accounting policies in note 1(g).

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the aggregate carrying value of the Group's unlisted equity securities measured at FVTPL totalled RMB275 million which were classified under the fair value hierarchy as level 3. The valuation of the Group's financial assets measured at FVTPL is based on valuation models which often require a considerable number of inputs. Where observable data are not readily available, as in the case of all level 3 financial assets measured at FVTPL, estimates need to be developed which could involve significant management judgement. The fair value of the Group's financial assets measured at FVTPL at 31 December 2020 was assessed by the directors primarily based on independent valuation reports prepared by a firm of qualified external valuers. We identified assessing the fair value of financial assets measured at FVTPL as a key audit matter because of the degree of complexity involved in valuing these financial assets and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of unlisted financial assets measured at FVTPL included the following: • obtaining and inspecting the valuation assessment prepared by the external valuers engaged by the directors and on which the directors' assessment of the fair values of the Group's financial assets measured at FVTPL was based; • assessing the external valuers' qualifications, experience and expertise in the assets being valued and considering their objectivity and independence; • with the assistance of our internal valuation specialists, discussing with the external valuers, without the presence of management, their valuation methodologies in assessing the fair values of unlisted equity securities; assessing the key assumptions and critical judgements adopted which impacted the valuation by comparing these assumptions and critical judgements with market data, or other publicly available information; and • assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Key audit matters *(continued)*

Net realisable value of inventories of comprehensive development business

Refer to note 20 to the consolidated financial statements and the accounting policies in note 1(m).

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the aggregate carrying value of the Group's properties held for future development and under development for sale and completed properties held for sale (together "inventories of comprehensive development business") totalled RMB8,299 million. These principally comprise residential and office properties in Shanghai and Hefei held for sale. Inventories of comprehensive development business are carried at the lower of cost and net realisable value. The calculation of the net realisable value for each property development project at the financial reporting date is performed by management. The calculation of the net realisable value of inventories of comprehensive development business involves significant management judgement and estimation in preparing the updated estimations of the costs to complete each property development project as well as in assessing the expected future net selling prices for each property development project (with reference to recent sales transactions in nearby locations), the estimated future selling costs and the relevant taxes.	Our audit procedures to assess the net realisable value of inventories of comprehensive development business included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project; • conducting site visits to property development sites, on a sample basis, and discussing with management the progress of each property development project visited and the development budgets reflected in the latest forecasts for these property development projects; • evaluating the valuation methodology adopted by management for assessing the net realisable value of inventories of comprehensive development business and comparing the key estimates and assumptions adopted in the valuations, including those relating to average net selling prices, with market available data and the sales budget plans maintained by the Group;

Independent Auditor's Report

Key audit matters *(continued)*

Net realisable value of inventories of comprehensive development business *(continued)*

Refer to note 20 to the consolidated financial statements and the accounting policies in note 1(m).

The key audit matter	How the matter was addressed in our audit
We identified the assessment of net realisable value of the Group's inventories of comprehensive development business as a key audit matter because of the significance of inventories of comprehensive development business to the assets of the Group and because of the inherent risks involved in estimating the costs to complete each property development project and the future selling prices for each property development project, particularly in light of the current economic circumstances and various property market measures implemented in various cities across Mainland China.	• comparing the estimated construction costs to complete each property development project with the Group's latest budgets and comparing the costs incurred to 31 December 2020 with budgets as at 31 December 2019 to assess the accuracy of management's forecasting and budgeting process. • inspecting sensitivity analyses prepared by management for the extent of changes in key estimates and assumptions that, either individually or collectively, would be required for inventories of comprehensive development business to be materially misstated and considering the likelihood of such a movement in those key estimates and assumptions arising and the potential for management bias in their selection.

Independent Auditor's Report

Key audit matters *(continued)*

Assessing impairment of interests in associates

Refer to note 15 to the consolidated financial statements and the accounting policies in note 1(l).

The key audit matter

As at 31 December 2020, the carrying value of the Group's interests in associates amounted to RMB4,369 million.

As disclosed in note 15 to the consolidated financial statements, the impairment loss on interests in associates amounted to RMB70 million as at 31 December 2020.

As disclosed in note 1 (e) to the consolidated financial statements, interests in associates are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates, less impairment in the values of individual investments. As such, the Group is required to assess at the end of each reporting period whether there is any indication that the carrying amounts of interests in associates may be impaired. For those associates in which such indication exists, the Group assessed their carrying amounts to ascertain if impairment is required based on independent valuation prepared by an external valuer.

How the matter was addressed in our audit

Our audit procedures to assess impairment of interests in associates included the following:

- understanding the management's process for identifying the existence of impairment indicators of the interests in associates;
- where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and obtaining an understanding from the management of their financial position and future prospects;
- obtaining and inspecting the valuation report prepared by the external valuer engaged by Group;
- evaluating the qualifications, expertise and objectivity of the independent external valuer;
- with the support of our internal valuation specialists, assessing the appropriateness of the valuation methodology and the reasonableness of the key assumptions, including the discount rates and the expected long-term growth rate adopted in the valuation methodology;

Independent Auditor's Report

Key audit matters *(continued)*

Assessing impairment of interests in associates *(continued)*

Refer to note 15 to the consolidated financial statements and the accounting policies in note 1(l).

The key audit matter

We identified assessing impairment of interests in associates as a key audit matter because impairment assessment requires significant judgement and estimation in key assumptions, including the discount rates and the expected long-term growth rate, which increases the risk of error or potential management bias.

How the matter was addressed in our audit

- inspecting sensitivity analysis prepared by management on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts;
- comparing the forecast data adopted in the impairment testing in the prior year with the current year's performance to assess the reliability of managements forecasting process, and making enquiries of management as to the reasons for any significant variations identified and whether these had been considered in the current assessment; and
- assessing the disclosures in the consolidated financial statements in respect of the impairment assessment and the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibility 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2021

Consolidated statement of profit or loss

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	3	**1,306,550**	2,071,903
Cost of sales		**(990,072)**	(1,306,174)
Gross profit		**316,478**	765,729
Other income	4(a)	**65,646**	93,836
Other net gains	4(b)	**465,514**	221,979
Distribution costs		**(97,768)**	(103,200)
Administrative expenses		**(352,270)**	(403,405)
Profit from operations		**397,600**	574,939
Finance costs	5(a)	**(183,099)**	(268,732)
Share of profits less losses of associates	15	**(136,902)**	306,063
Share of loss of joint ventures	16	**(939)**	(8,150)
Profit before taxation	5	**76,660**	604,120
Income tax	6	**(101,093)**	(354,514)
(Loss)/profit for the year		**(24,433)**	249,606
Attributable to:			
Equity holders of the Company		**63,757**	266,961
Non-controlling interests		**(88,190)**	(17,355)
(Loss)/profit for the year		**(24,433)**	249,606
Basic (loss)/earning per share (RMB)	10	**(0.29)**	0.04

The notes on pages 114 to 217 form part of these consolidated financial statements. Details of dividends payable to shareholders of the Company are set out in note 30 (b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
(Loss)/profit for the year		**(24,433)**	249,606
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Item that will not be reclassified to profit or loss:			
Equity investments at FVTOCI – net movement in fair value reserves (non-recycling)		**90,240**	166,598
Items that may be reclassified subsequently to profit or loss:			
Exchange differences		**(87,654)**	(164,501)
Share of other comprehensive income of associates		**185,243**	11,246
Cumulative exchange differences reclassified to profit or loss upon disposal of a subsidiary/an associate		**6,270**	(1,440)
		103,859	(154,695)
Other comprehensive income for the year		**194,099**	11,903
Total comprehensive income for the year		**169,666**	261,509
Attributable to:			
Equity holders of the Company		**257,856**	278,864
Non-controlling interests		**(88,190)**	(17,355)
Total comprehensive income for the year		**169,666**	261,509

The notes on pages 114 to 217 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment property	11	**2,487,968**	5,285,739
Other property, plant and equipment	11	**981,721**	2,017,431
Interests in leasehold land held for own use	11	**1,228,041**	1,596,979
		4,697,730	8,900,149
Intangible assets	12	**42,702**	52,922
Goodwill	13	**–**	570
Interests in associates	15	**4,368,908**	5,410,696
Interests in joint ventures	16	**1,197,304**	302,560
Other financial assets	17	**1,141,530**	1,618,292
Finance lease receivables	19	**251,944**	382,253
Trade and other receivables	22	**–**	1,623
Deferred tax assets	29(b)	**76,631**	222,012
		11,776,749	16,891,077
Current assets			
Trading securities	18	**–**	118,480
Inventories and other contract costs	20	**8,302,909**	5,767,090
Finance lease receivables	19	**108,679**	117,206
Trade and other receivables	22	**946,603**	880,060
Cash at bank and on hand	23	**4,274,938**	2,681,489
		13,633,129	9,564,325
Assets of disposal group classified as held for sale	24(a)	**12,079**	–
		13,645,208	9,564,325

Consolidated Statement of Financial Position

At 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and other payables	25	1,554,090	2,875,136
Contract liabilities	21	1,459,276	512,781
Bank and other loans	26	573,899	2,099,413
Related party loans	26	862,400	913,400
Lease liabilities	27	13,330	26,489
Current taxation	29(a)	169,570	791,848
		4,632,565	7,219,067
Liabilities directly associated with assets of disposal group classified as held for sale	24(b)	1,849	–
		4,634,414	7,219,067
Net current assets		9,010,794	2,345,258
Total assets less current liabilities		20,787,543	19,236,335
Non-current liabilities			
Bank and other loans	26	6,032,109	6,016,264
Related party loans	26	1,359,660	59,350
Lease liabilities	27	11,265	52,341
Deferred tax liabilities	29(b)	159,323	188,932
		7,562,357	6,316,887
NET ASSETS		13,225,186	12,919,448

Consolidated Statement of Financial Position

At 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
CAPITAL AND RESERVES			
Share capital	30(c)	**67,337**	67,337
Perpetual capital securities	30(d)	**5,610,431**	5,296,195
Reserves		**3,752,628**	3,982,543
Total equity attributable to equity holders of the Company		**9,430,396**	9,346,075
Non-controlling interests		**3,794,790**	3,573,373
TOTAL EQUITY		**13,225,186**	12,919,448

Approved and authorised for issue by the board of directors on 31 March 2021.

Zhang Dafan
Director

Xie Mei
Director

The notes on pages 114 to 217 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(Expressed in Renminbi)

	Attributable to equity holders of the Company												
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000	PRC statutory reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	(Note 30(c))				*(Note 30(d))*								
Balance at 1 January 2019	67,337	36,884	147,711	53,270	5,294,665	462,734	(14,635)	(324,398)	26,064	3,716,610	9,466,242	3,439,415	12,905,657
Changes in equity for 2019:													
Profit for the year	–	–	–	–	238,615	–	–	–	–	28,346	266,961	(17,355)	249,606
Other comprehensive income	–	–	–	–	–	–	166,598	(154,695)	–	–	11,903	–	11,903
Total comprehensive income	–	–	–	–	238,615	–	166,598	(154,695)	–	28,346	278,864	(17,355)	261,509
Transfer to PRC statutory reserves	–	–	–	–	–	3,118	–	–	–	(3,118)	–	–	–
Dividends approved in respect of the previous year *(note 30 (b)(ii))*	–	–	–	–	–	–	–	–	–	(144,829)	(144,829)	(44,687)	(189,516)
Distribution to the holders of perpetual capital securities	–	–	–	–	(237,085)	–	–	–	–	–	(237,085)	–	(237,085)
Share of other changes in equity of associates	–	–	–	–	–	–	–	–	(17,117)	–	(17,117)	–	(17,117)
Wind up of subsidiaries	–	–	–	(753)	–	(4,915)	–	–	–	5,668	–	–	–
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	196,000	196,000
Balance at 31 December 2019	67,337	36,884	147,711	52,517	5,296,195	460,937	151,963	(479,093)	8,947	3,602,677	9,346,075	3,573,373	12,919,448
Balance at 31 December 2019 and 1 January 2020	67,337	36,884	147,711	52,517	5,296,195	460,937	151,963	(479,093)	8,947	3,602,677	9,346,075	3,573,373	12,919,448
Changes in equity for 2020:													
Profit for the year	-	-	-	-	283,209	-	-	-	-	(219,452)	63,757	(88,190)	(24,433)
Other comprehensive income	-	-	-	-	154,999	-	90,240	(51,140)	-	-	194,099	-	194,099
Total comprehensive income	-	-	-	-	438,208	-	90,240	(51,140)	-	(219,452)	257,856	(88,190)	169,666
Transfer to PRC statutory reserves	-	-	-	-	-	2,271	-	-	-	(2,271)	-	-	-
Disposal of other financial assets measured at FVTOCI	-	-	-	-	-	-	(81,622)	-	-	81,622	-	-	-
Dividends approved in respect of the previous year *(note 30 (b)(ii))*	-	-	-	-	-	-	-	-	-	(8,558)	(8,558)	(370,631)	(379,189)
Issuance of perpetual capital securities *(note 30 (d)(ii))*	-	-	-	-	5,510,845	-	-	-	-	-	5,510,845	-	5,510,845
Distribution to the holders of perpetual capital securities	-	-	-	-	(237,618)	-	-	-	-	-	(237,618)	-	(237,618)
Redemption of perpetual capital securities *(note 30 (d)(i))*	-	-	-	-	(5,397,199)	-	-	-	(26,481)	-	(5,423,680)	-	(5,423,680)
Share of other changes in equity of associates	-	-	-	-	-	-	-	-	(14,524)	-	(14,524)	-	(14,524)
Wind up of subsidiaries	-	-	-	(178)	-	-	-	-	-	178	-	-	-
Disposal of subsidiaries	-	-	-	(21,319)	-	(153,212)	-	-	-	174,531	-	(789,762)	(789,762)
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	1,470,000	1,470,000
Balance at 31 December 2020	67,337	36,884	147,711	31,020	5,610,431	309,996	160,581	(530,233)	(32,058)	3,628,727	9,430,396	3,794,790	13,225,186

The notes on pages 114 to 217 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Cash used in operations	23(b)	**(1,224,883)**	(114,308)
Tax paid		**(344,891)**	(352,484)
Interest element of lease rentals paid		**(3,839)**	(5,105)
Other interest paid		**(282,519)**	(396,220)
Net cash used in operating activities		**(1,856,132)**	(868,117)
Investing activities			
Net cash flow from disposals of subsidiaries	23(e)	**1,713,009**	150,289
Proceeds from disposal of other financial asset	17/31(e)(i)	**480,991**	–
Proceeds from disposal of trade security		**117,829**	–
Repayment of loans to associates		**100,955**	370,679
Payment for investments in joint ventures		**(1,185,143)**	(23,379)
Payment for investments in associates		**(132,000)**	(400,380)
Payment to an associate		**(51,480)**	–
Payment for purchase of property, plant and equipment and intangible assets		**(218,181)**	(477,376)
New loans to an associate		**(3,439)**	(6,930)
Proceeds from disposals of property, plant and equipment and intangible assets		**1,244**	2,971
Proceeds from disposal of associates		**–**	160,063
Decrease in deposits with banks with maturity of more than three months		**119,990**	596,526
Dividends received from associates and joint ventures		**61,110**	76,496
Interest received		**50,858**	96,204
Dividend received from unlisted equity securities		**–**	1,096
Net cash generated from investing activities		**1,055,743**	546,259

Consolidated Cash Flow Statement

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Financing activities			
Capital element of lease rentals paid	23(d)	(24,607)	(24,140)
Proceeds from loans	23(c)	4,759,006	6,117,745
Repayment of loans	23(c)	(3,430,078)	(5,570,571)
Proceeds from capital contribution of non-controlling interests		1,470,000	196,000
Issuance of perpetual capital securities	30(d)	5,510,845	–
Redemption of perpetual capital securities	30(d)	(5,423,680)	–
Decrease in pledged deposits		766,055	13,523
Increase of restricted cash for REIT programme	23	(592)	(4,826)
Distribution to the holders of perpetual capital securities		(237,618)	(237,085)
Dividend paid to shareholders of the Company		(8,558)	(144,829)
Net cash generated from financing activities		3,380,773	345,817
Net increase in cash and cash equivalents		2,580,384	23,959
Cash and cash equivalents at 1 January		1,798,074	1,744,196
Cash and cash equivalents included in assets and liabilities of a disposal group classified as held for sale		(4,637)	–
Effect of foreign exchange rate changes		(104,301)	29,919
Cash and cash equivalents at 31 December	23(a)	4,269,520	1,798,074

The notes on pages 114 to 217 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1 (c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that other investments in equity securities are stated at their fair value as explained in the accounting policies value as explained in the accounting policies.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1 (aa)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1 (q), (r), (s) or (t) depending on the nature of the liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1 (g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1 (e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1 (l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1 (aa)).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1 (aa)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1 (f) and 1 (l)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture(after applying the ECL model to such other long-term interests where applicable (see note 1 (l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, 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 that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1 (g)).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1 (l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 31 (e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– fair value through other comprehensive income (FVTOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in equity securities *(continued)*

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1 (x)(viii).

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1 (k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in note 1 (x)(v).

Depreciation is calculated to write off the costs of investment properties, less its estimated residual value of 0% to 5%, using the straight-line method over their estimated useful lives of 18 to 50 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1 (l)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– other items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1 (k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1 (z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful life	Residual value %
Buildings held for own use	20 to 32 years	0% to 5%
Plant and machinery	3 to 10 years	0% to 5%
Motor vehicles	3 to 5 years	0% to 5%
Other property, plant and equipment	3 to 5 years	0% to 5%
Interests in leasehold land held for own use	The shorter of the lease term and 50 years	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1 (l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful life	Residual value %
Software	5 to 10 years	0%
Copyright	2 years	0%
Trademarks	6 years	0%

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily in relation office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1 (i) and 1 (l)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1 (x)(v).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1 (k)(i), then the Group classifies the sub-lease as an operating lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments, and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to associates and joint ventures, which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

– lease receivables.

Financial assets measured at fair value, including equity securities measured at FVTPL and equity securities designated at FVTOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– lease receivables: discount rate used in the measurement of the lease receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Measurement of ECLs *(continued)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Significant increases in credit risk *(continued)*

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1 (x)(ix) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivables is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1 (l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill; and

– investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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 current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets *(continued)*

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1 (l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories and other contract costs

(i) Comprehensive development business

Inventories of comprehensive development business are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property held for future development and under development for sale

The cost of properties held for future development and under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1 (z)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories and other contract costs

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1 (m)(i)).

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 e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1 (x).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1 (x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1 (o)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1 (x)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1 (l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1 (l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest bearing borrowings set out in note 1 (t) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(s) Perpetual capital securities

Perpetual capital securities are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any distributions are discretionary. Distributions on perpetual capital securities classified as equity are recognised as distributions within equity.

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1 (z)).

(u) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax *(continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Provisions, contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to the customers, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1 (n)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(ii) Sale of properties (continued)

For contracts where the period between the payment by the customer and the transfer of the promised property exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component. If the advance payments by the customer are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of delivery. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, Borrowing costs, in accordance with the policies set out in note 1 (z).

(iii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 1 (w).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(iv) Sale of tickets of theme park

Revenue from the sale of tickets of theme park is recognised when the services are rendered and the tickets proceeds have been received. Revenue from the sale of tickets excludes sale related tax and is after deduction of any discounts.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(vi) Hotel revenue

Hotel revenue is recognised when the services have been rendered.

(vii) Finance lease income

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

(viii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(ix) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1 (l)(i)).

(x) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

Notes to the Consolidated Financial Statements

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1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 1 (g) contain information about assumptions and their risk factors relating to valuation of other investments in equity securities, other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below:

(a) Provision for completed properties held for sale and properties held for future development and under development for sale

The Group's completed properties held for sale and properties held for future development and under development for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for completed properties held for sale and properties held for future development and under development for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

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For the year ended 31 December 2020

(Expressed in Renminbi)

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(b) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(c) Land Appreciation Tax (“LAT”)

As explained in note 6 (a), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgement is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated as the end of each reporting period. Any increase or decrease in actual outcomes/estimates would affect income statement in the period in which such determination is made.

(d) Impairment loss of non-current assets

As explained in note 1 (l)(iii), the Group determines that investment in associates or equity securities is impaired when there has been a significant or prolonged decline in the recoverable amount below its cost. Management assesses the differences between the carrying amount and recoverable amount and makes provision for impairment loss. Any change in the assumptions adopted in calculating the recoverable amount would increase or decrease the provision for impairment loss and affect the Group’s financial position. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of discount rates and the expected long-term growth rate. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue, amount of operating costs.

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3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are comprehensive development, equity investment and fund business and finance lease.

(i) Disaggregation of revenue

Revenue represents the sales value of goods or services supplied to customers net of sales related tax. Disaggregation of revenue with customer by business lines is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
– Sale of properties	792,046	1,329,853
– Sale of tickets of theme park	115,817	260,858
– Hotel revenue	187,856	191,126
– Fund management fee income	5,139	–
– Construction contracts	–	47,619
– Consulting services	–	15,667
	1,100,858	1,845,123
Revenue from other sources		
– Rental income from investment properties	183,188	205,430
– Finance lease income	22,504	21,350
	1,306,550	2,071,903

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3 (b)(i) and 3 (b)(iv) respectively.

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2020, revenue from sales of property to this customer amounted to approximately RMB261,319,000 (2019: Nil). Details of concentrations of credit risk arising from this customer are set out in note 31 (a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

As at 31 December 2020, the aggregated amount of RMB2,285,030,000 (2019: RMB517,601,000) under the Group's existing contracts expected to be recognised as revenue in the future upon delivery of properties to customers. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties for sale, when the properties are assigned to the customers, which is expected to occur over the next 12 months (2019: over the next 12 months).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the most senior executive management of the Group for the purposes of resource allocation and performance assessment, the Group has the following three reportable segments.

- Comprehensive development business: this segment engaged in the development and operation of tourism theme park, developed and sold residential properties, construction services, development and management of properties, property investment and operation of hotel.
- Equity investment and fund business: this segment engaged in the investment in new urbanisation industrial ecosphere, such as domestic and overseas direct investments, industrial fund, and education.
- Finance lease business: this segment engaged in the finance lease business.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current and other non-current asset. Segment liabilities include trade creditors, accruals and lease liabilities attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

The Group has changed the system of performance evaluation from the classification of investees by their business nature to the nature of investments. Accordingly, certain investments under comprehensive development business segment to equity investment and fund business segment. Comparative figures were restated accordingly to conform with current year's presentation.

The measure used for reporting segment result is "net profit" after taxation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Comprehensive development business		Equity investment and fund business		Finance lease business		Total	
	2020 RMB'000	2019 RMB'000 (Restated)	2020 RMB'000	2019 RMB'000 (Restated)	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15								
Disaggregated by timing of revenue recognition								
Point in time	1,095,719	1,797,504	–	–	–	–	1,095,719	1,797,504
Over time	–	47,619	5,139	–	–	–	5,139	47,619
	1,095,719	1,845,123	5,139	–	–	–	1,100,858	1,845,123
Revenue from other sources	183,188	205,430	–	–	22,504	21,350	205,692	226,780
Revenue from external customers	1,278,907	2,050,553	5,139	–	22,504	21,350	1,306,550	2,071,903
Reportable segment profit/(loss) for the year	271,524	(74,590)	(277,805)	315,637	7,214	2,508	933	243,555

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For the year ended 31 December 2020

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

	Comprehensive development business		Equity investment and fund business		Finance lease business		Total	
	2020 RMB'000	2019 RMB'000 (Restated)	2020 RMB'000	2019 RMB'000 (Restated)	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Interest income								
– Bank deposits	12,469	7,805	308	183	508	666	13,285	8,654
– Amounts due from associates	19,370	22,217	–	–	–	–	19,370	22,217
Interest expense	(99,628)	(113,186)	(69,187)	(111,504)	(9,270)	(8,463)	(178,085)	(233,153)
Depreciation and amortisation for the year	(352,603)	(334,385)	–	–	–	–	(352,603)	(334,385)
Share of profits less losses of associates	46,601	(1,405)	(183,503)	307,468	–	–	(136,902)	306,063
Share of (loss)/profit of joint ventures	3,474	(8,157)	(4,413)	7	–	–	(939)	(8,150)
Reportable segment assets	16,059,025	18,740,098	5,882,709	5,258,091	375,054	486,381	22,316,788	24,484,570
Additions to non-current segment assets during the year	230,369	2,839,053	–	–	–	–	230,369	2,839,053
Reportable segment liabilities	7,504,714	9,702,587	3,397,869	2,386,942	49,291	75,764	10,951,874	12,165,293
Interests in associates	838,214	1,930,794	3,530,694	3,479,902	–	–	4,368,908	5,410,696
Interests in joint ventures	–	279,174	1,197,304	23,386	–	–	1,197,304	302,560

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3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment profit or loss

	2020 RMB'000	2019 RMB'000
Reportable segment profit derived from Group's external customers	**933**	243,555
Unallocated head office and corporate net (expense)/income	**(25,366)**	6,051
Consolidated (loss)/profit for the year	**(24,433)**	249,606

(iii) Reconciliations of reportable segment assets and liabilities

	2020 RMB'000	2019 RMB'000
Assets		
Reportable segment assets	**22,316,788**	24,484,570
Elimination of inter-segment receivables	**(26,815)**	(25,311)
	22,289,973	24,459,259
Unallocated head office and corporate assets	**3,131,984**	1,996,143
Consolidated total assets	**25,421,957**	26,455,402

	2020 RMB'000	2019 RMB'000
Liabilities		
Reportable segment liabilities	**10,951,874**	12,165,293
Elimination of inter-segment payables	**(26,815)**	(25,311)
	10,925,059	12,139,982
Unallocated head office and corporate liabilities	**1,271,712**	1,395,972
Consolidated total liabilities	**12,196,771**	13,535,954

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For the year ended 31 December 2020

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iv) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, other property, plant and equipment, interests in leasehold land held for own use, intangible assets, goodwill and interests in associates and joint ventures and other financial assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods and properties sold. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, interests in leasehold land held for own use and investment properties, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and other financial assets, and the location of operations, in the case of interest in associates and joint ventures.

	Revenues from external customers		Specified non-current assets	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**1,301,771**	2,070,316	**10,874,022**	16,033,336
Hong Kong	**4,779**	1,587	**574,152**	251,853
	1,306,550	2,071,903	**11,448,174**	16,285,189

4 OTHER INCOME AND NET GAINS

(a) Other income

	2020	2019
	RMB'000	RMB'000
Interest income on financial assets measured at amortised cost:		
– Bank deposits	**34,476**	68,300
– Amounts due from associates	**19,370**	22,217
Total interest income	**53,846**	90,517
Government grants	**10,972**	1,908
Forfeiture income on deposit on pre-sale of properties	**828**	315
Dividend income from unlisted equity securities	**–**	1,096
	65,646	93,836

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4 OTHER INCOME AND NET GAINS *(continued)*

(b) Other net gains

	2020 RMB'000	2019 RMB'000
Gain on disposal of subsidiaries *(note 23 (e))*	340,972	–
Net realised and unrealised (loss)/gain on equity securities	(9,704)	12,190
Net exchange gain	132,236	88,578
Net (loss)/gain on disposal of property, plant and equipment	(597)	40
Gain on partial disposals of an associate	–	72,374
Gain on previously held interest in an associate upon loss of significant influence	–	54,090
Others	2,607	(5,293)
	465,514	221,979

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2020 RMB'000	2019 RMB'000
Interest on bank and other loans	264,359	261,652
Interest on lease liabilities	3,839	5,105
Interest on related party loans	90,402	111,773
Accrued interest on significant financing component of contract liabilities	–	10,812
Total interest expense	358,600	389,342
Less: amount capitalised*	(175,501)	(120,610)
	183,099	268,732

* The borrowing costs have been capitalised at a weighted average rate of 4.22% per annum (2019: 4.38%).

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	298,133	361,875
Contributions to defined contribution retirement plan *(note 28)*	7,420	23,650
	305,553	385,525

Notes to the Consolidated Financial Statements

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(Expressed in Renminbi)

5 PROFIT BEFORE TAXATION *(continued)*

(c) Other items

	2020 RMB'000	2019 RMB'000
Amortisation of intangible assets *(note 12)*	**9,311**	9,392
Depreciation		
– owned property, plant and equipment	**239,251**	203,798
– right-of-use assets *(note 11 (b))*	**129,293**	139,226
	368,544	343,024
Impairment losses/(reversal of impairment losses)		
– trade and other receivables	**1,312**	1,085
– finance lease receivables	**(2,088)**	2,929
– interest in an associate *(note 15)*	**70,000**	–
	69,224	4,014
Auditors' remuneration		
– audit services	**2,848**	2,900
– other services	**3,269**	2,492
	6,117	5,392
Rentals receivable from investment properties less direct outgoings of RMB10,222,000 (2019: RMB23,457,000)	**172,966**	181,793
Cost of inventories* *(note 20 (b))*	**622,479**	1,089,777

* Cost of inventories includes RMB77,246,000 (2019: RMB256,673,000) relating to staff costs, which amount is also included in the respective total amounts disclosed separately above or in note 5 (b) for each of these types of expenses.

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6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2020 RMB'000	2019 RMB'000
Current tax		
Provision for corporate income tax ("CIT") for the year (i)	31,341	67,324
(Over)/under-provision in respect of prior years	(37,961)	17,527
Withholding tax (iii)	47,411	–
	40,791	84,851
PRC LAT (ii)	58,832	306,245
	99,623	391,096
Deferred tax		
Origination and reversal of temporary differences	1,470	(36,582)
	101,093	354,514

(i) CIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the year (2019: Nil).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2020 and 2019.

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC at 25% (2019: 25%).

(ii) PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax. The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated.

Notes to the Consolidated Financial Statements

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6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Taxation in the consolidated statement of profit or loss represents: *(continued)*

(iii) Withholding tax

Withholding taxes are levied on dividend distributions arising from profit of the Mainland China subsidiaries within the Group earned after 1 January 2008, and disposal gain earned by Hong Kong subsidiaries upon disposal of Mainland China subsidiaries at the applicable tax rates. During the year, as a result of disposal of subsidiaries (note 23 (e)), a provision of withholding tax was recognised in profit or loss accordingly.

During the year, withholding taxes included the tax effect on the dividends distributed by Mainland China subsidiaries of RMB18,940,000 (2019: Nil) and on the disposal gain earned by Hong Kong subsidiaries upon disposal of Mainland subsidiaries of RMB28,471,000 (2019: Nil).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Profit before taxation	76,660	604,120
Notional tax on profit before taxation, calculated at the rates applicable the jurisdictions concerned	(32,922)	151,030
Tax effect of tax rate difference	(2)	(2)
Tax effect of non-deductible expenses	99,349	86,518
Tax effect of non-taxable income	(59,499)	(140,935)
Tax effect of temporary difference not recognised	91,154	24,775
Tax effect of temporary difference not previously recognised	(3,150)	(14,083)
(Over)/under-provision in respect of prior years	(37,961)	17,527
	56,969	124,830
PRC LAT	58,832	306,245
Tax effect of PRC LAT	(14,708)	(76,561)
	44,124	229,684
Income tax expense	101,093	354,514

The 10% withholding tax rate on gain on disposal of Mainland China subsidiaries earned by Hong Kong subsidiaries of the Group was accounted for in calculation of notional tax.

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7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383 (1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2020 Total RMB'000
Chairman					
Zhang Dafan (appointed on 12 August 2020)	–	–	–	–	–
He Haibin (resigned on 12 August 2020)	–	–	–	–	–
Executive directors					
Xie Mei (Chief Executive Officer)	–	1,999	595	58	2,652
Lin Kaihua	–	1,489	457	58	2,004
Non-executive director					
Wang Wenjin (appointed on 19 June 2020)	–	–	–	–	–
Zhang Jing (resigned on 19 June 2020)	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	213	–	–	–	213
Lam Sing Kwong Simon	213	–	–	–	213
Chu Wing Yiu	213	–	–	–	213
	639	3,488	1,052	116	5,295

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7 DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2019 Total RMB'000
Chairman					
He Haibin	–	–	–	–	–
Executive directors					
Xie Mei (Chief Executive Officer)	–	1,996	721	152	2,869
Lin Kaihua	–	1,489	554	152	2,195
Non-executive director					
Zhang Jing	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	211	–	–	–	211
Lam Sing Kwong Simon	211	–	–	–	211
Chu Wing Yiu	113	–	–	–	113
Lu Gong (resigned on 19 June 2019)	106	–	–	–	106
	641	3,485	1,275	304	5,705

Neither the chairman nor any of the directors waived any emoluments during the year (2019: Nil).

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8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the Group had no (2019: 1) director included in the top five emoluments, and the directors emoluments are reflected in the analysis in note 7 to the consolidated financial statements above. The emoluments of all the five highest paid individuals are set out below:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	3,882	5,296
Discretionary bonuses	13,198	14,088
Retirement scheme contributions	295	539
	17,375	19,923

The emoluments of the 5 (2019: 5) individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
HK$3,000,001 – HK$3,500,000 (RMB2,666,220 – RMB3,110,590)	3	3
HK$3,500,001 – HK$4,000,000 (RMB3,110,590 – RMB3,554,960)	1	–
HK$5,500,001 – HK$6,000,000 (RMB4,888,070 – RMB5,332,440)	–	1
HK$6,000,001 – HK$6,500,000 (RMB5,332,440 – RMB5,776,810)	1	–
HK$6,500,001 – HK$7,000,000 (RMB5,776,810 – RMB6,221,180)	–	1

No individual received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2019: Nil). No individual waived or agreed to waive any emoluments during the year (2019: Nil).

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9 OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Exchange differences – on translation of financial statements of the Company and overseas subsidiaries	(87,654)	(164,501)
Share of other comprehensive income of associates	185,243	11,246
Cumulative exchange differences reclassified to profit or loss upon disposal of a subsidiary/an associate	6,270	(1,440)
Equity investments at FVTOCI: net movement in fair value reserve (non-recycling)	90,240	166,598
Other comprehensive income	194,099	11,903

There is no tax effect for each of the other comprehensive income items.

10 BASIC (LOSS)/EARNING PER SHARE

(a) (Loss)/profit attributable to ordinary shareholders of the Company

	2020 RMB'000	2019 RMB'000
Profit attributable to equity holders of the Company	63,757	266,961
Less: Profit attributable to the holders of perpetual capital securities *(note 30 (d))*	(283,209)	(238,615)
(Loss)/profit attributable to ordinary shareholders	(219,452)	28,346

(b) Weighted average number of ordinary shares

	2020 '000	2019 '000
Issued ordinary shares	748,366	748,366

No dilutive loss per share is presented as there were no dilutive potential ordinary shares in issue during both years.

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE

(a) Reconciliation of carrying amount

	Ownership interests in buildings held for own use RMB'000	Other properties leased for own use RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Other property, plant and equipment RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Investment property under development RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Cost:												
At 1 January 2019	1,980,103	28,880	699,036	21,280	253,338	5,076	2,987,713	3,285,314	79,124	3,364,438	1,633,787	7,985,938
Exchange adjustments	–	540	–	–	44	–	584	5,692	–	5,692	–	6,276
Additions	–	3,335	350	204	39,361	42,740	85,990	3,302	232,778	236,080	164,172	486,242
Disposals	–	–	(12,909)	(5,035)	(9,561)	–	(27,505)	–	–	–	–	(27,505)
Transfer from construction in progress	–	–	808	–	11,860	(12,668)	–	7,655	(7,655)	–	–	–
Transfer from inventories	–	–	–	–	–	–	–	2,124,043	161,555	2,285,598	–	2,285,598
Cost adjustment	(17,722)	–	329	–	17,393	–	–	(36,711)	–	(36,711)	–	(36,711)
At 31 December 2019 and 1 January 2020	1,962,381	32,755	687,614	16,449	312,435	35,148	3,046,782	5,389,295	465,802	5,855,097	1,797,959	10,699,838
Exchange adjustments	-	(1,494)	-	-	(147)	-	(1,641)	(15,817)	-	(15,817)	-	(17,458)
Additions	1,706	22,447	1,361	3,038	16,193	18,590	63,335	-	83,317	83,317	95,379	242,031
Disposals	-	-	(9,226)	(2,985)	(3,920)	-	(16,131)	-	-	-	-	(16,131)
Disposal of subsidiaries	(1,059,045)	-	(635,682)	(10,888)	(206,650)	(40,377)	(1,952,642)	(2,826,371)	(432,094)	(3,258,465)	(604,714)	(5,815,821)
Transfer to investment property	-	-	-	-	-	-	-	103,485	(103,485)	-	-	-
Transfer to assets of disposal groups classified as held for sale	-	-	(167)	(502)	(57)	-	(726)	(17,990)	-	(17,990)	-	(18,716)
Transfer to inventories	-	-	-	-	-	-	-	-	(13,540)	(13,540)	-	(13,540)
At 31 December 2020	905,042	53,708	43,900	5,112	117,854	13,361	1,138,977	2,632,602	-	2,632,602	1,288,624	5,060,203

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(a) Reconciliation of carrying amount *(continued)*

	Ownership interests in buildings held for own use RMB'000	Other properties leased for own use RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Other property, plant and equipment RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Investment property under development RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Accumulated depreciation:												
At 1 January 2019	304,206	–	437,411	16,580	125,738	–	883,935	438,639	5,392	444,031	149,876	1,477,842
Exchange adjustments	–	171	–	–	5	–	176	496	–	496	–	672
Charge for the year	68,729	14,541	35,815	1,504	49,226	–	169,815	124,831	–	124,831	51,104	345,750
Written back on disposals	–	–	(12,278)	(4,602)	(7,695)	–	(24,575)	–	–	–	–	(24,575)
Cost adjustment	(6,701)	–	125	–	6,576	–	–	–	–	–	–	–
At 31 December 2019 and 1 January 2020	366,234	14,712	461,073	13,482	173,850	-	1,029,351	563,966	5,392	569,358	200,980	1,799,689
Exchange adjustments	-	(1,081)	-	-	(90)	-	(1,171)	(1,701)	-	(1,701)	-	(2,872)
Charge for the year	70,243	16,403	31,487	1,140	41,153	-	160,426	162,627	-	162,627	49,580	372,633
Written back on disposals	-	-	(8,013)	(2,835)	(3,442)	-	(14,290)	-	-	-	-	(14,290)
Transfer to assets of disposal groups classified as held for sale	-	-	(26)	(502)	(57)	-	(585)	(12,955)	-	(12,955)	-	(13,540)
Disposal of subsidiaries	(401,655)	-	(443,850)	(7,967)	(163,003)	-	(1,016,475)	(567,303)	(5,392)	(572,695)	(189,977)	(1,779,147)
At 31 December 2020	34,822	30,034	40,671	3,318	48,411	-	157,256	144,634	-	144,634	60,583	362,473
Carrying amount:												
At 31 December 2020	870,220	23,674	3,229	1,794	69,443	13,361	981,721	2,487,968	-	2,487,968	1,228,041	4,697,730
At 31 December 2019	1,596,147	18,043	226,541	2,967	138,585	35,148	2,017,431	4,825,329	460,410	5,285,739	1,596,979	8,900,149

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2020 RMB'000	2019 RMB'000
Ownership interests in leasehold land held for own use, carried at depreciated cost in the PRC, with remaining lease term of:		
– between 10 and 50 years	1,241,821	1,608,430
Other properties leased for own use, carried at depreciated cost	23,674	18,043
Investment property, carried at depreciated cost in the PRC, with remaining lease term of:		
– between 10 and 50 years	1,315,171	3,086,619
Included in "Inventories and other contract costs":		
Properties held for and under development for sale	4,192,225	1,828,738
Completed properties for sale	921,796	944,896
	5,114,021	2,773,634
	7,694,687	7,486,726

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying assets:		
Ownership interests in leasehold land	45,491	51,684
Other properties leased for own use	16,403	14,541
Investment property	67,399	73,001
	129,293	139,226
Interest on lease liabilities *(note 5 (a))*	3,839	5,105
Expense relating to short-term leases or low-value leases	70	155

Note: During the year, additions to right-of-use assets were RMB2,755,122,000 (2019: RMB1,173,883,000). This amount included the purchase of a leasehold land of RMB2,732,676,000 (2019: RMB1,168,555,000) and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 23 (d) and 27, respectively.

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(c) Ownership interests in leasehold land and buildings held for own use

(i) The Group owns several buildings for its hotel business and office. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) As at 31 December 2019, the leasehold land held for own use with carrying amount of RMB428,116,000 located in the PRC held by Chengdu Tianfu OCT Industry Development Company Limited ("Chengdu OCT"), a former subsidiary of the Group, was non-transferable.

(d) Other properties leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		Potential future lease payments under extension options not included in lease liabilities (undiscounted)	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Offices	**5,444**	15,433	**28,264**	30,083

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(e) Investment properties

(i) The Group leases out investment properties. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020	2019
	RMB'000	RMB'000
Within 1 year	**40,700**	131,681
After 1 year but within 2 years	**34,351**	100,322
After 2 years but within 3 years	**18,577**	76,639
After 3 years but within 4 years	**18,237**	48,217
After 4 years but within 5 years	**3,701**	36,168
After 5 years	**–**	79,417
	115,566	472,444

(ii) As at 31 December 2020, certain investment properties with carrying amount of RMB2,055,969,000 (2019: RMB2,107,000,000) were securitised for a REIT programme (See note 26 (a)(ii)). As the Group still retained the control and residual value of the investment properties under the terms of the REIT programme, the respective investment properties were not de-recognised.

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12 INTANGIBLE ASSETS

	Software and copyright RMB'000	Trademarks RMB'000	Total RMB'000
Cost:			
At 1 January 2019	8,813	–	8,813
Additions	41	56,000	56,041
At 31 December 2019 and 1 January 2020	8,854	56,000	64,854
Disposal of subsidiaries	(2,724)	–	(2,724)
At 31 December 2020	6,130	56,000	62,130
Accumulated amortisation:			
At 1 January 2019	2,540	–	2,540
Charge for the year	1,392	8,000	9,392
At 31 December 2019 and 1 January 2020	3,932	8,000	11,932
Charge for the year	1,311	8,000	9,311
Disposal of subsidiaries	(1,815)	–	(1,815)
At 31 December 2020	3,428	16,000	19,428
Carrying amount:			
At 31 December 2020	2,702	40,000	42,702
At 31 December 2019	4,922	48,000	52,922

13 GOODWILL

	RMB'000
Cost:	
At 31 December 2019,1 January 2020 and 31 December 2020	266,183
Disposal of a subsidiary	(266,183)
At 31 December 2020	–
Accumulated impairment losses:	
At 31 December 2019,1 January 2020 and 31 December 2020	265,613
Disposal of a subsidiary	(265,613)
At 31 December 2020	–
Carrying amount:	
At 31 December 2020	–
At 31 December 2019	570

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14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

				Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
深圳華僑城港亞控股發展有限公司 (Shenzhen Oversea Chinese Town Gang Ya Development Co., Ltd.) *(notes (i)&(ii))*	The People's Republic of China ("PRC")	HK$180,000,000	HK$180,000,000	100%	–	100%	Consulting and management of corporation
安徽華力包裝有限公司 (Anhui Huali Packaging Co., Ltd.) *(notes (i)&(ii))*	PRC	HK$40,000,000	HK$40,000,000	100%	–	100%	Development of self-owned land industrial parks and property management
深圳市華友投資有限公司 (Shenzhen Huayou Investment Co., Ltd.) *(notes (ii)&(iv))*	PRC	RMB3,000,000	RMB3,000,000	100%	–	100%	Investment management
惠州華力包裝有限公司 (Huizhou Huali Packaging Co., Ltd.) *(notes (i)&(ii))*	PRC	HK$168,000,000	HK$168,000,000	100%	–	100%	Development of self-owned land industrial parks and property management
華昌國際有限公司 (City Legend International Limited)	Hong Kong	1 share	1 share	100%	–	100%	Investment holding
OCT Shanghai Land *(note (iv))*	PRC	RMB3,030,000,000	RMB3,030,000,000	50.5%	–	50.5%	Real estate development
深圳市華京投資有限公司 (Shenzhen Huajing Investment Limited) *(notes (ii)&(iii))*	PRC	RMB1,000,000	RMB1,000,000	100%	–	100%	Investment holding and real estate development

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. *(continued)*

				Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
深圳市華僑城華鑫股權投資管理有限公司 (Shenzhen OCT Huaxin Equity Investment Management Limited) *(notes (ii) & (iii))*	PRC	RMB30,000,000	RMB20,000,000	100%	–	100%	Investment management
華僑城(常熟)實業發展有限公司 (OCT (Changshu) Industry Development Co., Ltd.) *(notes (i) & (ii))*	PRC	US$27,800,000	US$27,800,000	100%	–	100%	Development of self-owned land industrial parks and property management
華僑城融資租賃有限公司 (OCT Financial LeasingCo., Ltd.) *(notes (i) & (ii))*	PRC	US$200,000,000	US$37,741,382.95	100%	100%	–	Finance lease
華僑城(常熟)投資發展有限公司 (OCT (Changshu) Investment and Development Co., Ltd.) *(notes (ii) & (iii))*	PRC	RMB1,000,000,000	RMB133,000,000	100%	–	100%	Tourism and real estate development
共青城華僑城華鑫一號投資合夥企業(有限合夥) (Gongqingcheng OCT Huaxin No.1 Investment Partnership (Limited Partnership)) *(note (ii))*	PRC	RMB5,000,000	RMB5,000,000	100%	–	100%	Project and industrial investment
上海首馳企業管理有限公司 (Shanghai Shouchi Enterprise Management Ltd.) *(notes (ii) & (iii))*	PRC	RMB1,000,000	RMB1,000,000	50.5%	–	50.5%	Enterprise management
中聯前源－華僑城租賃住房一號第一期私募股權投資基金 (Zhonglian Qianyuan – Private Equity Investment Fund Phase I of OCT Rental House No.1) *(note (ii))*	PRC	RMB2,150,000,000	RMB2,150,000,000	5.05%	–	5.05%	Property investment

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. *(continued)*

				Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
中聯前海開源－華僑城租賃住房一號第一期資產支持專項計劃 (Zhonglian Qianhaikaiyuan – Special Plan For Asset Support Phase I Of OCT Rental House No.1.) *(note (ii))*	PRC	RMB2,150,000,000	RMB2,150,000,000	5.05%	–	5.05%	Property investment
合肥華僑城環巢文旅置業發展有限公司 (Hefei OCT Huanchao Cultural Tourism Real Estate Development Co., Ltd.) *(notes (ii) & (iii))*	PRC	RMB400,000,000	RMB400,000,000	51%	–	51%	Tourism and real estate development
深圳華僑城港華投資控股有限公司 (Shenzhen OCT Ganghua Investment Holdings Co., Ltd.) *(notes (i) & (ii))*	PRC	HK$4,000,000,000	HK$2,050,000,000	100%	–	100%	Consulting and management of corporation
合肥華僑城實業發展有限公司 (Hefei OCT Industry Development Co., Ltd.) ("Hefei OCT") *(notes (ii) & (iii))*	PRC	RMB10,000,000,000	RMB3,000,000,000	51%	–	51%	Tourism and real estate development

Notes:

(i) These companies are wholly foreign-owned enterprises established in the PRC.

(ii) The English translation of the above subsidiaries' names is for reference only. The official name of these companies is in Chinese.

(iii) These companies are limited companies established in the PRC.

(iv) The company is a sino-foreign joint venture with limited liability established in the PRC.

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following table lists out the information on the subsidiaries that have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	OCT Shanghai Land		Hefei OCT
	2020	2019	**2020**
	RMB'000	RMB'000	**RMB'000**
Principal place of business	**PRC**		**PRC**
NCI percentage	**49.5%**	49.5%	**49.0%**
Current assets	**4,868,375**	4,895,994	**4,497,929**
Non-current assets	**4,016,689**	4,144,866	**99,007**
Current liabilities	**(1,129,524)**	(1,422,990)	**(1,593,138)**
Non-current liabilities	**(3,444,039)**	(3,058,359)	**–**
Net assets attributable to equity holders	**4,311,501**	4,559,511	**3,003,798**
Carrying amount of NCI	**2,134,193**	2,256,958	**1,471,861**
Revenue	**677,441**	553,786	**98,886**
(Loss)/profit for the year attributable to equity holders	**(87,959)**	(8,890)	**3,798**
Total comprehensive income	**(87,959)**	(8,890)	**3,798**
(Loss)/profit allocated to NCI	**(43,540)**	(4,401)	**1,861**
Dividend distributed to NCI	**79,225**	–	**–**
Capital contribution of NCI	**–**	–	**1,470,000**
Cash flows from operating activities	**(12,307)**	(16,544)	**(1,386,261)**
Cash flows from investing activities	**98,620**	(203,302)	**(99,616)**
Cash flows from financing activities	**(89,760)**	352,103	**3,000,000**

Note: As at 31 December 2020, Chengdu OCT has been disposed and ceased to be the subsidiaries of the Group (See note 23 (e)).

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15 INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Listed investments *(note 1)*		
– Share of net assets	2,871,192	2,775,095
– Goodwill	463,438	642,420
	3,334,630	3,417,515
Unlisted investments:		
– Share of net assets	901,752	1,749,319
– Goodwill	–	10,380
	901,752	1,759,699
Amount due from an associate *(note 3)*	132,526	233,482
	4,368,908	5,410,696

Note 1: As at 31 December 2020, the fair value of interests in associates which shares are listed amounted to RMB2,089,076,000 (2019: RMB2,909,404,000).

Note 2: As at 31 December 2020, a prolonged and significant shortfall in fair value of one of the listed associates compared to its carrying amount constituted an indication of impairment. For the purpose of impairment testing, the directors re-assessed the recoverable amount of the associate with reference to its value-in-use ("VIU"), which is derived by estimating the Group's share of the present value of the estimated future cash flows expected to be generated by the associate. The key assumptions for the VIU calculation mainly include the discount rates and the expected long-term growth rate. The directors of the Group estimated discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific relating to the associate. The discount rate and long-term growth rate adopted in the VIU calculation were 14.1% and 2.3% respectively. As the value-in-use of the associate is lower than its carrying amount, impairment loss of RMB70,000,000 was recognised by the Group.

Note 3: Amount due from an associate is unsecured, interest-bearing at 8% per annum and repayable in 2022.

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15 INTERESTS IN ASSOCIATES *(continued)*

Details of the Group's individually material associates at 31 December 2020 are as follows:

			Proportion of ownership interest						
			2020			2019			
Name of associate	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary/ subsidiaries	Group's effective interest	Held by the Company	Held by a subsidiary/ subsidiaries	Principal Activities
Capital Converge Holdings Limited ("Capital Converge")	BVI	100 shares of US$1 each	49%	49%	–	49%	49%	–	Investment holding
民生教育集團有限公司 (Minsheng Education Group Company Limited) ("Minsheng Education")	Cayman Islands	4,017,720,000 shares of US$0.00001 each	7.8716%	–	7.8716%	8.2634%	–	8.2634%	Education services
禹洲集团控股有限公司 (Yuzhou Group Holdings Company Limited) ("Yuzhou Group")	Cayman Islands	5,693,702,258 shares of HK$0.1 each	9.9440%	–	9.9440%	9.9318%	–	9.9318%	Property development
易居 (中國) 企業控股有限公司 (E-House (China) Enterprise Holdings Limited) ("E-House")	Cayman Islands	1,749,059,530 shares of US$0.00001 each	4.1949%	–	4.1949%	5.2787%	–	5.2787%	Real estate agency service, data and consulting services, brokerage network services

Note: The Group has assigned a director in the board of the associates, which makes significant influence on these associates.

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15 INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Name	Capital Converge		Minsheng Education		Yuzhou Group		E-House	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Group's effective interest	49%	49%	7.8716%	8.2634%	9.9440%	9.9318%	4.1949%	5.2787%
At 31 December:								
Current assets	3,804,197	4,161,715	2,726,446	1,494,790	148,070,157	120,766,150	15,729,789	15,075,835
Non-current assets	28,929	28,858	6,390,793	5,582,812	27,862,781	25,453,339	4,838,954	2,089,681
Current liabilities	(1,602,966)	(2,199,356)	(2,027,855)	(1,482,443)	(94,143,668)	(74,851,322)	(1,641,114)	(5,653,219)
Non-current liabilities	(1,181,644)	(1,165,403)	(2,928,807)	(1,719,366)	(48,859,713)	(42,856,179)	(4,615,909)	(3,448,049)
Perpetual bond	–	–	–	–	(1,911,986)	(1,911,986)	–	–
NCI	–	–	(124,935)	(113,361)	(9,673,456)	(5,824,482)	(4,036,003)	(188,850)
Equity attributable to shareholders	1,048,516	825,814	4,035,642	3,762,432	21,344,115	20,775,520	10,275,717	7,875,398
Group's share of net assets of the associate	513,773	404,649	317,670	310,904	2,122,466	2,063,391	431,056	400,800
Goodwill	–	–	132,137	135,688	–	–	331,301	506,732
Carrying amount in the consolidated financial statements	513,773	404,649	449,807	446,592	2,122,466	2,063,391	762,357	907,532

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15 INTERESTS IN ASSOCIATES *(continued)*

Name	Capital Converge		Minsheng Education		Yuzhou Group		E-House	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Dividend receivable/received from the associate	–	–	8,500	–	173,020*	152,133*	11,358	14,634
Revenue	1,525,970	55,881	1,107,206	1,005,436	10,411,604	23,243,508	8,051,509	9,094,682
Profit/(loss) Profit for the year	193,867	1,224	131,467	346,607	(819,305)	2,279,006	304,723	860,872
Other comprehensive income	28,835	(36,395)	62,448	7,417	1,665,007	271,720	20,145	–
Total comprehensive income	222,702	(35,171)	193,915	354,024	845,702	2,550,726	324,868	860,872
Group's share of profit/(loss)								
– Share of profit/(loss) for the year	94,995	600	10,349	28,641	(81,472)	226,347	12,783	45,443
– Change of interest in associates	–	–	(3,550)	–	21,605	(2,971)	(75,108)	–
– Impairment loss	–	–	–	–	–	–	(70,000)	–
	94,995	600	6,799	28,641	(59,867)	223,376	(132,325)	45,443
Group's share of other comprehensive income	14,129	(17,834)	4,916	613	165,568	26,987	845	–
Group's share of total comprehensive income	109,124	(17,234)	11,715	29,254	105,701	250,363	(131,480)	45,443

* Dividends of RMB138,580,000 (2019: RMB118,086,000) were converted into shares of Yuzhou Group under the script dividend scheme.

Aggregate information of associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	387,979	548,848
Amounts due from an associate	132,526	233,482
Aggregate amounts of the Group's share of those associates'		
(Loss)/profit for the year	(44,413)	7,755
Other comprehensive income	(215)	1,480
Cumulative exchange differences reclassified to profit or loss upon disposal of an associate	–	(1,440)
Total comprehensive income	(44,628)	7,795

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16 INTERESTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Unlisted investments:		
– Share of net assets	**1,197,304**	302,560

Details of the Group's interests in the joint ventures at 31 December 2020 are as follows:

			Proportion of ownership interest						
			2020			2019			
Name of joint venture	Place of incorporation and business	Issued and paid – up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activities
廈門華僑城潤禹投資合夥企業 (Xiamen OCT Runyu Investment Partnership (Limited Partnership)) ("Xiamen Runyu")	PRC	Paid-up capital of RMB 1,188,980,506.35	**72.16%**	**–**	**72.16%**	77.93%	–	77.93%	Investment Holding
HNW Investment Fund Series SPC – Serica SP *(note)*	Cayman Islands	Paid-up capital of HKD 850,000,000.00	**49.00%**	**49.00%**	**–**	–	–	–	Investment Holding

Note: HNW Investment Fund Series SPC – Serica SP (the "Cayman Fund") was newly established by HNW Investment Fund Series SPC (HNW Investment Fund) during the year. The Company paid for HKD416,500,000 (equivalent to RMB350,543,000) to subscribe 49% of the interest of the Cayman Fund (see note 23 (e)(ii)).

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16 INTERESTS IN JOINT VENTURES *(continued)*

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed as follows:

Name	Xiamen Runyu 2020 RMB'000	Cayman Fund 2020 RMB'000
Group's effective interest	72.16%	49%
Current assets	3,300,970	296,507
Non-current assets	143,335	1,494,296
Current liabilities	(1,769,267)	(65,441)
Non-current liability	(450,000)	(1,009,968)
NCI	(51,605)	–
Equity attributable to shareholders	1,173,433	715,394
Group's share of net assets of the joint venture	846,761	350,543
Carrying amount in the consolidated financial statements	846,761	350,543
Revenue	–	–
Loss for the year	(6,115)	–
Total comprehensive income	(6,115)	–
Group's share of loss and total comprehensive income	(4,413)	–

Aggregate information of joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	–	68,203
Aggregate amounts of the Group's share of joint ventures		
Profit for the year	–	33
Other comprehensive income	–	–
Total comprehensive income	–	33

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17 OTHER FINANCIAL ASSETS

	2020 RMB'000	2019 RMB'000
Equity securities designated at FVTOCI (non-recycling)		
– Equity securities listed in Hong Kong *(note 31 (e))*	**866,712**	1,328,434
Financial assets measured at FVTPL		
– Unlisted equity securities	**274,818**	289,858
	1,141,530	1,618,292

Note: No dividends were received on this investment during the year (2019: Nil).

During the year, the Group disposed on-market an aggregate of 37,426,800 shares of Tongcheng-Elong Holdings Limited ("Tongcheng-Elong") in a series of transactions and received cash consideration on the disposal of RMB475,004,000. The cumulative fair value change that was recognised in other comprehensive income on the disposed investment was reclassified to retain profits.

18 TRADE SECURITIES

	2020 RMB'000	2019 RMB'000
Listed equity securities at FVTPL *(note 31 (e))*		
– in Hong Kong	**–**	118,480

The investments in listed equity securities at FVTPL were fully disposed in early January and disposal loss of RMB651,000 was recognised during the year.

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19 FINANCE LEASE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Finance lease receivables	360,623	499,459
Less: due within one year	(108,679)	(117,206)
	251,944	382,253

As at 31 December, the total future minimum lease payments receivables under finance leases were as follows:

	2020				2019			
	Lease payments receivable RMB'000	Unearned finance income RMB'000	Loss allowance RMB'000	Carrying amount RMB'000	Lease payments receivable RMB'000	Unearned finance income RMB'000	Loss allowance RMB'000	Carrying amount RMB'000
Within 1 year	127,644	(17,644)	(1,321)	108,679	141,508	(22,784)	(1,518)	117,206
After 1 year but within 5 years	273,889	(18,884)	(3,061)	251,944	426,134	(38,929)	(4,952)	382,253
	401,533	(36,528)	(4,382)	360,623	567,642	(61,713)	(6,470)	499,459

As at 31 December 2020, amounts due from fellow subsidiaries is RMB197,599,000 (2019: RMB246,803,000).

20 INVENTORIES AND OTHER CONTRACT COSTS

	2020 RMB'000	2019 RMB'000
Comprehensive development business		
Properties held for and under development for sale	6,440,379	3,728,645
Completed properties held for sale	1,858,122	2,027,614
Other inventories	3,143	7,247
	8,301,644	5,763,506
Other contract costs	1,265	3,584
	8,302,909	5,767,090

(a) The analysis of lease terms of inventories under comprehensive development business is as follows:

	2020 RMB'000	2019 RMB'000
In Mainland China		
– medium-term leases (between 10 and 50 years)	4,607,716	4,809,945
– long leases (over 50 years)	3,690,785	946,314
	8,298,501	5,756,259

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20 INVENTORIES AND OTHER CONTRACT COSTS *(continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold	622,479	1,089,827
Write-off of inventories	–	(50)
	622,479	1,089,777

The amount of completed properties held for future development and under development expected to be recovered after more than one year is RMB5,717,522,000 (2019: RMB5,256,391,000). All of the other inventories are expected to be recovered within one year.

(c) Contract costs

Contract costs capitalised as at 31 December 2020 and 2019 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "distribution costs" in the statement of profit or loss in the period in which revenue from the related property sales is recognised.

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

All of the contract costs are expected to be recovered within one year.

Notes to the Consolidated Financial Statements

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21 CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Comprehensive development business	**1,459,276**	512,781

Comprehensive development business payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives deposits and sale proceeds from customers after they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities until the properties are completed and transfer control to the customers.

Movements in contract liabilities

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**512,781**	143,949
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(176,336)**	(42,829)
Increase in contract liabilities as a result of receiving deposits and sale proceeds in respect of properties still under construction as at 31 December	**1,615,625**	400,849
Increase in contract liabilities as a result of accruing interest expense on advances	**–**	10,812
Disposal of subsidiaries	**(492,794)**	–
Balance at 31 December	**1,459,276**	512,781

None of forward sales deposits and sale proceeds received expected to be recognised as income after more than one year. (2019: Nil).

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22 TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivable		
– Amounts due from fellow subsidiaries	–	16,345
– Amounts due from third parties	13,042	13,630
	13,042	29,975
Less: loss allowance *(note 31 (a))*	(228)	(1,095)
	12,814	28,880
Other receivables:		
– Amounts due from associates *(note (i))*	113,634	95,360
– Amounts due from intermediate parents	1,094	–
– Amounts due from fellow subsidiaries *(note (ii))*	708,727	17,007
– Amounts due from third parties	66,865	64,384
	890,320	176,751
Less: loss allowance	(325)	(12,717)
	889,995	164,034
Financial assets measured at amortised cost	902,809	192,914
Deposits and prepayments *(note (iii))*	43,794	688,769
	946,603	881,683

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For the year ended 31 December 2020

(Expressed in Renminbi)

22 TRADE AND OTHER RECEIVABLES *(continued)*

Presenting as:

	2020 RMB'000	2019 RMB'000
Non-current assets *(note (iv))*	–	1,623
Current assets	946,603	880,060
	946,603	881,683

Notes:

(i) Except for amounts of RMB72,401,000 (2019: RMB16,891,000) which are interest bearing at 2.5% (2019: 2.5%) per annum, the amounts due from associates, intermediate parents, fellow subsidiaries and other related parties are unsecured, non-interest bearing and repayable on demand.

(ii) As at 31 December 2020, amounts due from fellow subsidiaries included the consideration receivable of RMB706,416,000 upon disposal of Chengdu OCT (see note 23 (e)).

(iii) In 2019, the Group entered into one land grant contract for acquisition of the land in the Mainland China and prepaid the consideration of RMB510,000,000 and recognised as deposit for the acquisition of the land. During the year, the prepayment was transferred to inventories upon the completion of the acquisition.

(iv) As at 31 December 2020, all of the trade and other receivables are expected to be recovered within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

22 TRADE AND OTHER RECEIVABLES *(continued)*

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtor's receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	4,344	28,734
1 to 2 years	8,470	146
	12,814	28,880

Further details on the Group's credit policy are set out in note 31 (a).

23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand represents:

	2020 RMB'000	2019 RMB'000
Cash at bank and on hand on the consolidated statement of financial position	4,274,938	2,681,489
Less: Cash at bank pledged for bank loans *(note 26 (c))*	–	(753,425)
Cash at bank pledged for certain mortgage facilities	–	(5,174)
Restricted cash for REIT programme *(note 26 (a)(ii))*	(5,418)	(4,826)
Bank deposits with maturity of more than three months	–	(119,990)
	(5,418)	(883,415)
Cash and cash equivalents on the consolidated cash flow statement	4,269,520	1,798,074

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23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(continued)

(b) Reconciliation of profit before taxation to cash used in operations:

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		76,660	604,120
Adjustments for:			
Depreciation and amortisation	5(c)	377,855	352,416
Interest income	4(a)	(53,846)	(90,517)
Finance costs	5(a)	183,099	268,732
Net loss/(gains) on disposal of property, plant and equipment	4(b)	597	(40)
Net realised and unrealised loss/(gains) on unlisted equity securities	4(b)	9,704	(12,190)
Dividend income from unlisted equity securities		–	(1,096)
Share of profits less losses of associates		136,902	(306,063)
Share of loss of joint ventures		939	8,150
Gain on disposals of subsidiaries	4(b)	(340,972)	–
Gain on partial disposals of an associate	4(b)	–	(72,374)
Gain on previously held interest in an associate upon loss of significant influence	4(b)	–	(54,090)
Impairment losses on trade and other receivables	5(c)	1,312	1,085
(Reversals of impairment losses)/impairment loss on finance lease receivables	5(c)	(2,088)	2,929
Changes in working capital:			
Increase in inventories and other contract costs		(3,046,303)	(887,167)
Decrease/(increase) in trade and other receivables		239,579	(293,187)
Decrease/(increase) in finance lease receivables		117,240	(180,356)
(Decrease)/Increase in trade and other payables		(364,850)	176,508
Increase in contract liabilities		1,439,289	368,832
Cash used in operations		(1,224,883)	(114,308)

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23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank and other loans RMB'000	Related party loans RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2019	6,390,657	2,037,700	97,269	8,525,626
Changes from financing cash flows:				
Proceeds from new loans	5,386,395	731,350	–	6,117,745
Repayment of loans	(3,774,271)	(1,796,300)	–	(5,570,571)
Capital element of lease rentals paid	–	–	(24,140)	(24,140)
Total changes from financing cash flows	1,612,124	(1,064,950)	(24,140)	523,034
Exchange adjustments	112,896	–	373	113,269
Other change:				
Increase in lease liabilities from entering into new leases during the year	–	–	5,328	5,328
At 31 December 2019 and 1 January 2020	**8,115,677**	**972,750**	**78,830**	**9,167,257**
Changes from financing cash flows:				
Proceeds from new loans	**2,256,618**	**2,502,388**	**–**	**4,759,006**
Repayment of loans	**(2,525,484)**	**(904,594)**	**–**	**(3,430,078)**
Capital element of lease rentals paid	**–**	**–**	**(24,607)**	**(24,607)**
Total changes from financing cash flows	**(268,866)**	**1,597,794**	**(24,607)**	**1,304,321**
Exchange adjustments	**(240,803)**	**(9,078)**	**(425)**	**(250,306)**
Other changes:				
Disposal of subsidiary	**(1,000,000)**	**(339,406)**	**(51,650)**	**(1,391,056)**
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**22,447**	**22,447**
Total changes from other changes	**(1,000,000)**	**(339,406)**	**(29,203)**	**(1,368,609)**
At 31 December 2020	**6,606,008**	**2,222,060**	**24,595**	**8,852,663**

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23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	**2,131,136**	1,009,488
Within investing cash flows	**95,379**	164,172
Within financing cash flows	**24,607**	24,140
	2,251,122	1,197,800

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	**28,446**	29,245
Purchase of leasehold land	**2,222,676**	1,168,555
	2,251,122	1,197,800

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23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(continued)

(e) Disposal of subsidiaries

(i) Chengdu OCT

On 4 September 2020, the Group entered into equity transfer agreement with OCT Chengdu Investment, a fellow subsidiary of the Group, and Chengdu OCT, pursuant to which the Group has conditionally agreed to dispose its whole 50.99% of the equity interest in Chengdu OCT at the consideration of RMB1,092,104,000. As a condition precedent to the equity transfer agreement, the parties also entered into a debt transfer agreement, pursuant to which OCT Chengdu Investment has conditionally agreed to take up an assignment of the debt of RMB160,364,000 owed by Chengdu OCT to the Group. The aggregate consideration for this transaction is thus RMB1,252,468,000. Upon the completion, the Group held no interest in Chengdu OCT and Chengdu OCT ceased to be the subsidiaries of the Group. As a result of the disposal, the Group recognised a gain of RMB269,865,000 included in the other net gains in note 4 (b).

The total effect of disposal of Chengdu OCT on the Group's assets and liabilities is set out below:

	RMB'000
Non-current assets	4,095,718
Current assets	1,292,919
Current liabilities	(2,737,389)
Non-current liabilities	(1,039,247)
Non-controlling interests	(789,762)
Net assets attributable to the Group	822,239
Gain on disposal of Chengdu OCT	269,865
Consideration for equity	1,092,104
Consideration for amount due from disposed subsidiaries assigned	160,364
Total consideration	1,252,468
Consideration to be received subsequent to year end	(706,416)
Total consideration received, satisfied in cash	546,052
Cash and cash equivalents disposed of	(295,306)
Net cash inflow arising from disposals	250,746

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23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(continued)*

(e) Disposal of subsidiaries *(continued)*

(ii) Xi'an OCT

HNW Investment Fund established the Cayman Fund (see note 16) during the year. On 30 December 2020, the Company subscribed 49% of the interest of the Cayman Fund, which is a joint venture of the Group.

On 30 December 2020, the Group entered into a sale and purchase agreement with HNW Investment Fund, on behalf of the Cayman Fund, pursuant to which the Group will sell the entire issued shares of the City Turbo Limited and its subsidiary, Xi'an OCT Land Co., Ltd (collectively, "Xi'an OCT") to the Cayman Fund at a total consideration of HKD2,037,035,000 (equivalent to RMB1,714,450,000). Upon the completion, the Group lost control over City Turbo and Xi'an OCT. As a result of the disposal, the Group recognised a gain of RMB77,377,000 included in the other net gains in note 4 (b).

The total effect of the disposal of Xi'an OCT on the Group's assets and liabilities is set out below:

	RMB'000
Non-current assets	1,416,868
Current assets	285,596
Current liabilities	(1,110,378)
Net assets attributable to the Group	592,086
Gain on disposal of Xi'an OCT	77,377
Consideration for equity	669,463
Consideration for amount due from disposed subsidiaries settled	1,044,987
Total consideration received, satisfied in cash	1,714,450
Cash and cash equivalents disposed of	(252,187)
Net cash inflow arising from disposals	1,462,263

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24 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 17 December 2020, the Group entered into an agreement to dispose part of the assets of its subsidiary, Anhui Huali Packaging Co., Ltd ("Anhui Huali") at a consideration of RMB47,380,000. The Group also decided to deregister this subsidiary after the disposal of assets. Accordingly, all the identifiable assets and liabilities of Anhui Huali are reclassified as assets and liabilities of disposal group classified as held for sale as at 31 December 2020. The disposal of assets was completed on 14 January 2021 and the deregistration of Anhui Huali is in process.

(a) Assets of disposal group classified as held for sales:

	2020 RMB'000
Property, plant and equipment	5,176
Deferred tax assets	2,238
Trade and other receivables	28
Cash and cash equivalents	4,637
	12,079

The assets of disposal group excluded an amount of RMB27,555,000 due from the Group which was eliminated in consolidation.

(b) Liabilities directly associated with assets of disposal group classified as held for sale:

	2020 RMB'000
Trade and other payables	1,849

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25 TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade creditors and bills payable:		
– Amounts due to fellow subsidiaries	**7,957**	24,058
– Amounts due to third parties	**464,199**	1,162,468
	472,156	1,186,526
Other payables and accruals:		
– Amounts due to associates	**80,520**	132,431
– Amounts due to joint ventures	**–**	210,932
– Amount due to the intermediate parent	**–**	45,514
– Amounts due to fellow subsidiaries	**343,740**	331,014
– Amount due to other related party	**–**	249,900
– Amounts due to third parties	**413,524**	535,187
	837,784	1,504,978
Interest payables:		
– Amount due to an associate	**54,798**	36,417
– Amount due to a joint venture	**–**	7,686
– Amount due to the intermediate parent	**36,350**	21,369
– Amounts due to fellow subsidiaries	**71**	71
– Amounts due to other related parties	**49,605**	13,737
– Amounts due to third parties	**29,168**	29,915
	169,992	109,195
Financial liabilities measured at amortised cost	**1,479,932**	2,800,699
Deposits *(note)*	**74,158**	74,437
	1,554,090	2,875,136

Note: As at 31 December 2020, deposits of RMB48,361,000 (2019: RMB73,558,000) are expected to be settled after more than one year. All of the other payables and accrued expenses and deposits are expected to be settled within one year.

As at 31 December 2020, amounts due to fellow subsidiaries in deposit is RMB15,919,000 (2019: RMB1,564,000).

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25 TRADE AND OTHER PAYABLES *(continued)*

Ageing analysis

As at 31 December 2020, the ageing analysis of trade creditors payable, based on the invoice date, are as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	458,241	1,118,073
1 to 2 years	10,395	33,552
2 to 3 years	3,339	2,640
Over 3 years	181	32,261
	472,156	1,186,526

26 LOANS

(a) At 31 December, the loans are repayable as follows:

		2020 RMB'000	2019 RMB'000
(i)	Bank and other loans		
	Within 1 year or on demand *(note (i))*	573,899	2,099,413
	After 1 year but within 2 years	2,335,130	–
	After 2 years but within 5 years	786,979	3,096,264
	After 5 years	975,000	985,000
		4,097,109	4,081,264
		4,671,008	6,180,677
(ii)	Related party loans		
	Within 1 year or on demand	421,400	521,400
	After 1 year but within 2 years	59,350	–
	After 2 years but within 5 years	1,300,310	59,350
		1,781,060	580,750
(iii)	Loan from non-controlling interest		
	Within 1 year or on demand	441,000	392,000
(iv)	Loan in respect of REIT programme		
	After 1 year but within 2 years *(note ii)*	1,935,000	–
	After 2 years but within 5 years *(note ii)*	–	1,935,000
		1,935,000	1,935,000
		8,828,068	9,088,427

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26 LOANS *(continued)*

(a) At 31 December, the loans are repayable as follows: *(continued)*

Notes:

(i) Notwithstanding the specified repayment schedules as stated in the facility letters which allow the loans to be repaid over a period of more than one year, banking facilities granted to the Group include a clause that gives the bank an unconditional right to call the bank loans at any time ("repayable on demand clause"). No bank loan (2019: RMB716,624,000) subject to the repayable on demand clause as at 31 December 2020 was classified as current liabilities in the consolidated statement of financial position.

(ii) On 30 November 2019, OCT Shanghai Land, a subsidiary of the Group, participated in a real estate investment trust (the "REIT") programme in the Shenzhen Stock Exchange. The funds raised under the REIT programme totals RMB2,150,000,000, consist of preferential asset-backed securities amounted to RMB1,935,000,000 from qualified investors other than the Group who enjoy a fixed return of income from the REIT of 4.24% per annum, and secondary asset-backed securities amounted to RMB215,000,000 subscribed by the Group which entitle the Group to receive any residual income from the REIT. Income of the REIT are derived from the rental and operational income from the investment properties with carrying amount of RMB2,055,969,000 securitised by OCT Shanghai Land. In the event that the rental and operating income is not sufficient to cover the expected return payable to preferential asset-backed securities holders, OCT Shanghai Land is obliged to compensate the shortfall so that the preferential asset-backed securities holders will still enjoy the fixed return of 4.24% per annum. The REIT has a term of three years with an option to extend further three years by the REIT scheme manager. Upon expiry of the term, the principal amount of RMB1,935,000,000 and the outstanding fixed return as of on that date shall be returned to the preferential asset-backed securities holders, and the residual amounts are to be retained by OCT Shanghai Land.

As the underlying investment properties did not meet the criteria of de-recognition, the Group did not de-recognise the investment properties, and the net proceeds of RMB1,935,000,000 received from the preferential asset-backed securities holders were treated as financial liabilities of the Group. The secondary asset-back securities invested by the Group was eliminated upon consolidation.

In accordance with the terms of the REIT, OCT Group, the ultimate holding company of the Group, may be required to settle the returns or principal amount to the holder of preferential asset-back securities if OCT Shanghai Land is unable to settle the due balances.

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26 LOANS *(continued)*

(a) At 31 December, the loans are repayable as follows: *(continued)*

The average interest rates at 31 December were as follows:

	2020 RMB'000	2019 RMB'000
Bank loans	1month HIBOR + 1.15% to 4.75%	1month HIBOR + 0.7% to 4.99%
Related party loans	Nil to 4.56%	4.35% to 4.56%
Loans from non-controlling interest	9.00%	9.00%
Loan in respect of REIT programme	4.24%	4.24%

(b) Details of the loans are analysed as follows:

	2020 RMB'000	2019 RMB'000
Current		
Secured		
– Bank and other loans	10,000	726,624
Guaranteed		
– Bank and other loans	–	70,318
Unsecured		
– Bank and other loans	563,899	1,302,471
– Related party loans	421,400	521,400
– Loan from a non-controlling interest	441,000	392,000
	1,426,299	2,215,871
	1,436,299	3,012,813
Non-current		
Secured		
– Bank and other loans	975,000	985,000
Guaranteed		
– Bank and other loans	2,701,289	2,648,374
Unsecured		
– Bank and other loans	420,820	447,890
– Related party loans	1,359,660	59,350
	1,780,480	507,240
Loan in respect of REIT programme	1,935,000	1,935,000
	7,391,769	6,075,614
	8,828,068	9,088,427

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26 LOANS *(continued)*

(b) Details of the loans are analysed as follows: *(continued)*

At 31 December, guaranteed bank loans are guaranteed by related parties as follows:

	2020 RMB'000	2019 RMB'000
Shenzhen Overseas Chinese Town Co., Ltd.	130,500	–
Overseas Chinese Town (HK) Co., Ltd.	2,570,789	2,718,692
	2,701,289	2,718,692

(c) The secured loans are secured by the following assets:

	2020 RMB'000	2019 RMB'000
Pledged deposits *(note 23 (a))*	–	753,425
Ownership interests in buildings held for own use	850,681	879,518
Interests in leasehold land held for own use	938,729	970,640
	1,789,410	2,603,583

(d) Details of loans from related parties are as follows:

	2020 RMB'000	2019 RMB'000
Current		
– Loan from an associate	421,400	421,400
– Loan from an intermediate parent	–	100,000
– Loan from a non-controlling interest	441,000	392,000
	862,400	913,400
Non-current		
– Loan from intermediate parents *	1,359,660	59,350
	2,222,060	972,750

* The Loan from an intermediate parent amounted to 200,310,000 is unsecured, non-interest bearing and repayable in 2023.

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27 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of reporting periods:

	2020		2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	13,330	13,543	26,489	27,102
After 1 year but within 2 years	5,818	6,199	18,407	19,924
After 2 years but within 5 years	5,447	6,191	33,934	42,223
	11,265	12,390	52,341	62,147
	24,595	25,933	78,830	89,249
Less: total future interest expenses		(1,338)		(10,419)
Present value of lease liabilities		24,595		78,830

28 EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenzhen, Huizhou, Shanghai, Changshu, Anhui, Xi'an, Suzhou and Chengdu where the Group is required to make contributions to the Schemes at a rate ranging from 13% to 20% (2019: 13% to 20%) of the eligible employees' salaries.

The local government authorities are responsible for the entire pension obligations payable to the retired employees. Due to the impact of an outbreak of novel coronavirus ("COVID-19"), a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which contributed to the relief of certain cost of defined contribution scheme during the year ended 31 December 2020. From February 2020 to December 2020, the Group applies the social insurance reduction policy and the basic pension insurance ratio is reduced to 0%.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly amount of HK$1,500. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

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29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2020	2019
	RMB'000	RMB'000
PRC CIT	**44,845**	79,891
PRC LAT	**124,725**	711,957
	169,570	791,848

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accounting depreciations in excess of depreciation allowances	Credit loss allowance	Provision	Accrued expenses	Unrealised profit	Tax loss	Advertising expense	Capitalisation of contract cost	Interest capitalised	Undistributed profits	Fair value adjustment from business combinations	Fair value change of other financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:													
At 1 January 2019	29,573	3,948	12	142,437	15,042	-	-	-	-	(47,477)	(146,365)	(672)	(3,502)
(Charged)/credited to profit or loss	(4,158)	1,068	(12)	37,296	(3,194)	-	-	(896)	-	3,449	6,571	(3,542)	36,582
At 31 December 2019 and 1 January 2020	25,415	5,016	-	179,733	11,848	-	-	(896)	-	(44,028)	(139,794)	(4,214)	33,080
(Charged)/credited to profit or loss	**(1,942)**	**(407)**	**-**	**(48,647)**	**(358)**	**25,198**	**753**	**(217)**	**(4,407)**	**20,531**	**5,763**	**2,263**	**(1,470)**
Transfer to assets and liabilities of disposal groups classified as held for sale	**(150)**	**-**	**-**	**-**	**-**	**(2,086)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,236)**
Disposals of subsidiaries	**(23,323)**	**(3,377)**	**-**	**(75,145)**	**(11,490)**	**-**	**-**	**1,113**	**-**	**-**	**156**	**-**	**(112,066)**
At 31 December 2020	**-**	**1,232**	**-**	**55,941**	**-**	**23,112**	**753**	**-**	**(4,407)**	**(23,497)**	**(133,875)**	**(1,951)**	**(82,692)**

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29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	76,631	222,012
Net deferred tax liabilities recognised in the consolidated statement of financial position	(159,323)	(188,932)
	(82,692)	33,080

(c) Deferred tax liabilities not recognised

As set out in note 6 (a), withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries. Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the Mainland China, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2020, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB558,908,000 (2019: RMB636,988,000). Deferred tax liabilities of RMB27,945,000 (2019: RMB31,849,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1 (v) to the consolidated financial statements, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB209,697,000 (2019: RMB252,414,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses could be carried forward for a maximum of five years.

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30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000	Exchange reserve RMB'000	Other Reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2019		67,337	36,884	248,970	32,449	5,294,665	–	–	2,458,987	8,139,292
Changes in equity for 2019:										
Total comprehensive income for the year		–	–	–	–	238,615	–	–	(236,090)	2,525
Distribution to the holders of perpetual capital securities	30(d)	–	–	–	–	(237,085)	–	–	–	(237,085)
Dividends approved in respect of the previous year	30(b)(ii)	–	–	–	–	–	–	–	(144,829)	(144,829)
Balance at 31 December 2019 and 1 January 2020	35	67,337	36,884	248,970	32,449	5,296,195	-	-	2,078,068	7,759,903
Changes in equity for 2020:										
Total comprehensive income for the year		-	-	-	-	438,208	(764,252)	-	333,948	7,904
Distribution to the holders of perpetual capital securities		-	-	-	-	(237,618)	-	-	-	(237,618)
Issuance of perpetual capital securities	30(d)(ii)	-	-	-	-	5,510,845	-	-	-	5,510,845
Redemption of perpetual capital securities		-	-	-	-	(5,397,199)	-	(26,481)	-	(5,423,680)
Dividends approved in respect of the previous year	30(b)(ii)	-	-	-	-	-	-	-	(8,558)	(8,558)
Balance at 31 December 2020	35	67,337	36,884	248,970	32,449	5,610,431	(764,252)	(26,481)	2,403,458	7,608,796

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30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2020 RMB'000	2019 RMB'000
No final dividend proposed after the end of the reporting period (2019: HK1.25 cents per ordinary share (equivalent to RMB1.12 cents per ordinary share))	–	8,380

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.25 cents per ordinary share (equivalent to RMB1.14 cents per ordinary share) (2019: 22.00 cents per ordinary share (equivalent to RMB19.71 cents per ordinary share))	8,558	144,829

(c) Share capital

Authorised and issued share capital

Authorised:

	2020		2019	
	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000
At 1 January and 31 December	2,000,000	200,000	2,000,000	200,000

Issued and fully paid:

	2020		2019	
	Ordinary shares of HK$0.1 each No. of shares '000	Share capital RMB'000	Ordinary shares of HK$0.1 each No. of shares '000	Share capital RMB'000
At 1 January and 31 December	748,366	67,337	748,366	67,337

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30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Perpetual capital securities

(i) Redemption of perpetual capital securities

On 28 September 2017, the Company issued senior guaranteed perpetual capital securities with a principal amount of US$800,000,000.

The securities confer a right to receive distributions at the applicable distribution rate of 4.3% per annum from and including 10 April 2018, payable semi-annually on 10 April and 10 October of each year. After 10 October 2020, the distribution rate would be reset to a percentage per annum equal to the sum of (a) 2.708%, (b) the Treasury Rate and (c) a margin of 5% per annum. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part. While any distribution payments 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.

During the year, the Company redeemed all its perpetual capital securities issued in 2017 at their principal amount of US$800,000,000 (equivalent to RMB5,423,680,000).

(ii) Issuance of the perpetual capital securities

On 15 July 2020, the Company issued senior guaranteed perpetual capital securities with a principal amount of US$500,000,000 (equivalent to RMB3,468,150,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.5% per annum from and including 15 July 2020, payable semi-annually on 15 July and 15 January of each year. After 15 July 2023, the distribution rate would be reset to a percentage per annum equal to the sum of (a) 4.312%, (b) the Treasury Rate and (c) a margin of 4% per annum.

On 25 August 2020, the Company issued another senior guaranteed perpetual capital securities with a principal amount of US$300,000,000 (equivalent to RMB2,052,900,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.5% per annum from and including 25 August 2020, payable semi-annually on 15 February and 15 August of each year. After 25 August 2023, the distribution rate would be reset to a percentage per annum equal to the sum of (a) 4.343%, (b) the Treasury Rate and (c) a margin of 4% per annum.

The securities are unconditionally and irrevocably guaranteed by Overseas Chinese Town Enterprises Limited Company.

The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the management, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments.

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30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves

(i) Share premium and contributed surplus

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The excess of the issued price net of any issuance expenses over the par value of the shares issued has been credited to the share premium account of the Company.

(ii) Capital reserve

Capital reserve comprises the following:

– difference between the total amount of registered capital and the amount of contributions from the owners of a subsidiary; and

– the portion of the grant date fair value of unexercised share options granted to employees, directors and consultants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1 (u)(ii) to the consolidated financial statements.

(iii) PRC statutory reserve

Transfers from retained earnings to PRC statutory reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to PRC statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to the owners.

PRC statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid up capital provided that the balance of PRC statutory reserve after such conversion is not less than 25% of the registered capital.

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30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves *(continued)*

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1 (y) to the consolidated financial statements.

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVTOCI under HKFRS 9 that are held at the end of the reporting period (see note 1 (g)).

(vi) Other reserves

Other reserves mainly include enterprise expansion fund and securities issue fee.

The subsidiaries in the PRC are required to transfer a certain percentage of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion fund. The percentage of this appropriation is decided by the directors of the subsidiaries.

The difference between the redemption price and the principal of the redeemed perpetual capital securities which mainly attributable securities issue fee was debited to other reserve (see note 30 (d)(i)).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the gearing ratio, which is defined as total borrowings including bills payable and loans divided by total assets.

During 2020, the Group's strategy, which was unchanged from 2019, was to maintain the gearing ratio at a level of industry average. In order to maintain or adjust the ratio, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

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30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) Capital management *(continued)*

The Group's gearing ratio at 31 December was as follows:

	2020 RMB'000	2019 RMB'000
Total borrowings	**8,828,068**	9,088,427
Total assets	**25,421,957**	26,455,402
Gearing ratio	**34.7%**	34.4%

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to bank deposits and trade and other receivables.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Group has no concentration of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 33, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 33.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

In respect of other trade receivables, the Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. Trade receivables are normally due within 60-120 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

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31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

For other receivables, regular review and follow-up actions are carried out on long-aged other receivables, which enable management to assess their recoverability and to minimise exposure to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The specific impairment losses have been made for the certain other receivables to reflect the relevant ECL.

For lease receivables, the Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

The Group measures loss allowances for trade receivables and lease receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.05%	12,822	7
Over 3 years past due	100%	220	221
		13,042	228

	2019		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.04%	28,601	11
Less than 1 year past due	0.34%	291	1
Over 3 years past due	100%	1,083	1,083
		29,975	1,095

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

Movement in the loss allowance account in respect of trade and receivables during the year is as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January	1,095	1,545
Impairment loss recognised	227	315
Impairment loss reversed	(7)	(765)
Uncollectible amounts written off	(852)	–
Disposal of subsidiaries	(235)	–
Balance at 31 December	228	1,095

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

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31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

For bank and other loans subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter and, separately, the impact to the timing of the cash outflow if the lenders were to invoke unconditional rights to call the loans with immediate effect.

	2020						2019					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	1,479,932	-	-	-	1,479,932	1,479,932	2,875,136	–	–	–	2,875,136	2,875,136
Bank and other loans	761,684	4,407,082	853,983	1,308,376	7,331,125	6,606,008	2,153,952	543,527	5,531,026	859,379	9,087,884	8,115,677
Related party loans	932,254	75,715	1,397,616	-	2,405,585	2,258,314	940,556	2,706	60,666	–	1,003,928	972,750
Lease liabilities	13,543	6,199	6,191	-	25,933	24,595	27,102	19,924	42,223	–	89,249	78,830
	3,187,413	4,488,996	2,257,790	1,308,376	11,242,575	10,368,849	5,996,746	566,157	5,633,915	859,379	13,056,197	12,042,393
Adjustments to present cash flows on bank loans based on lender's right to demand repayment	-	-	-	-	-		249,350	(11,330)	(274,966)	–	(36,946)	
	3,187,413	4,488,996	2,257,790	1,308,376	11,242,575		6,246,096	554,827	5,358,949	859,379	13,019,251	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash and cash equivalent and bank and other loans at variable rates. Due to the anticipation about the interest rates of cash and cash equivalent and pledged deposits not changing significantly, bank and other loans at variable rates mainly expose the Group to cash flow interest rate risk. As at 31 December 2020, the Group's outstanding bank and other loans of RMB4,527,929,000 (31 December 2019: RMB9,088,426,900) are issued at variable rates.

Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB9,215,000 (31 December 2019: RMB18,108,000).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2019.

(d) Currency risk

In prior years, the functional currency of the Company is Renminbi ("RMB"). Having considered most of the Company's transactions and business activities are settled in Hong Kong dollars ("HKD") upon issuance of new perpetual capital securities and disposals of Chengdu OCT and Xi'an OCT during the year, the Company has decided to change its functional currency from RMB to HKD.

The Company translates all items into HKD using the exchange rate at the date of the change of functional currency. The resulting translated amounts for non-monetary items are treated as their historical cost.

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. In prior years, the currencies giving rise to this risk are primarily United States dollars ("USD") and HKD. Since the functional currency used in the Company was changed from RMB to HKD and HKD is pegged to USD, the Group would not exposed to currency risk in USD and HKD. As a result of the receivables in RMB from disposal of Chengdu OCT held by a subsidiary with HKD as functional currency, the Group exposed to currency risk in RMB.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies (expressed in RMB)		
	2020	2019	
	RMB	HKD	USD
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	**161,335**	206,702	1,568,212
Inter-company receivables and payables within the Group	**9,751**	5,468,114	–
Trade and other receivables	**706,417**	80,921	16,379
Trade and other payables	**–**	(36,109)	(1)
Loans	**–**	(6,443,793)	–
Net exposure arising from recognised assets and liabilities	**877,503**	(724,165)	1,584,590

(ii) Sensitivity analysis

The sensitivity analysis assumes that the change foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. For inter-company balances eliminated on consolidation, the related foreign exchange gains or losses will not be eliminated, unless the receivables or payables form part of the Group's net investment in the subsidiaries. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis (continued)

Based on the assumption that Hong Kong dollars continue to be pegged to United States dollars, management estimated that a 5% depreciation of USD/HKD against RMB, the Group's profit would be increased by RMB43,875,000.

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group's entities' profits after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting periods for presentation purposes.

(e) Fair value measurement of financial instruments

(i) Financial assets and liabilities measured at fair value

a. Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

a. Fair value hierarchy *(continued)*

The Group employed valuer to perform valuations for the unlisted equity securities. A valuation report with analysis of changes in fair value measurement is prepared by the valuer at the reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the management and the Audit Committee is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Other financial assets:				
– Listed equity securities	**866,712**	**866,712**	**–**	**–**
– Unlisted equity securities	**274,818**	**–**	**–**	**274,818**
	1,141,530	**866,712**	**–**	**274,818**

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Trading securities:				
– Listed equity securities	118,480	118,480	–	–
Other financial assets:				
– Listed equity securities	1,328,434	1,328,434	–	–
– Unlisted equity securities	289,858	–	–	289,858
	1,736,772	1,446,914	–	289,858

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

a. Fair value hierarchy *(continued)*

During the year ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

b. Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Rate**
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	20-30%

The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2020, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's profit by RMB1,259,000 (31 December 2019: RMB1,735,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

b. Information about Level 3 fair value measurements *(continued)*

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2020 RMB'000	2019 RMB'000
Unlisted equity securities:		
At 1 January	289,858	275,689
Disposal	(5,987)	–
Changes in fair value recognised in profit or loss during the year	(9,053)	14,169
At 31 December	274,818	289,858
Total (loss)/gain for the year included in profit or loss for assets held at the end of the reporting year	(9,053)	14,169

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2019 and 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

32 COMMITMENTS

Capital commitments outstanding at 31 December not provided for in the financial statements are as follows:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment	–	20,261
Investment property	1,336	303,394
Inventories	1,825,776	2,924,249
Investment in an associate and a joint venture	606,518	1,771,518
	2,433,630	5,019,422

33 CONTINGENT LIABILITIES

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore is recognised in respect of these guarantees.

As at 31 December 2020, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to RMB99,864,000 (2019: RMB322,022,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group has a related party relationship with the following parties:

Name of party	Relationship with the Group
OCT Group	Ultimate parent
Shenzhen Overseas Chinese Town Co., Ltd.	Intermediate parent
Overseas Chinese Town (HK) Co., Ltd.	Intermediate parent
Konka Group Company Limited, its subsidiaries and associates	Fellow subsidiary
Shenzhen Overseas Chinese Town Water and Electricity Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Property Services Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Creative Culture Hotel Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town International Media and Performance Co., Ltd.	Fellow subsidiary
Overseas Chinese Town Culture Tourism and Technology Co., Ltd.	Fellow subsidiary
Shenzhen OCT Hake Culture Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Entertainment Investment Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Properties Co., Ltd.	Fellow subsidiary
Nanjing Overseas Chinese Town Co., Ltd.	Fellow subsidiary

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

34 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, major related party transactions entered by the Group during the year are as follows:

	2020 RMB'000	2019 RMB'000
Sales of goods and provide services	34,406	80,949
Purchase of goods and services	27,828	22,623
Rental income	4,801	11,196
Rental expense	3,640	3,912
Interest expense *(note)*	90,402	111,773
Interest income	19,370	22,217
Repayment of loans *(note)*	904,594	3,124,950
New borrowings *(note)*	2,502,388	2,060,000
New loans to an associate	3,439	6,930
Repayment from associates	100,956	370,679
Finance lease received	50,000	250,000

Note: For the year ended 31 December 2020, OCT Group and its subsidiaries provided financial supports to the Group, and such financial supports constituted to connected transactions of the Group, but were exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on that the financial supports provided to the Group by OCT Group and its subsidiaries and which benefited the Group was made on the normal commercial terms (or more favorable than that provided to the listing issuer) to provide loans to the Group; and no asset of the Group was pledged as collateral for these financial supports.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

34 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Group's directors as disclosed in note 7 to the consolidated financial statements and certain of the highest paid employees as disclosed in note 8 to the consolidated financial statements, is as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	**16,929**	17,008
Post-employment benefits	**364**	726
	17,293	17,734

Total remuneration is included in "staff costs" (see note 5 (b)).

(d) Balance with related parties

Amounts due from/(to) related parties are set out in notes 19, 22, 25 and 26 to the consolidated financial statements.

(e) Applicability of the Listing Rules relating to connected transactions

Apart from the connected transactions and continuing connected transactions disclosed in the section headed "Connected Transactions" in the Directors' Report, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2020 RMB'000	2019 RMB'000
Non-current assets		
Property, plant and equipment	22,217	42,099
Investments in subsidiaries	679,899	679,899
Interest in an associate	379,412	379,412
Interest in a joint venture	350,543	–
	1,432,071	1,101,410
Current assets		
Other receivables	10,046,559	10,382,485
Cash at bank and on hand	362,775	879,931
	10,409,334	11,262,416
Current liabilities		
Other payables	814,736	506,869
Lease liabilities	5,444	9,855
Bank loans	420,820	985,358
	1,241,000	1,502,082
Net current assets	9,168,334	9,760,334
Total assets less current liabilities	10,600,405	10,861,744
Non-current liabilities		
Bank loans	2,991,609	3,096,263
Lease liabilities	–	5,578
	2,991,609	3,101,841
NET ASSETS	7,608,796	7,759,903
CAPITAL AND RESERVES		
Share capital	67,337	67,337
Perpetual capital securities	5,610,431	5,296,195
Reserves	1,931,028	2,396,371
TOTAL EQUITY	7,608,796	7,759,903

Approved and authorised for issue by the board of directors on 31 March 2021.

Zhang Dafan
Director

Xie Mei
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi)

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of Tongcheng-Elong Shares

The Group further disposed on-market an aggregate of 21,727,600 shares of Tongcheng-Elong Holdings Limited ("Tongcheng-Elong") in a series of transactions in early 2021. After the disposal, the Group holds 46,925,080 shares of Tongcheng-Elong, representing approximately 2.14% of the issued share capital of Tongcheng-Elong as at 31 January 2021. The board announced in 11 March 2021 that it proposed a further dispose of up to 46,925,080 Tongcheng-Elong shares, which will constitute a very substantial disposal of the Group.

(b) Establishment of Xiamen Qiaorun Investment Partnership (Limited Partnership) ("the Partnership")

On 23 February 2021, the Group entered into an Limited Partnership agreement with Panxing Capital Management, Shanghai Xuxiang and Xiamen Zhongmao in relation to the establishment of a partnership for the purpose of investment. The total capital contribution to be subscribed by all partners to the Partnership is RMB800,020,000. The capital contribution to be subscribed by the Group will be RMB600,010,000.

37 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five-Year Financial Summary

As at 31 December

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Continuing operations					
Revenue	**1,306,550**	2,071,903	1,584,694	4,109,462	5,358,174
Cost of sales	**(990,072)**	(1,306,174)	(1,026,106)	(2,561,837)	(3,712,045)
Gross profit	**316,478**	765,729	558,588	1,547,625	1,646,129
Other income	**65,646**	93,836	124,257	26,431	44,033
Other net gains	**465,514**	221,979	368,930	1,058,258	10,373
Distribution costs	**(97,768)**	(103,200)	(124,736)	(215,451)	(285,833)
Administrative expenses	**(352,270)**	(403,405)	(334,304)	(265,228)	(248,930)
Other operating expenses	**–**	–	(459)	(954)	(103,855)
Profit from operations	**397,600**	574,939	592,276	2,150,681	1,061,917
Finance costs	**(183,099)**	(268,732)	(175,061)	(187,942)	(254,777)
Share of profits less losses of associates	**(136,902)**	306,063	418,994	104,060	480,926
Share of (loss)/profit of joint ventures	**(939)**	(8,150)	229,244	(8,322)	(5,456)
Profit before taxation	**76,660**	604,120	1,065,453	2,058,477	1,282,610
Income tax	**(101,093)**	(354,514)	(206,898)	(642,388)	(665,952)
(Loss)/profit for the year from continuing operations	**(24,433)**	249,606	858,555	1,416,089	616,658
Discontinued operation					
Profit for the year from discontinued operation	**–**	–	68,272	9,662	–
(Loss)/profit for the year	**(24,433)**	249,606	926,827	1,425,751	616,658
Attributable to:					
Equity holders of the Company	**63,757**	266,961	798,702	1,106,804	385,511
Non-controlling interests	**(88,190)**	(17,355)	128,125	318,947	231,147
Profit for the year	**(24,433)**	249,606	926,827	1,425,751	616,658
(Loss)/earning per share (RMB)					
Basic	**(0.29)**	0.04	0.77	1.59	0.57
Diluted	**(0.29)**	0.04	0.76	1.41	0.52

Five-Year Financial Summary

As at 31 December

CONSOLIDATED STATEMENT OF FINANCIAL POSTION

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Non-current assets					
Fixed assets	**4,697,730**	8,900,149	6,436,647	4,556,985	4,221,933
Intangible assets	**42,702**	52,922	6,273	1,597	2,092
Goodwill	**–**	570	570	570	570
Interests in associates	**4,368,908**	5,410,696	4,919,831	2,638,854	1,634,164
Interests in joint ventures	**1,197,304**	302,560	287,330	11,222	19,544
Other financial assets	**1,141,530**	1,618,292	1,437,525	599,711	247,320
Finance lease receivables	**251,944**	382,253	230,870	164,096	154,251
Trade and other receivables	**–**	1,623	2,476	–	–
Deferred tax assets	**76,631**	222,012	191,012	–	–
	11,776,749	16,891,077	13,512,534	7,973,035	6,279,874
Current assets					
Trading securities	**–**	118,480	–	–	–
Inventories and other contract costs	**8,302,909**	5,767,090	7,055,723	8,237,853	10,490,803
Finance lease receivables	**108,679**	117,206	65,342	–	–
Trade and other receivables	**946,603**	880,060	1,222,255	365,154	530,196
Other financial assets	**–**	–	–	–	1,159,700
Cash at bank and on hand	**4,274,938**	2,681,489	3,222,953	6,927,464	2,077,758
	13,633,129	9,564,325	11,566,273	15,530,471	14,258,457
Assets of disposal group classified as held for sale	**12,079**	–	–	242,010	–
	13,645,208	9,564,325	11,566,273	15,772,481	14,258,457

Five-Year Financial Summary

As at 31 December

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Current liabilities					
Trade and other payables	**1,554,090**	2,875,136	2,657,446	3,074,121	2,845,650
Contract liabilities	**1,459,276**	512,781	143,949	–	1,423,911
Lease liabilities	**13,330**	26,489	–	–	–
Bank and other loans	**573,899**	2,099,413	4,979,886	3,989,954	2,559,663
Related party loans	**862,400**	913,400	2,037,700	1,385,700	1,212,000
Current taxation	**169,570**	791,848	748,884	722,847	421,618
	4,632,565	7,219,067	10,567,865	9,172,622	8,462,842
Liabilities directly associated with assets of disposal group classified as held for sale	**1,849**	–	–	43,878	–
	4,634,414	7,219,067	10,567,865	9,216,500	8,462,842
Net current assets	**9,010,794**	2,345,258	998,408	6,555,981	5,795,615
Total assets less current liabilities	**20,787,543**	19,236,335	14,510,942	14,529,016	12,075,489
Non-current liabilities					
Bank and other loans	**6,032,109**	6,016,264	1,410,771	1,019,751	1,716,975
Related party loans	**1,359,660**	59,350	–	–	3,380,348
Lease liabilities	**11,265**	52,341	–	–	–
Deferred tax liabilities	**159,323**	188,932	194,514	196,324	211,464
	7,562,357	6,316,887	1,605,285	1,216,075	5,308,787
NET ASSETS	**13,225,186**	12,919,448	12,905,657	13,312,941	6,766,702
Equity attributable to equity holders of the Company	**9,430,396**	9,346,075	9,466,242	9,672,327	3,026,948
Non-controlling interests	**3,794,790**	3,573,373	3,439,415	3,640,614	3,739,754
TOTAL EQUITY	**13,225,186**	12,919,448	12,905,657	13,312,941	6,766,702