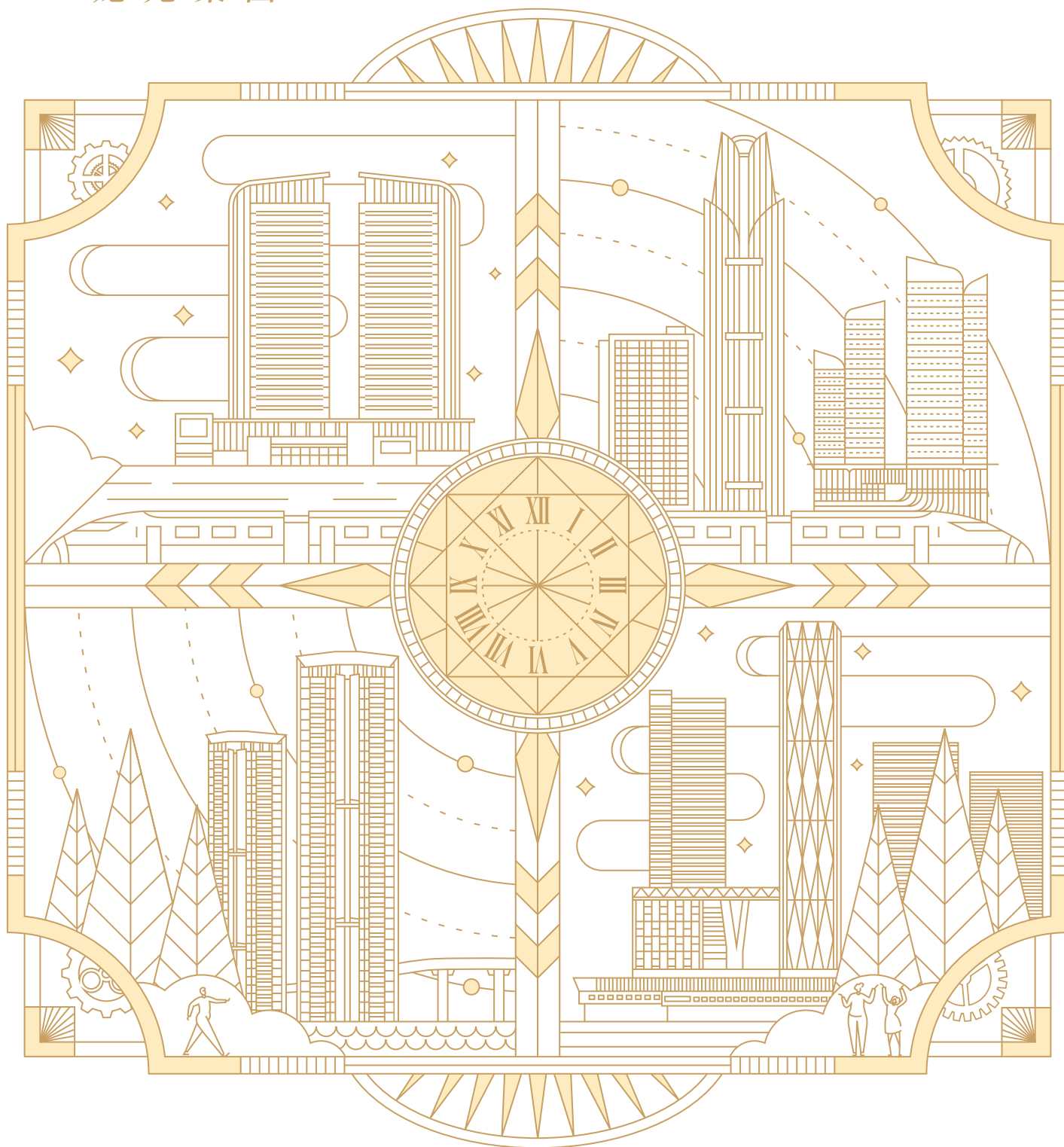


LOGAN

龙光集团



LOGAN GROUP Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3380)

Annual Report 2020



SHAPING CITIES AND HOMES WITH
RESPONSIBILITY
AND SINCERITY





CONTENTS

COMPANY PROFILE	3
FINANCIAL HIGHLIGHTS	4
AWARDS	6
CORPORATE INFORMATION	8
CORPORATE STRUCTURE	10
CHAIRMAN'S STATEMENT	14
MANAGEMENT DISCUSSION AND ANALYSIS	20
BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT	35
CORPORATE GOVERNANCE REPORT	38
DIRECTORS' REPORT	50
INDEPENDENT AUDITOR'S REPORT	69
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	75
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	76
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	77
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	79
CONSOLIDATED STATEMENT OF CASH FLOWS	81
NOTES TO FINANCIAL STATEMENTS	84
FIVE YEARS' FINANCIAL SUMMARY	194
SCHEDULE OF MAJOR PROPERTIES	195



COMPANY PROFILE

Logan Group Company Limited (“Logan Group”, the “Company”) is an integrated property developer extensively focusing on the residential property market in the Guangdong-Hong Kong-Macao Greater Bay Area in the PRC. The Group’s products are mainly tailored to first home purchasers and home improvement purchasers. The Company and its subsidiaries (the “Group”) have a total land bank amounting to 72.0 million sq.m., among which, the saleable resource of the Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta metropolitan area accounted for 85% of the land bank, while the saleable resource of the first- and second-tier cities accounted for 93% of the land bank. As a result, the Group safeguards a healthy and stable growth in its future sales and profits. The Group ranked No.18 in the “Top 200 Chinese Real Estate Enterprises in 2020 (Comprehensive Strength)” owing to its robust comprehensive strength. The Company also ranked No. 3 in the “Top 100 Chinese Real Estate Enterprises in 2020 – Top 10 in Profitability”. In addition, Logan Group ranked 773 in Forbes’ “Top 2000 Listed Companies in the World”, leaping 184 places from 2019. During the year, Logan Group was once again selected in Fortune China 500 List, leaping to No.184.

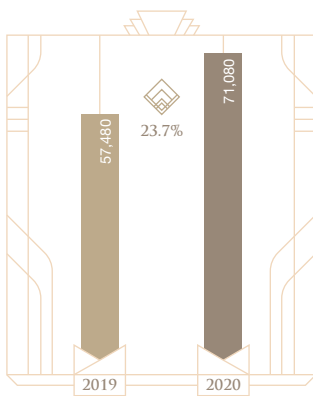
Logan Group’s healthy financial position and overall strengths are highly recognized by both domestic and overseas rating agencies. The Group is rated “BB” and “BB” in ratings by international authoritative agencies including Standard & Poor’s and Fitch, respectively. In February 2021, Moody’s upgraded the rating of the Company to “Ba2” and the outlook is stable. A wholly-owned subsidiary of the Company, Shenzhen Logan Holdings Co., Ltd. is continuously rated “AAA” in credit ratings by renowned domestic rating agencies namely China Cheng Xin International Credit Rating Co., Ltd. and United Credit Rating Co., Ltd.

During the year under review, the Group continued to gain wide recognition from the industry and capital market based on its forward-looking and long-term strategy, the adoption of share award scheme (long-term partnership mechanism) for co-creating value, and sustainable development. Currently, Logan Group is a constituent stock of the Hang Seng Composite LargeCap Index, Hang Seng Stock Connect Greater Bay Area Composite Index, Hang Seng High Dividend Yield Index, MSCI China All Shares Index and FTSE Shariah Global Equity Index.

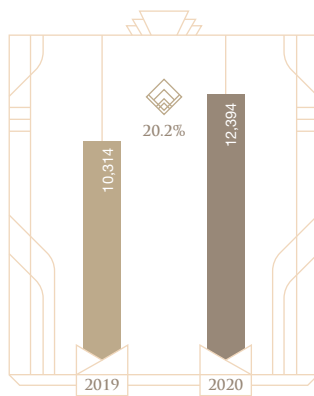
FINANCIAL HIGHLIGHTS

Summary of Consolidated Statement of Profit or Loss (RMB mn)	Year ended 31 December		
	2020	2019	Change
Revenue	71,080	57,480	23.7%
Gross Profit	21,332	18,133	17.6%
Gross Profit Margin (%)	30.0%	31.5%	(1.5) pt.
Core Profit	12,394	10,314	20.2%
Core Profit Margin (%)	17.4%	17.9%	(0.5) pt.
Net Profit	13,374	11,563	15.7%
Profit Attributable to Equity Shareholders of the Company	13,017	11,269	15.5%
Earnings Per Share			
– Basic (RMB cents)	234.13	202.24	15.8%
– Diluted (RMB cents)	232.36	199.36	16.6%
Total Dividend per Share (HK cents)	101	83	21.7%
– Interim Dividend per Share (HK cents)	43	38	13.2%
– Final Dividend per Share (HK cents)	58	45	28.9%

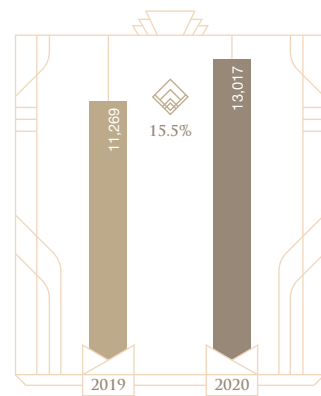
REVENUE
(RMB million)



CORE PROFIT
(RMB million)

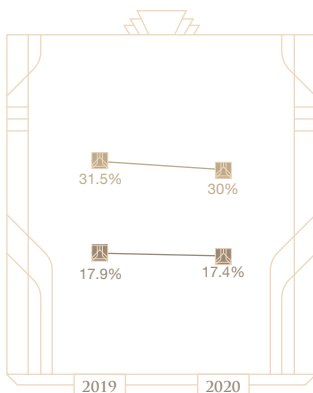


PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY
(RMB million)



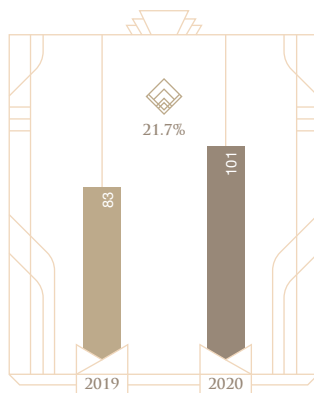
PROFITABILITY

■ Gross profit margin ■ Core profit margin



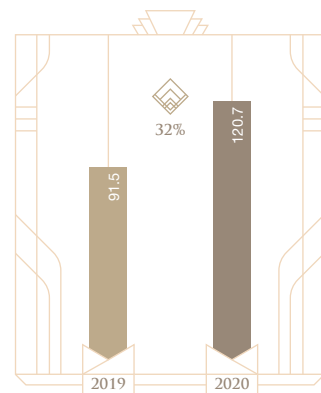
TOTAL DIVIDEND

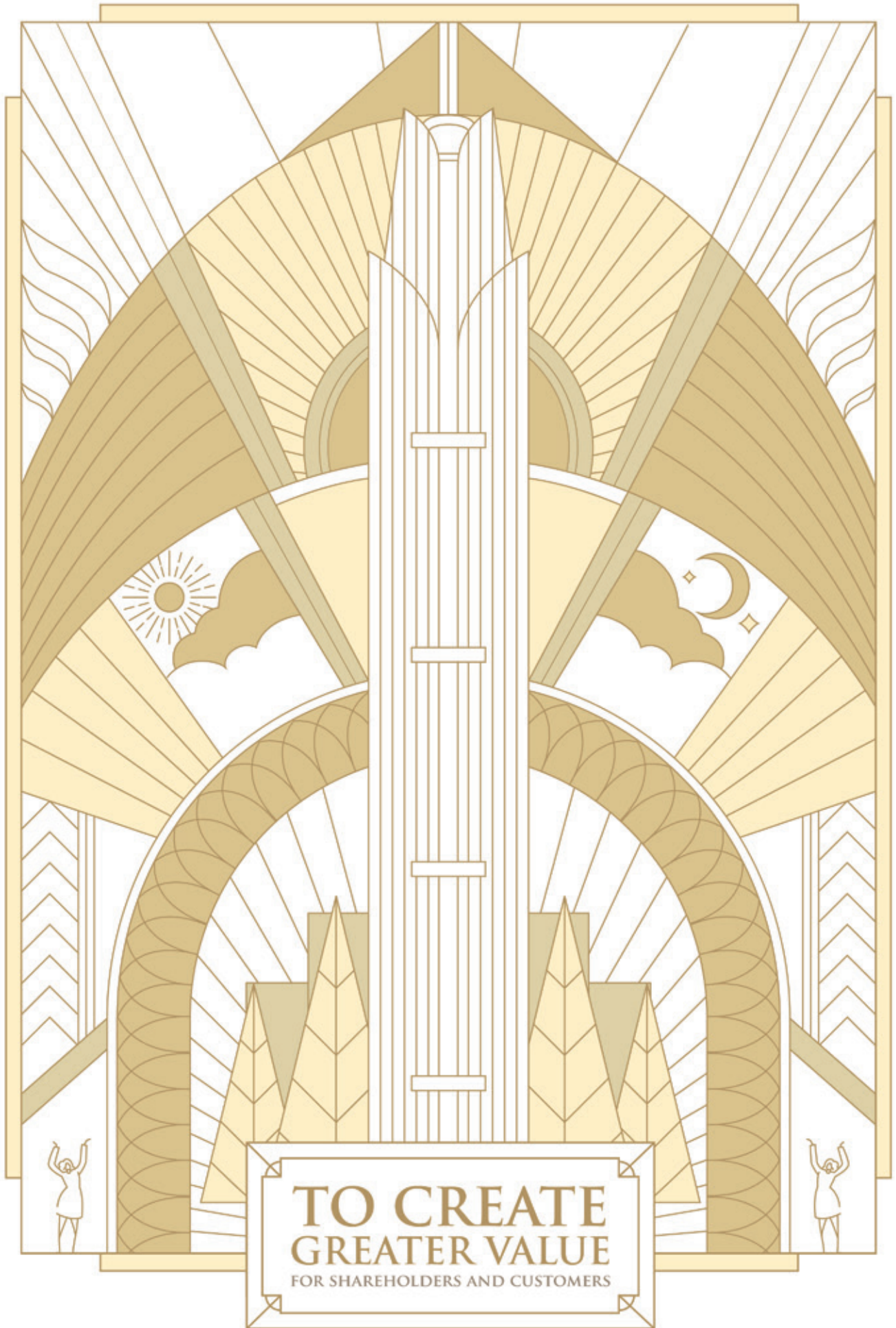
(HK cents per share)



ATTRIBUTABLE CONTRACTED SALES

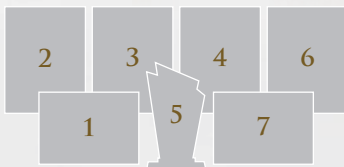
(RMB billion)





**TO CREATE
GREATER VALUE**
FOR SHAREHOLDERS AND CUSTOMERS

AWARDS



1. NO. 18 RANKING AMONG 2020 CHINA'S TOP 200 REAL ESTATE ENTERPRISES BY OVERALL STRENGTH
Presented by the following Organization:
EH Consulting
2. 2020 CHINA'S TOP 10 REAL ESTATE ENTERPRISES BY VALUE CREATION
Presented by the following Organization:
EH Consulting
3. 2020 CHINA'S TOP 10 REAL ESTATE ENTERPRISES IN URBAN REDEVELOPMENT
Presented by the following Organization:
EH Consulting
4. 2020 CHINA'S MOST INFLUENTIAL URBAN RENEWAL OPERATOR
Presented by the following Organization:
GuanDian Boao Forum
5. 2020 LISTED COMPANY AWARDS OF EXCELLENCE
Presented by the following Organization:
Hong Kong Economic Journal
6. SOCIAL RESPONSIBILITY SPECIAL AWARDS (20 YEARS)
Presented by the following Organization:
GuanDian Boao Forum
7. 2020 CHINA EXCELLENT REAL ESTATE COMPANY BY ESG DEVELOPMENT
Presented by the following Organizations:
The State Council Development Research Center Enterprise Research Institute, The Real Estate Institute of Tsinghua University, The China Index Research Institute



8. 2020 CHINA TOP 10 LISTED REAL ESTATE COMPANY BY CORPORATE GOVERNANCE
Presented by the following Organizations:
 The State Council Development Research Center Enterprise Research Institute, The Real Estate Institute of Tsinghua University, The China Index Research Institute
9. HONG KONG CORPORATE GOVERNANCE EXCELLENCE AWARDS
Presented by the following Organization:
 The Chamber of Hong Kong Listed Companies, The Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University
10. KINPAN AWARDS
 BEST RESIDENTIAL DEVELOPMENT
 BEST PRE-SALE PROPERTY — RESIDENTIAL PROPERTY (TOP CATEGORY)
 BEST PRE-SALE PROPERTY — RESIDENTIAL PROPERTY (UPGRADE CATEGORY)
 BEST FURNISHING
Presented by the following Organizations:
 Kinpan Award, Times House Magazine
11. 2020 CHINA LEADING LISTED REAL ESTATE COMPANY BY PRODUCT CAPABILITY — UPSCALE RESIDENCE
Presented by the following Organizations:
 The State Council Development Research Center Enterprise Research Institute, The Real Estate Institute of Tsinghua University, The China Index Research Institute



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Kei Hoi Pang (紀海鵬) (*Chairman*)
Mr. Lai Zhuobin (賴卓斌) (*Chief Executive Officer*)
Mr. Xiao Xu (肖旭)
Mr. Wu Jian (吳劍) (*resigned on 1 January 2021*)
Mr. Zhong Huihong (鍾輝紅)
(*appointed on 1 January 2021*)

Non-executive Director

Ms. Kei Perenna Hoi Ting (紀凱婷)

Independent Non-executive Directors

Mr. Zhang Huaqiao (張化橋)
Ms. Liu Ka Ying, Rebecca (廖家瑩)
Mr. Cai Suisheng (蔡穗聲)

AUDIT COMMITTEE

Ms. Liu Ka Ying, Rebecca (*Chairman*)
Mr. Cai Suisheng
Mr. Zhang Huaqiao

REMUNERATION COMMITTEE

Mr. Zhang Huaqiao (*Chairman*)
Mr. Kei Hoi Pang
Ms. Liu Ka Ying, Rebecca

NOMINATION COMMITTEE

Mr. Kei Hoi Pang (*Chairman*)
Mr. Zhang Huaqiao
Ms. Liu Ka Ying, Rebecca

COMPANY SECRETARY

Ms. Li Yan Wing, Rita

AUTHORIZED REPRESENTATIVES

Ms. Li Yan Wing, Rita
Ms. Kei Perenna Hoi Ting

AUDITOR

Ernst & Young
*Certified Public Accountants and Registered Public
Interest Entity Auditor*



REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 2002, Tower B, Logan Century Center
Xinghua Road South
Bao'An District
Shenzhen, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit Nos. 02-03A, Level 68
International Commerce Centre
1 Austin Road West
Hong Kong

COMPANY'S WEBSITE

<http://www.logangroup.com>

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKER

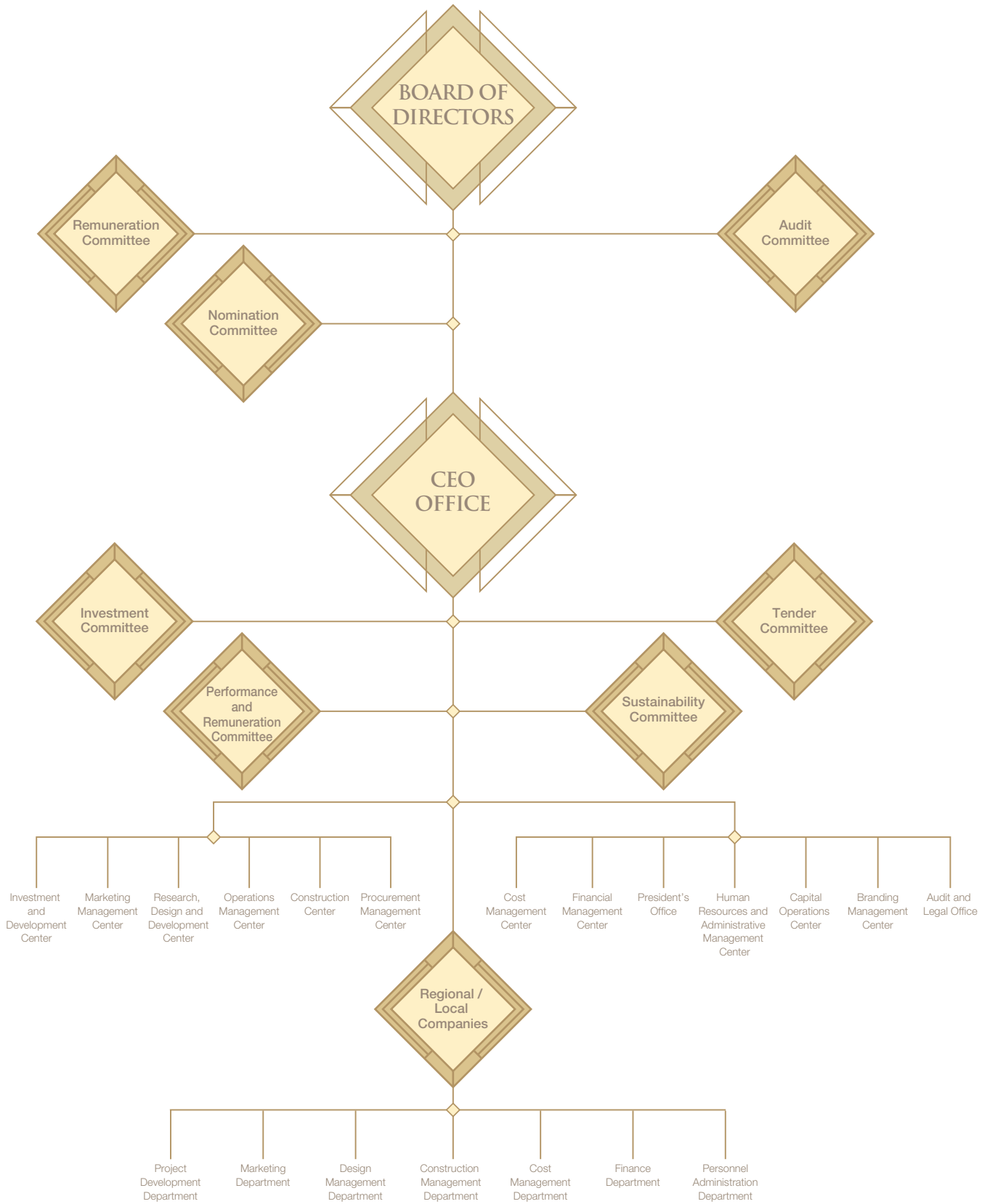
Industrial and Commercial Bank of China (Asia) Limited

LISTING INFORMATION

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 3380.HK)



CORPORATE STRUCTURE





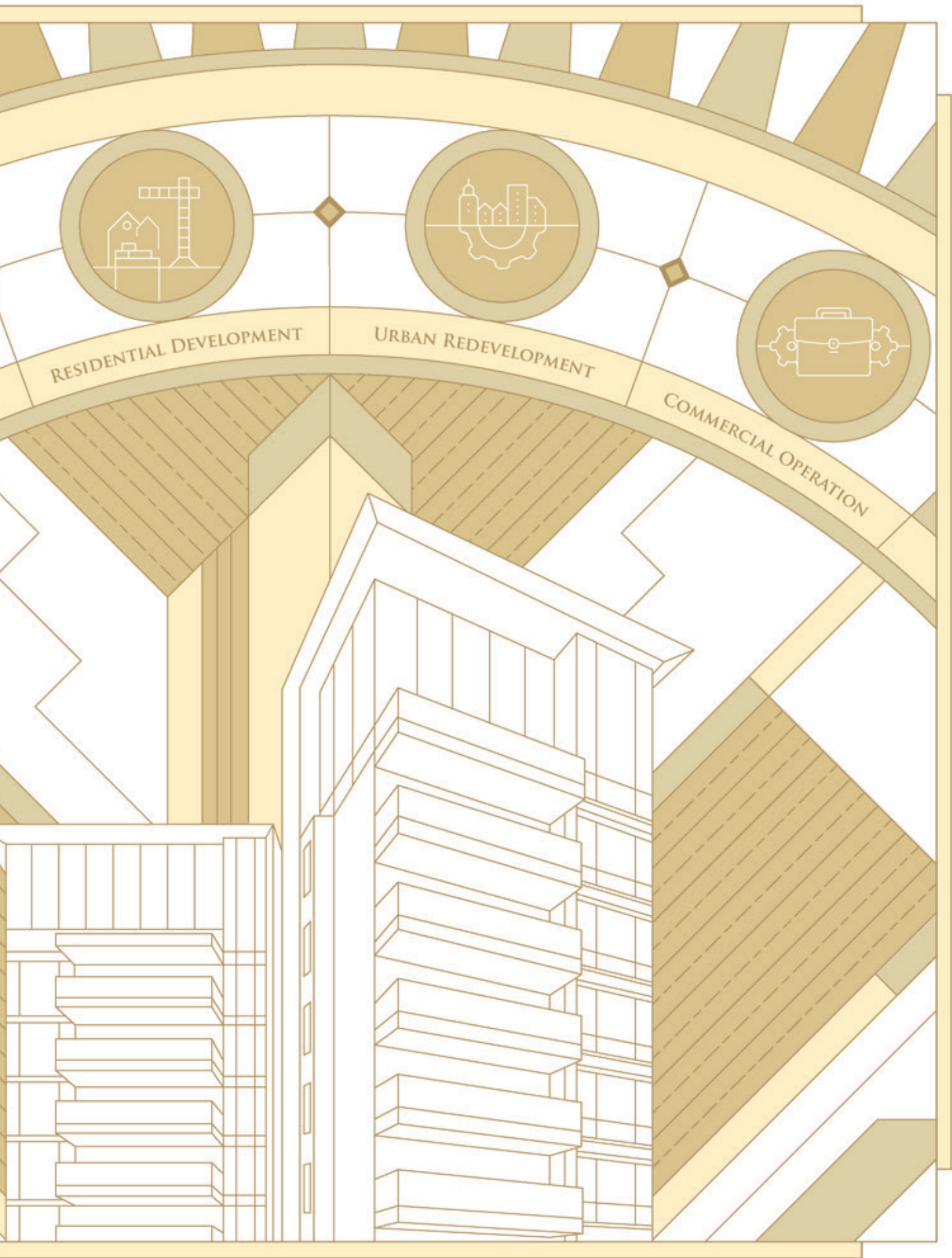
Shenzhen | Logan • Acescene Park



DEVELOPMENT STRATEGY

TO POSITIONING AS THE
"CITY'S COMPREHENSIVE SERVICE PROVIDER"

INDUSTRIAL OPERATION



RESIDENTIAL DEVELOPMENT

URBAN REDEVELOPMENT

COMMERCIAL OPERATION



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I hereby present the annual results of the Group for the year ended 31 December 2020 (the "Year").

BUSINESS REVIEW

During 2020, the global economy as a whole was in a downward cycle due to the rapid spread of the novel coronavirus pandemic and the continued impact of trade protectionism. Amidst complicated international conditions, the Chinese Central Government has coordinated the control of the pandemic and the economic and social development, and adhered to the main theme of supply side structural reform and economic structural optimization, all of which have enabled China's economy to achieve counter-trend growth by continuing to foster growth in effective domestic demand with various vigorous measures.

Despite the volatilities caused by the adverse environment, the Group continued to deliver solid results and demonstrated its ability to grow steadily through economic cycles, owing to its abundant and premium land bank and strong strategic execution. As at 31 December 2020, the contracted sales attributable to the Group amounted to approximately RMB120.69 billion, representing an industry-leading level increase of approximately 31.9% as compared with the same period of last year, which outperformed the 2020 annual sales target. During the Year, revenue recognized in the financial statements amounted to approximately RMB71.08 billion, representing an increase of approximately 23.7% as compared with the same period of last year. Gross profit amounted to approximately RMB21.33 billion, with a gross profit margin of 30.0%. Core profit attributable to owners of the Company amounted to RMB12.04 billion, representing an increase of 20.1% as compared with the corresponding period of last year, and demonstrated that the Group continued to maintain its leadership in the industry in terms of profitability. Final dividend of HK58 cents per share will be distributed, which continues to provide shareholders with a stable and attractive dividend return. The total dividend for 2020 was HK101 cents per share, equivalent to 40% of core profit attributable to owners of the Company, with a dividend yield of over 8%.

The Group has always believed that a stable and prudent capital structure will lay a solid foundation for its long-term sustainable development. In full compliance with three "red lines" requirements at the end of the Year, the Group achieved "green line" to access more resources, thereby strengthening its competitive advantages in the industry. The Group's international credit rating was further upgraded to Ba2 by Moody's, while the Group was rated "BB" and "BB" ratings by international authoritative agencies including Standard & Poor's and Fitch, respectively. The Group's average financing costs continued to decrease, as the average interest rate for new borrowings was 5.45% per annum and weighted average borrowing interest rate was 5.60% per annum, the net debt-to-equity ratio was 61.4% at the end of the Year. In the future, the Group will continue to explore and diversify its cost-effective financing channels to ensure a sustainable and steady development.



During 2020, the Group continued to focus on China's most valuable core metropolis such as Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta Region metropolitan area with a strong growth in sales performance, in which sales of over RMB10 billion were recorded in Shenzhen, Foshan, Zhuhai, Nanning, Shantou and the Yangtze River Delta region metropolitan area, demonstrating the advantages of our city penetration strategy. The Group has a total land bank amounting to 72.0 million sq.m., among which, the saleable resource of the Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta metropolitan area accounted for 85% of the land bank, while the saleable resource of the first- and second-tier cities accounted for 93% of the land bank. As a result, the Group ensures a sustainable growth in its sales in the future. During the Year, the Group first entered into Shanghai, Ningbo, Nanjing and Wenzhou, and continued to expand our presence in cities such as Suzhou and Jiaxing to strategically deepen our market presence around the Yangtze River Delta metropolitan area.

Urban redevelopment projects of the Group serve as the main source of the Group's premium land bank with noticeable competitive strengths on differentiation and characteristics such as high value, fast growth, and high conversion efficiency. The Group's professional urban redevelopment team has an extensive understanding of local policies, as well as urban planning for industries and the population of the Guangdong-Hong Kong-Macau Greater Bay Area. Urban redevelopment business covers 11 cities with a total land value of more than RMB710.0 billion, 95% of which is located in the core cities of the Guangdong-Hong Kong-Macau Greater Bay Area at the end of the reporting period. The land value of the Group's converted urban renewal projects from 2018 to 2020 is more than RMB90.0 billion, while the expected land value to be hatched is approximately RMB150.0 billion over the next three years, further accelerating the conversion efficiency.

In 2020, the Group continued to enhance the product competitiveness and launched a new premium product line of "Modernization Series", which continues to upgrade our product line. The Group has won 21 awards, despite only having 15 projects, under the Kinpan Award, which is nicknamed as the "Oscars" in the property market. Logan • Acesite Park (龍光 • 玖龍台) in Shenzhen ranked 1st in the national comprehensive category of "Annual Best Residential Development Award", which fully demonstrated the Group's high standards and advantages in building product competitiveness and design innovation.

CHAIRMAN'S STATEMENT



The Group is committed to becoming a corporate citizen highly recognized by its customers, employees, partners and the community. According to the latest Environmental, Social and Governance (“ESG”) Rating Report published by a renowned index compiler, Morgan Stanley Capital International (MSCI), the Group’s ascension to “BB” proved that our sustainability development is well recognized in the international market. The Group also received the “Hong Kong Corporate Governance Excellence Awards 2020” from The Chamber of Hong Kong Listed Companies. The Group has developed a comprehensive ESG management system, demonstrated commitment to social responsibility, promoted energy conservation and emission reduction actively, created healthy residential living cities and promoted urban sustainable development in a coordinated manner.

In terms of brand building and corporate awards, the Group was once again selected into the Fortune China 500 List, and ranked 184, which was 18 places higher than that in 2020. On the Fortune China 500 List, in terms of return on equity (ROE), the Group ranked 3rd among all listed enterprises, and was the top among property developers. The Group was awarded by EH Consulting (億翰智庫) “2020 Top 18 China Real Estate Enterprises by comprehensive strength”, and has been selected as one of China’s top 100 Real Estate Companies for ten consecutive years, which was organized by the State Council Development Research Center Enterprise Research Institute, the Real Estate Institute of Tsinghua University and the China Index Research Institute. The Company also ranked No. 3 in the “Top 100 Chinese Real Estate Enterprises in 2020 – Top 10 in Profitability”. In addition, Logan Group has been listed in the “Guangdong Top 20 Creditworthy Real Estate Enterprises” for 18 consecutive years, and ranked 773 in Forbes’ “Top 2000 Listed Companies in the World”, leaping 184 places from 2019.

The Group has been highly recognized by the capital market and highly recommended by a number of renowned global investment banks such as Citibank, UBS, CICC, Nomura Securities, BofA Securities, DBS Bank, Haitong International Securities, Huatai Securities, and CCBI. Meanwhile, Logan Group’s healthy financial position and overall strengths have also been highly recognized by both domestic and overseas rating agencies. Currently, Logan Group is a constituent stock of the Hang Seng Composite LargeCap Index, Hang Seng Stock Connect Greater Bay Area Composite Index, Hang Seng High Dividend Yield Index, MSCI China All Shares

Index and FTSE Shariah Global Equity Index. Lianhe Ratings Global Limited and China Chengxin (Asia Pacific) Credit Ratings Company Limited rated the Group as “BBB-” in foreign investment ratings. A wholly-owned subsidiary of the Company, Shenzhen Logan Holdings Co., Ltd. is rated “AAA” in credit ratings by China Cheng Xin International Credit Rating Co., Ltd. and United Credit Rating Co., Ltd.

PROSPECTS

The Group is striving to strengthen and enhance its position as the “city’s comprehensive service provider”, and will continue to focus on four major business segments of “residential development, urban redevelopment, commercial operations and industrial operations”. The Group has established a diversified and standardized business model based on property industry chain to meet urban residents’ demand on property asset, space-related service and living platform. Owing to its abundant and high-quality land bank, and proven cross-regional strategic execution, the Group will continue to strengthen its effort to complete its national layout in the Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta Region metropolitan area, southwest China and central China city-clusters. Leveraging on the competitive advantages of the urban redevelopment business, the Group will be able to foster commercial operations and industry operations business as a sustainable revenue stream to continue creating long-term value for the investors.

The Group has adopted the share award scheme for professional trust management with a validity period of 15 years, which sets a performance growth indicator level higher than the industry average, and up to 3% of the Group’s total issued shares. The introduction of this scheme will help to attract, motivate, and retain core outstanding talents, while consolidating the shared value mechanism co-founded by career managers. Furthermore, our core competitive strength has been enhanced to advance our long-term sustainability development.

Given the accelerating market share concentration trend in the property industry, by utilizing its extensive operational experience in the real estate industry, the Group will actively seize opportunities of land acquisitions in the future, seek for more mergers and acquisitions targets to diversify and increase the Group’s premium land banks, thereby locking in more high-return projects at the lowest costs. The Group will also accelerate sales cycle and strive to enhance the overall product competitiveness of different projects. The Group will continue to uphold its philosophy of “quality builds a brand” and incessantly strengthen its market competitiveness and penetration, so as to become a leading comprehensive service provider.

ACKNOWLEDGEMENTS

On behalf of the Board, I express my heartfelt gratitude to all our shareholders, investors, partners, customers, and the community for their support and trust. Thanks to the guidance from the management of the Company, together with the efforts and contributions from all staff, the Group has successfully maintained its stable development. The Group will continue to strive for quality, sustainable and steady growth by upholding our long established transparent, healthy and impartial development value.

Kei Hoi Pang

Chairman

Hong Kong

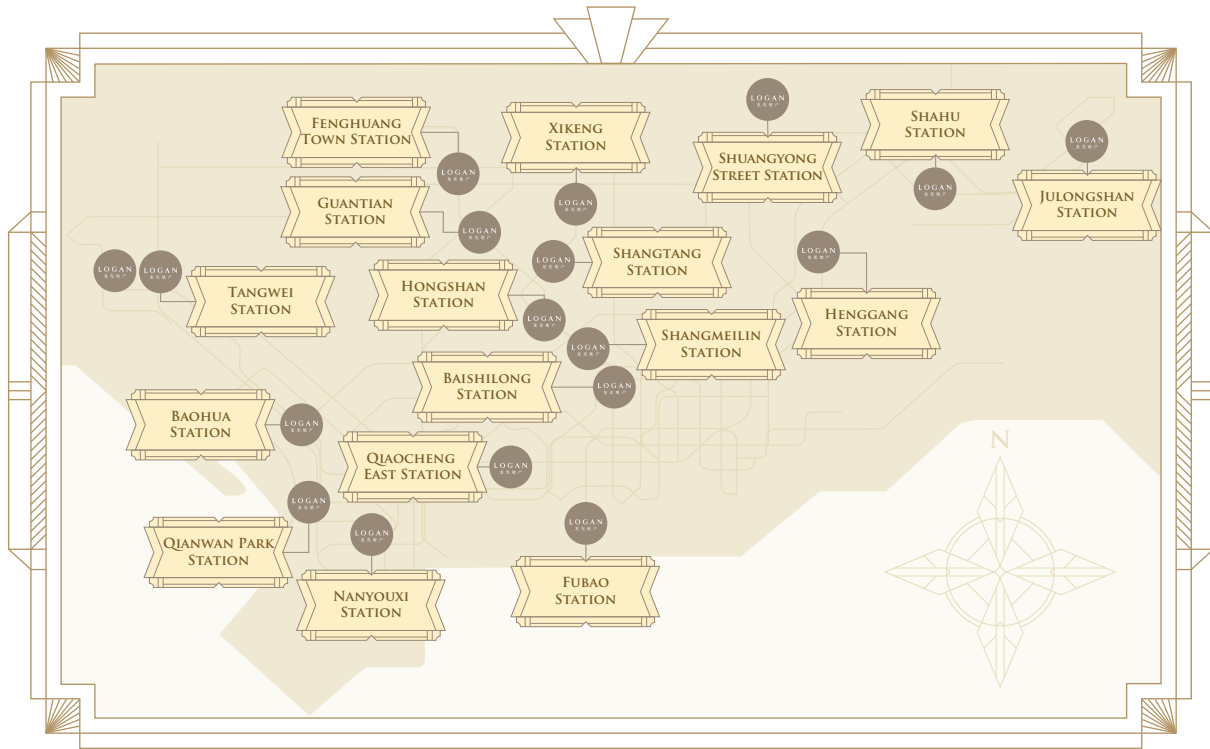
26 March 2021



A stylized illustration in shades of gold and brown. On the left, a large clock face with Roman numerals (II, I, III, IV, V) is partially visible, with a globe integrated into its center. The background features a city skyline with various buildings, a train, a car, and two walking figures. The overall design is composed of geometric shapes and lines, creating a sense of movement and connectivity.

ONE-HOUR
LIVING CIRCLE
AROUND SHANGHAI
TO IMPROVE THE QUALITY OF LIVING

MANAGEMENT DISCUSSION AND ANALYSIS



PERFORMANCE HIGHLIGHTS

	2020 RMB'000	2019 RMB'000	Changes per year %
Revenue	71,079,729	57,480,418	23.7%
Among which: Sales of properties			
— Income from properties delivered	54,858,387	40,920,840	34.1%
— GFA ¹ of properties delivered (sq.m.)	4,779,920	3,275,867	45.9%
— ASP ¹ of properties delivered (RMB/sq.m.)	11,229	13,300	-15.6%
Property leasing	109,085	127,517	-14.5%
Construction and decoration business and others income	10,093,142	11,532,061	-12.5%
Urban redevelopment business income	6,019,015	4,900,000	22.8%
Gross profit	21,331,872	18,132,981	17.6%
Profit for the year			
— Attributable to equity shareholders	13,016,635	11,269,044	15.5%
— Attributable to non-controlling shareholders	357,459	294,214	21.5%
— Total	13,374,094	11,563,258	15.7%
Core profit⁽¹⁾			
— Attributable to equity shareholders	12,036,857	10,020,235	20.1%
— Attributable to non-controlling shareholders	357,459	293,792	21.7%
— Total	12,394,316	10,314,027	20.2%
Total assets	243,513,648	206,010,125	18.2%

	2020 RMB'000	2019 RMB'000	Changes per year %
Cash and bank balances	42,869,161	40,705,113	5.3%
Total bank and other borrowings²	80,138,483	69,677,556	15.0%
Total equity	60,671,465	42,994,019	41.1%
Total equity attributable to equity shareholders	42,403,234	34,194,417	24.0%
Key financial ratios			
Gross profit margin ⁽²⁾	30.0%	31.5%	
Core profit margin ⁽³⁾	17.4%	17.9%	
Net debt-to-equity ratio ⁽⁴⁾	61.4%	67.4%	
Asset/liability ratio ⁽⁵⁾	69.8%	76.1%	

Notes: 1. Excluding the car parking portion

2. Including bank and other loans, senior notes and corporate bonds

- (1) Core profit: net profit excluding changes in fair value of investment properties and derivatives financial instruments and relevant deferred tax, dividend withholding tax and equity-settled share option expense
- (2) Gross profit margin: $\text{Gross profit} \div \text{Revenue} \times 100\%$
- (3) Core profit margin: $\text{Core profit} \div \text{Revenue} \times 100\%$
- (4) Net debt-to-equity ratio: $(\text{Total bank and other borrowings} - \text{Cash and bank balances}) \div \text{total equity} \times 100\%$
- (5) Asset/liability ratio: $\text{Total liabilities deducting contract liabilities} \div \text{Total assets deducting contract liabilities} \times 100\%$



CHANCHENG, FOSHAN
FOSHAN ACESITE PARK



Project Description

Total GFA

660,000sq.m.

Large-scale mixed use project

CHANG'AN, DONGGUAN
DONGGUAN JIANGNAN ROYAL CITY



Project Description

Total GFA

290,000sq.m.

2020 Top sales project in Dongguan



Shenzhen | Logan Headquarters Center

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

The coronavirus pandemic began to spread in various parts of China in January 2020, during which localities coordinated with the Chinese Central Government on implementing various anti-epidemic measures to control population movement and business activities. The management of the Company is of the view that, comparing with the same period in 2020, although the total sales in 2021 was affected by anti-epidemic restrictions and decline in investors' confidence, the pandemic would not have a significant adverse impact on the Company's overall operating capacity.

Contracted sales

In 2020, the Group continued to utilize its market advantages in the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") and achieved satisfactory sales performance. For the year ended 31 December 2020, the Group attained contracted sales of approximately RMB120.69 billion, representing an increase of approximately 31.9% as compared with Year 2019. For the contracted sales in 2020, Greater Bay Area, Southwest region, Yangtze River Delta region, Singapore and other regions accounted for approximately 59.3%, 17.4%, 8.4%, 3.0% and 11.9%, respectively. The contracted sales were mainly generated from Greater Bay Area and Southwest region. For Greater Bay region, the sales were mainly generated from Logan • Acescene Park (龍光 • 玖悦台) erected on the Hongshan subway station at the Shenzhen's subway line 4, Logan • Acesite Park (龍光 • 玖龍台) in Shenzhen Guangming New District. The sales from Southwest region were mainly contributed by projects, namely Nanning • Tianying (南寧 • 天瀛) and Nanning • Impressions of Discovery Bay (南寧 • 印象愉景灣). In 2021, Shenzhen Logan • Qianhai Project (龍光 • 天境) and new phases of Huizhou Logan City (龍光城) will continue to be launched for sale.

Region	Contracted sales in 2020				
	Amount (RMB million)	Percentage	GFA ¹ (sq.m.)	Percentage	ASP (RMB/sq.m.)
Greater Bay Area	71,538	59.3%	3,443,260	46.2%	20,254
Southwest region	21,055	17.4%	1,830,001	24.6%	11,004
Yangtze River Delta region	10,122	8.4%	524,418	7.0%	18,281
Singapore	3,561	3.0%	39,245	0.5%	90,734
Other regions	14,418	11.9%	1,615,182	21.7%	8,359
Total	120,694	100.0%	7,452,106	100.0%	15,637

1. Excluding car parking spaces

Newly commenced projects

For the year ended 31 December 2020, the Group commenced construction of a total of 68 projects or new project phases with a total planned GFA of approximately 11.5 million sq.m..

Completed projects

For the year ended 31 December 2020, the Group completed 61 projects or project phases with a total planned GFA of approximately 8.6 million sq.m..

Developing projects

As at 31 December 2020, the Group had a total of 116 projects or project phases under construction with a total planned GFA of approximately 24.3 million sq.m..

Land Reserves

For the year ended 31 December 2020, the Group acquired 37 new projects through public tendering, auction and listing with GFA of 4,842,133 sq.m..

List of newly acquired projects through public tendering, auction and listing in 2020		
Region	Site area (sq.m.)	GFA (sq.m.)
Shenzhen	45,031	347,919
Foshan	126,469	520,961
Huizhou	186,448	404,265
Guangzhou	83,194	144,020
Subtotal of Guangdong-Hong Kong-Macao Greater Bay Area	441,142	1,417,165
Southwest Region	560,085	1,521,065
Yangtze River Delta Region	259,420	460,690
Other Regions	328,040	1,443,213
Total	1,588,687	4,842,133



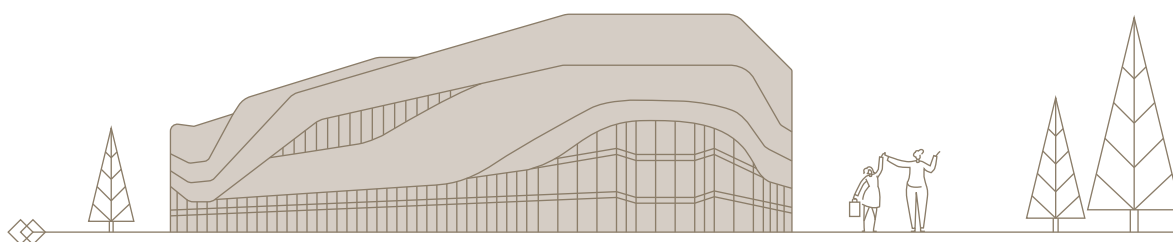
MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, land reserves are as below:

Land reserves as at 31 December 2020		
	GFA (sq.m.)	Percentage
Shenzhen	4,072,325	5.7%
Huizhou/Dongguan	17,510,334	24.5%
Guangzhou/Foshan/Zhaoqing	15,898,258	22.3%
Zhuhai/Zhongshan/Jiangmen	12,083,860	17.0%
Hong Kong	41,805	0.1%
Subtotal of Guangdong-Hong Kong-Macao Greater Bay Area	49,606,582	69.6%
Southwest Region	11,610,932	16.3%
Yangtze River Delta Region	1,273,883	1.8%
Singapore	107,320	0.2%
Other Regions	8,652,215	12.1%
Total	71,250,932	100.0%

Saleable resources and sales target in 2021

In 2021, the amount of the attributable saleable value of the Group to be launched is expected to reach approximately RMB240 billion. The targeted growth rate of attributable contracted sales for year 2021 is set at 20.0%.



FINANCIAL REVIEW

Performance Highlights

	2020 RMB'000	2019 RMB'000	Changes per year %
Revenue	71,079,729	57,480,418	23.7%
Among which: Sale of properties			
– Income from properties delivered	54,858,387	40,920,840	34.1%
– GFA ¹ of properties delivered (sq.m.)	4,779,920	3,275,867	45.9%
– ASP ¹ of properties delivered (RMB/sq.m.)	11,229	13,300	-15.6%
Property leasing	109,085	127,517	-14.5%
Construction and decoration business and others income	10,093,142	11,532,061	-12.5%
Urban redevelopment business income	6,019,115	4,900,000	22.8%
Gross profit	21,331,872	18,132,981	17.6%
Profit for the year			
– Attributable to equity shareholders	13,016,635	11,269,044	15.5%
– Attributable to non-controlling shareholders	357,459	294,214	21.5%
– Total	13,374,094	11,563,258	15.7%
Core profit⁽¹⁾			
– Attributable to equity shareholders	12,036,857	10,020,235	20.1%
– Attributable to non-controlling shareholders	357,459	293,792	21.7%
– Total	12,394,316	10,314,027	20.2%
Total assets	243,513,648	206,010,125	18.2%
Cash and bank balances	42,869,161	40,705,113	5.3%
Total bank and other borrowings²	80,138,483	69,677,556	15.0%
Total equity	60,671,465	42,994,019	41.1%
Total equity attributable to equity shareholders	42,403,234	34,194,417	24.0%

MANAGEMENT DISCUSSION AND ANALYSIS

	2020 RMB'000	2019 RMB'000	Changes per year %
Key financial ratios			
Gross profit margin ⁽²⁾	30.0%	31.5%	
Core profit margin ⁽³⁾	17.4%	17.9%	
Net debt-to-equity ratio ⁽⁴⁾	61.4%	67.4%	
Asset/liability ratio ⁽⁵⁾	69.8%	76.1%	

Notes: 1. Excluding the car parking portion

2. Including bank and other loans, senior notes and corporate bonds

(1) Core profit: net profit excluding changes in fair value of investment properties and derivatives financial instruments and relevant deferred tax, dividend withholding tax and equity-settled share option expense

(2) Gross profit margin: $\text{Gross profit} \div \text{Revenue} \times 100\%$

(3) Core profit margin: $\text{Core profit} \div \text{Revenue} \times 100\%$

(4) Net debt-to-equity ratio: $(\text{Total bank and other borrowings} - \text{Cash and bank balances}) \div \text{total equity} \times 100\%$

(5) Asset/liability ratio: $\text{Total liabilities deducting contract liabilities} \div \text{Total assets deducting contract liabilities} \times 100\%$

(I) Revenue

Total revenue of the Group for the year ended 31 December 2020 increased to RMB71,079.7 million by approximately RMB13,599.3 million, or approximately 23.7%, as compared with 2019. Revenue from sale of properties, income from the property leasing business, income from the construction and decoration business and others and income from urban redevelopment business for the year ended 31 December 2020 amounted to approximately RMB54,858.4 million, RMB109.1 million, RMB10,093.1 million and RMB6,019.1 million respectively (2019: approximately RMB40,920.8 million, RMB127.5 million and RMB11,532.1 million and RMB4,900.0 million, respectively).

Revenue from sale of properties

During the year ended 31 December 2020, revenue from sale of properties amounted to approximately RMB54,858.4 million, representing an increase of approximately 34.1% as compared with RMB40,920.8 million in 2019, and accounted for approximately 77.2% of the Group's total revenue. GFA delivered (excluding car parking spaces) increased by approximately 45.9% to 4,779,920 sq.m. during the year 2020 from 3,275,867 sq.m. for the year 2019.

Greater Bay Area Region, Yangtze River Region, Southwest Region and other regions contributed to the Group's revenue from sale of properties of 2020, accounting for approximately 46.7%, 3.6%, 32.3% and 17.5%, respectively.

Details of revenue from sale of properties by region are as follows:

Region	Amount (RMB Million)	Percentage	GFA ¹ (sq.m.)	Percentage	ASP (RMB/sq.m.)
Greater Bay Area	25,724	46.7%	2,068,828	43.3%	12,434
Southwest Region	17,756	32.2%	2,089,584	43.7%	8,497
Yangtze River Delta	2,011	3.6%	109,315	2.3%	18,396
Other regions	9,617	7.5%	512,193	10.7%	18,776
Total	55,108	100.0%	4,779,920	100.0%	
Less: Sales related taxes	250				
Revenue from sales of properties	54,858				

1. Excluding the car parking portion

Details of the revenue from sale of properties by project are as follows:

Project name	2020		2019	
	GFA ¹ (sq.m.)	Amount ² (RMB'000)	GFA ¹ (sq.m.)	Amount ² (RMB'000)
Shenzhen Acesite Park (深圳玖龍台)	80,138	3,590,100	191,001	8,992,373
Zhuhai Acesite Mansion (珠海玖龍壘)	107,711	2,644,518	—	—
Huizhou Logan City (惠州龍光城)	272,935	2,457,962	294,330	4,266,330
Huizhou Acesite Park (惠州玖龍府)	163,938	1,892,971	—	—
Foshan Nanhai Sirius (佛山南海天曜)	83,747	1,717,807	—	—
Zhongshan Violet Castle (中山春江紫宸)	99,613	1,589,278	—	—
Shenzhen Acesite Glory Mansion (深圳玖譽府)	33,595	1,580,368	—	—
Dongguan Acesite Mansion (東莞玖龍壘)	55,354	1,321,078	—	—
Huizhou Dragon Garden (惠州玖龍花園)	95,579	1,142,131	—	—
Foshan Dragon River Garden (佛山龍濱熙園)	114,502	994,966	—	—
Huizhou Seaward Heaven Garden (惠州天禧花園)	94,825	816,866	—	—
Shenzhen Carat Complex (深圳玖鑽)	15,797	782,647	88,329	4,728,757
Foshan Dragon River Landscape (佛山龍濱嘉園)	72,962	771,183	—	—
Zhongshan Acesite Bay (中山玖龍灣)	114,615	687,171	154,532	1,808,018
Foshan Dragon Castle (佛山龍馨華府)	67,043	616,384	—	—
Zhongshan Acesite County (中山玖龍郡)	58,436	559,750	—	—
Foshan Water Castle (佛山尚水華府)	28,257	511,960	—	—

MANAGEMENT DISCUSSION AND ANALYSIS

Project name	2020		2019	
	GFA ¹ (sq.m.)	Amount ² (RMB'000)	GFA ¹ (sq.m.)	Amount ² (RMB'000)
Huizhou Jasmine Mansion (惠州茉莉公館)	74,773	484,242	—	—
Zhongshan Acesite Park (中山玖龍府)	87,501	419,847	44,644	407,013
Zhaoqing Acesite Lake (肇慶玖龍湖)	180,957	318,479	155,316	1,087,453
Shenzhen Acesite Mansion (深圳玖龍壘)	2,477	301,640	458	38,693
Foshan Riverine View Castle (佛山望江府)	7,330	272,714	—	—
Foshan Dragon Castle (佛山龍灣華府)	190	246,678	—	—
Zhongshan Royal Heaven Garden (中山御海天璽花園)	38,475	237,314	—	—
Huizhou Acesite Mount (惠州玖龍山)	118,078	163,940	180,217	1,503,897
Nanning Glory Lake (南寧玖譽湖)	434,529	3,583,580	—	—
Nanning Longgang Acesite Park (南寧龍光玖瓏台)	201,581	2,220,140	—	—
Fangchenggang Sunshine Seaward (防城港陽光海岸)	247,673	1,385,922	483,658	2,731,732
Nanning Ace Prestige Bay (南寧玖譽灣)	155,411	1,351,844	—	—
Nanning Glory City (南寧玖譽城)	183,241	1,327,345	—	—
Nanning Impressions of Discovery Bay (南寧印象愉景灣)	204,933	1,212,405	—	—
Nanning Jiangnan Courtyard (南寧江南院子)	117,262	1,201,190	—	—
Nanning Acesite Glory Mansion (南寧玖譽府)	105,223	988,967	—	—
Nanning Sirius (南寧天曜)	61,891	962,720	—	—
Chengdu Century Center (成都世紀中心)	58,841	716,865	—	—
Chengdu Xinjin Acesite Park (成都新津玖龍府)	66,913	638,991	104,801	957,622
Nanning Masterpiece (南寧玖雲著)	68,762	596,364	—	—
Nanning Glory Forest Lake (南寧玖譽湖林湖)	82,860	595,844	—	—
Liuzhou Acesite Park (柳州玖瓏府)	41,457	393,294	292,767	2,253,721
Nanning Acesite Park (南寧玖龍台)	47,020	363,815	—	—
Nanning Logan Century Centre (南寧龍光世紀中心)	11,987	196,030	8,911	146,872
Suzhou Ace Prestige Bay (蘇州玖譽灣)	43,555	746,663	—	—
Jiashan Acesite Bay (嘉善玖龍灣)	33,577	684,944	—	—
Jiashan Acesite Park (嘉善玖龍府)	32,183	579,691	—	—
Others	512,193	9,240,100	1,276,903	12,258,211
Total	4,779,920	55,108,708	3,275,867	41,180,692
Less: Sales related taxes		250,321		259,852
Revenue from sale of properties		54,858,387		40,920,840

Notes: 1. Excluding the car parking portion.

2. Including revenue from sales of car parking spaces, but before deduction of sales related taxes.

Construction and decoration and others income

The construction and decoration and others income of the Group for the year ended 31 December 2020 amounted to approximately RMB10,093.1 million (2019: RMB11,532.1 million), representing a decrease of 12.5%. The decrease was mainly attributable to the decrease in construction and decoration services provided to projects jointly operated by the Group and joint venture partners.

Urban redevelopment business income

The income from urban redevelopment business of the Group for the year ended 31 December 2020 amounted to approximately RMB6,019.1 million (2019: RMB4,900.0 million), representing an increase of 22.8%. Urban redevelopment business is expected to be a long business section of the Group with strong growth.

Property leasing income

For the year ended 31 December 2020, the rental income of the Group amounted to RMB109.1 million (2019: RMB127.5 million), representing a decrease of approximately 14.5% which was mainly due to the effect of outspread of COVID-19 on the rental market. Some tenants decided not to renew the tenancy upon maturity. As at 31 December 2020, the Group had 33 investment properties with a total GFA of approximately 803,816 sq.m.

(II) Cost of sales

The cost of sales of the Group for the year ended 31 December 2020 increased to RMB49,747.9 million by approximately RMB10,400.4 million, or approximately 26.4%, as compared with 2019, primarily due to the increase in cost of sales of properties and construction and decoration business and others. Key components of costs are as follows:

	2020 RMB'000	2019 RMB'000	Change per year %
Costs	49,747,857	39,347,437	26.4%
— Sale of properties	39,829,687	28,545,824	39.5%
— Construction and decoration business and others income	8,665,279	8,875,879	-2.4%
— Property leasing business	36,788	23,559	56.2%
— Urban redevelopment business	1,216,103	1,902,175	-36.1%

(III) Selling and marketing expenses and administrative expenses

The selling and marketing expenses of the Group for the year ended 31 December 2020 amounted to approximately RMB1,672.2 million (2019: RMB1,398.2 million). As the Group further increased its property marketing efforts in response to the challenging market environment in 2020, the selling and marketing expenses had increased by approximately 19.6% as compared with 2019.

The administrative expenses of the Group for 2020 amounted to approximately RMB1,867.3 million (2019: RMB1,409.4 million), representing an increase of approximately 32.5% as compared with 2019, which was mainly attributable to an increase in the labor costs.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Profit from operations

The profit from operations of the Group for 2020 amounted to approximately RMB21,549.2 million (2019: RMB18,818.5 million), representing an increase of approximately 14.5%. As the gross profit of the Group increased by approximately RMB3,198.9 million as compared with 2019, and lastly offset by increase in selling and marketing expenses and administrative expenses by approximately RMB732.0 million as compared with 2019. As a result, the profit from operations of the Group increased by approximately RMB2,730.7 million as compared with 2019.

(V) Net finance costs

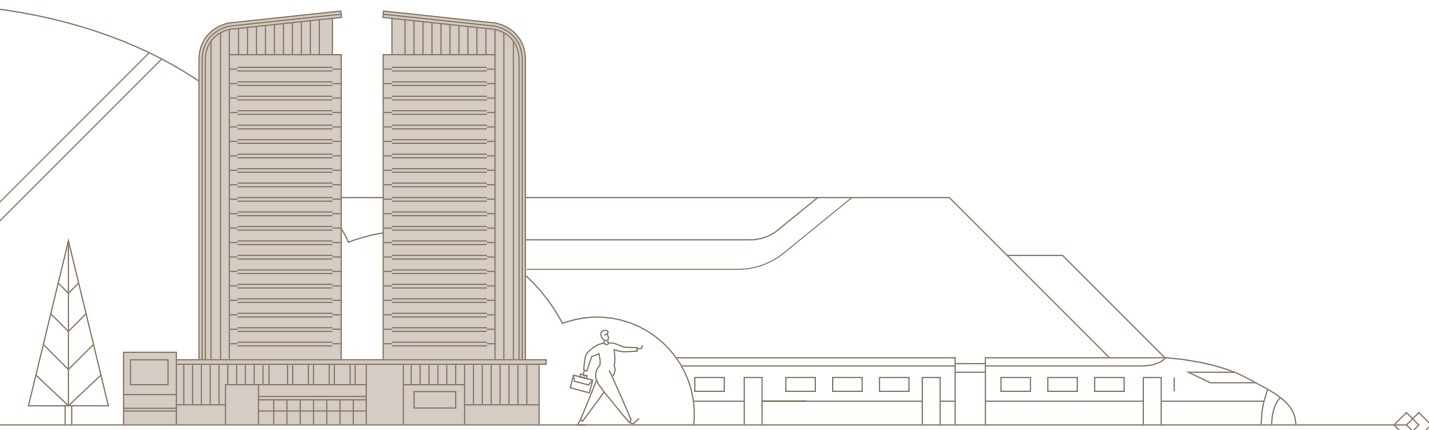
The net finance costs of the Group for 2020 increased to approximately RMB2,051.4 million (2019: RMB1,366.3 million).

(VI) Tax

Taxes of the Group for the year ended 31 December 2020 included corporate income tax ("CIT") and land appreciation tax ("LAT"). Taking into account the impact of the relevant changes in deferred tax, the net CIT and LAT amounted to approximately RMB4,583.7 million and RMB1,540.0 million, respectively (2019: approximately RMB4,736.9 million and RMB1,152.1 million).

(VII) Core Profit

The core profit of the Group for the year ended 31 December 2020 amounted to approximately RMB12,394.3 million, representing an increase of approximately RMB2,080.3 million as compared with 2019. The core profit margin of the Group for the year ended 31 December 2020 was approximately 17.4% (2019: approximately 17.9%), representing a decrease of approximately 0.5 percentage points as compared with 2019.



(VIII) Liquidity and financial resources

With efforts of accelerating sales and cash collection and lowering overall leverage, the “Three Red Lines” indications were all in green lines. As at 31 December 2020, net debt-to-equity ratio, asset/liability ratio and cash to short-term debt ratio were 61.4%, 69.8% and 1.84 times respectively.

Moody’s upgraded our corporate family rating to Ba2 with a stable outlook in February 2021. The upgrade of the rating once again reflects the full recognition of our healthy capital structures, sound financial indicators and strong performance by international rating agencies.

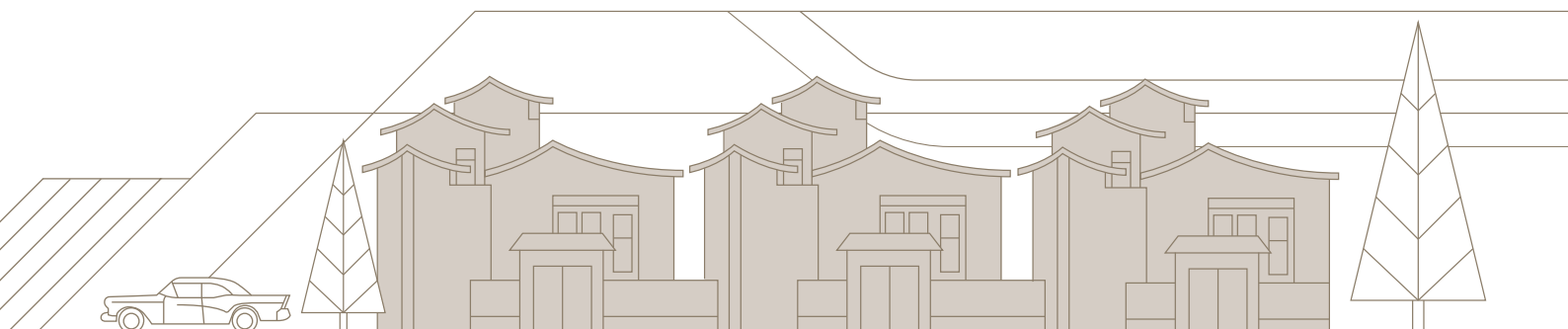
As at 31 December 2020, total assets of the Group amounted to approximately RMB243,513.6 million (31 December 2019: RMB206,010.1 million), of which current assets amounted to approximately RMB193,134.1 million (31 December 2019: RMB159,224.5 million). Total liabilities amounted to approximately RMB182,842.2 million (31 December 2019: RMB163,016.1 million), of which non-current liabilities amounted to approximately RMB62,070.8 million (31 December 2019: RMB43,919.0 million). Total equity amounted to approximately RMB60,671.5 million (31 December 2019: RMB42,994.0 million).

As at 31 December 2020, the Group had cash and bank balances of approximately RMB42,869.2 million (31 December 2019: RMB40,705.1 million) and total borrowings of approximately RMB80,138.5 million (31 December 2019: RMB69,677.6 million). As at 31 December 2020, total net borrowings of the Group amounted to approximately RMB37,269.3 million (31 December 2019: RMB28,972.4 million), the net debt-to-equity ratio of the Group was 61.4% (31 December 2019: 67.4%).

(IX) Financing activities

The Group successfully issued five tranches of senior notes of totally USD1.18 billion at an average issue rate of 5.2% during the Year.

On 14 January 2020, the Company issued US\$300 million of 5.75% senior notes due in 2025. On 17 January 2020, the Company issued additional senior notes in the aggregate principal amount of US\$180 million which were consolidated and form a single series with the US\$100 million of 6.9% senior notes due in 2024. On 17 September 2020, the Company issued US\$100 million of 4.25% senior notes due in 2024. On 19 October 2020, the Company issued US\$300 million of 5.25% senior notes due in 2025. On 14 December 2020, the Company issued US\$300 million of 4.85% senior notes due in 2026. The senior notes issued as aforesaid are listed on The Stock Exchange of Hong Kong Limited.





MANAGEMENT DISCUSSION AND ANALYSIS

As at 5 June 2020, the Company redeemed the 6.95% senior notes due 2020 in full in accordance with the terms and conditions of the notes. The total redemption price was 100% of the aggregate principal amount of US\$80,000,000 of all of the outstanding notes, plus accrued and unpaid interest. As at 12 December 2020, the Company redeemed the 8.75% senior notes due 2020 in full in accordance with the terms and conditions of the notes. The total redemption price was 100% of the aggregate principal amount of US\$370,000,000 of all of the outstanding notes, plus accrued and unpaid interest.

On 8 January 2020, Shenzhen Logan Holdings Co., Ltd. (“Shenzhen Logan”), a wholly-owned subsidiary of the Company, issued public domestic bonds to qualified investors, the principal amount of which was RMB1,000 million with a coupon rate of 4.8% per annum due 2025. The bonds are listed and traded on the Shenzhen Stock Exchange. On 15 April 2020, Shenzhen Logan issued non-public domestic bonds to qualified investors, the principal amounts of which were RMB1,500 million with coupon rate of 4.69% per annum due 2024. On 24 July 2020, Shenzhen Logan issued public domestic bonds to qualified investors, the principal amount of which was RMB2,000 million with a coupon rate of 4.69% per annum due 2025. The bonds are listed and traded on the Shanghai Stock Exchange. On 14 September 2020, Shenzhen Logan issued public domestic bonds to qualified investors, the principal amount of which was RMB2,000 million with a coupon rate of 4.80% per annum due 2025. The bonds are listed and traded on the Shanghai Stock Exchange.

On 19 August 2020, corporate bonds with a remaining principal amount of RMB3,990,000,000 was due and fully paid upon maturity.

(X) Foreign Exchange Exposure

The Group’s businesses are principally conducted in Renminbi. Other than the bank deposits, bank borrowings and the senior notes denominated in foreign currencies, the Group does not have any material exposure directly due to foreign exchange fluctuations. The Group has not entered into any material forward exchange contract to hedge its exposure to foreign exchange risk. The Group will continue to monitor foreign exchange changes to minimize foreign exchange exposure.

(XI) Employees and Remuneration Policy

As at 31 December 2020, the Group had approximately 2,999 employees (2019: 3,315). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. The remuneration policy of the Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Further details in relation to the Share Option Scheme and the Share Award Scheme are set out in sections headed “Share Option Scheme” and “Share Award Scheme” in this annual report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Kei Hoi Pang, aged 54, was appointed as an executive director of the Company on 18 November 2013. Mr. Kei is also the founder and Chairman of the Company. Mr. Kei was also the chief executive officer of the Company from April 2011 to 29 January 2018. He is primarily responsible for the overall strategic planning of the Group's business. He is father of Ms. Kei Perenna Hoi Ting, a non-executive director of the Company. In March 1996, Mr. Kei held the position as an executive director and the chief executive officer of Guangdong Logan (Group) Co., Ltd., one of the Group's predecessors. Since October 2009, Mr. Kei has also served as a director and chief executive officer of Shenzhen Logan Holdings Company Limited. Mr. Kei is presently a member of the 13th National Committee of Chinese People's Political Consultative Conference. Mr. Kei has over 20 years of experience in the property development industry and possesses experience in corporate strategic planning and management as well as project management.

Mr. Lai Zhuobin, aged 49, was appointed as an executive director of the Company on 18 November 2013. He was appointed as the chief financial officer of the Company in July 2015. In September 2019, he was appointed as the chief executive officer of the Company. Mr. Lai was employed by Logan Property Limited Liability Company (formerly known as "Logan Real Estate Holdings Co., Ltd.") in 2007 and held various senior positions within the financial management division during the period from November 2007 to May 2011. In May 2011, Mr. Lai was served as the financial controller of Shenzhen Logan Holdings Company Limited. He is a member of the Chinese Institute of Certificate Public Accountants. Mr. Lai obtained a bachelor's degree in science from Sun Yat-sen University (中山大學) in July 1993 and obtained a master's degree in engineering from Beijing Institute of Technology in July 2003. Mr. Lai also obtained an executive master of business administration from Peking University in 2013.

Mr. Xiao Xu, aged 49, was appointed as an executive director of the Company on 18 November 2013 and the vice president of the Company in July 2015. Mr. Xiao is mainly responsible for implementing strategic development, investment analysis and external affairs of the Group. Mr. Xiao was employed by Logan Property Limited Liability Company (formerly known as "Logan Real Estate Holdings Co., Ltd.") in 2007 and held various senior management positions during the period from August 2007 to April 2011 prior to his appointment as the assistant to the president of Shenzhen Logan Holdings Company Limited in April 2011. Mr. Xiao was also appointed as the director of Shenzhen Logan Junchi Property Development Co., Ltd. (深圳市龍光駿馳房地產開發有限公司) and Zhuhai Bojun Property Development Co., Ltd. (珠海市鉅駿房地產開發有限公司) in August 2014. He has substantial experience in investment analysis, corporate management, secretarial work and external liaison. Mr. Xiao obtained a bachelor's degree in business management from Jinan University (暨南大學) in June 1993 and obtained a postgraduate diploma in economics from the Party School of Chinese Communist Party of Guangdong Province (中共廣東省委黨校) in July 1998.

Mr. Zhong Huihong, aged 50, was appointed as an executive director of the Company on 1 January 2021. He has extensive experience in corporate operations, investment development and urban redevelopment affairs. He joined the Group as a vice president in May 2018. Prior to joining the Group, he served as a vice president and the chief operating officer of Top Spring International Holdings Limited, the shares of which are listed on the Stock Exchange (Stock Code: 3688) from January 2014 to May 2018. He was employed as the vice president of Shenzhen Agricultural Products Co., Ltd, the shares of which are listed on Shenzhen Stock Exchange (Stock Code: 000061) from January 1995 to December 2013. Mr. Zhong holds a Bachelor's degree in Environmental Engineering and a Master's degree in Architectural and Civil Engineering from Tsinghua University. He is a senior engineer (construction) (施工高級工程師) accredited by the Shenzhen Professional and Technological Qualifications Evaluation Committee for Senior Engineers (Construction) (深圳市建築工程高級專業技術資格評審委員會).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Ms. Kei Perenna Hoi Ting, aged 31, was appointed as a director of the Company on 14 May 2010 and was redesignated as a non-executive director of the Company on 18 November 2013. She is the daughter of Mr. Kei Hoi Pang, chairman and an executive director of the Company. In August 2011, Ms. Kei obtained a bachelor's degree in Economics and Finance from the University of London.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Huaqiao, aged 57, was appointed as an independent non-executive director on 18 November 2013. Mr. Zhang is a director of various companies the shares of which are listed on the Hong Kong Stock Exchange, including an independent non-executive director of Fosun International Limited (Stock Code: 656), Zhong An Group Limited (Stock Code: 672), China Huirong Financial Holdings Limited (Stock Code: 1290), Luye Pharma Group Ltd. (Stock Code: 2186). Mr Zhang was appointed as independent non-executive director of Radiance Holdings (Group) Company Limited (Stock Code: 9993) on 5 October 2020. Mr. Zhang resigned as a non-executive director and the chairman of the board of China Smartpay Group Holdings Limited (formerly known as "Oriental City Group Holdings Limited") (Stock code: 8325) on 20 January 2020. Mr. Zhang resigned as an independent non-executive director of Yancoal Australia Ltd (Stock Code: YAL, a company listed on the Australia Securities Exchange) on 30 January 2018, Sinopec Oilfield Service Corporation (formerly known as "Sinopec Yizheng Chemical Fibre Company Limited") (Stock Code: 1033) on 20 June 2018, Wanda Hotel Development Company Limited (Stock Code: 169) on 30 May 2018 and China Rapid Finance Limited (Stock Code: XRF, a company listed on the New York Exchange) on 28 March 2019 respectively. He retired as a non-executive director of Boer Power Holdings Limited (Stock Code: 1685) on 6 May 2019. From June 1999 to April 2006, Mr. Zhang had worked with UBS AG, Hong Kong Branch and held positions as a director, executive director, managing director and the co-head of its China Research team. Mr. Zhang obtained a master's degree in economics from the Graduate School of the People's Bank of China in July 1986 and obtained a master's degree in economics of development from the Australian National University in April 1991.

Ms. Liu Ka Ying, Rebecca, aged 51, was appointed as an independent non-executive director of the Company on 18 November 2013. She was appointed as an independent non-executive director of SITC International Holdings Company Limited (Stock Code: 1308) on 18 December 2020. From June 1996 to March 2002, Ms. Liu served as the general manager for the Asia and China region of The PRG-Schultz International, Inc., a company listed on NASDAQ. In January 2007, Ms. Liu was appointed as the chief executive officer of AllPanther Asset Management Limited (竣富(資產)管理有限公司) and served at such position since then. She possesses experience in management, investment in real estate development and private investment funds, as well as accounting and financial management.

Ms. Liu is a member of the American Institute of Certified Public Accountants (AICPA), Illinois CPA Society (ICPAS) of the United States and Hong Kong Institute of Certified Public Accountants (HKICPA). Ms. Liu obtained a double bachelor's degree in Business Administrative Studies from York University, Canada with major in management and in accounting (with honours) in 1992 and 1994, respectively. She also obtained a doctoral's degree in business administration from Victoria University of Switzerland in November 2011. She is also a member of the Hong Kong Institute of Bankers, Association of Women Accountants (Hong Kong) Limited, Hong Kong Professionals and Senior Executives Association. She was also a former member of the Tenth and the Eleventh Jilin Provincial Committee of the Chinese People's Political Consultative Conference.

Mr. Cai Suisheng, aged 70, was appointed as an independent non-executive director of the Company on 18 November 2013. Mr. Cai is currently the honorary president of Guangdong Provincial Real Estate Association (廣東省房地產行業協會). Mr. Cai was appointed as a senior consultant of Shenzhen Real Estate Intermediary Association (深圳市房地產中介協會) in January 2019. Also, in 2004, Mr. Cai was a visiting scholar at the Institute of Housing and Urban Research of Uppsala University in Sweden (瑞典烏普薩拉大學住房與城市發展研究所). In October 2013, Mr. Cai was appointed as visiting professor of College of Real Estate of Beijing Normal University Zhuhai. From 2006 to 2010, Mr. Cai served as a standing director of the China Real Estate Association (中國房地產業協會). From 2007 to 2016, Mr. Cai was appointed as the president of Guangdong Provincial Real Estate Association and the vice president of Guangdong Economics Association (廣東經濟學會) respectively. During the period from June 2008 to July 2020, Mr. Cai served as an independent non-executive director and an external director of Guangzhou Pearl River Industrial Development Co., Ltd. (廣州珠江實業開發股份有限公司), a company listed on the Shanghai Stock Exchange. During the period from October 2013 to August 2020, Mr. Cai was appointed as the honorary professor and the visiting professor of the department of urban planning and design of the University of Hong Kong. Mr. Cai has in-depth knowledge and extensive experience in real estate policies, market and urban management and has published numerous articles and reviews regarding the real estate market, housing policy as well as urban development and management in various newspapers and publications.

SENIOR MANAGEMENT

Name	Position
Mr. Kei Hoi Pang	Chairman
Mr. Lai Zhuobin	Chief Executive Officer
Mr. Xiao Xu	Vice President
Mr. Zhong Huihong	Vice President
Ms. Huang Xiangling	Vice President

Please refer to the section headed “Executive Directors” above for the biographies of Mr. Kei Hoi Pang, Mr. Lai Zhuobin, Mr. Xiao Xu and Mr. Zhong Huihong.

Ms. Huang Xiangling, aged 44, is a vice president of the Group. She is mainly responsible for the management of the president’s office and public affairs of the Group. Ms. Huang joined Logan Real Estate Holdings Co., Ltd. in 2005. Ms. Huang has extensive experience in project management, internal management and external liaison. Ms. Huang obtained a diploma in public affairs management from Zhejiang University in June 2007.



CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the “Board”) is pleased to present this Corporate Governance Report for the period from 1 January 2020 to 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders of the Company (the “Shareholders”) and enhance corporate value. The Company’s corporate governance practices are based on the principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

The Company has applied the principles and complied with applicable code provisions of the CG Code during the year ended 31 December 2020, except for Code Provision E.1.2.

Code Provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer’s annual general meeting. Although Mr. Kei Hoi Pang, the chairman of the Company, was unable to attend the Company’s annual general meeting held on 22 May 2020 (the “2020 AGM”) as he had other business engagements, other directors of the Company (the “Directors”), including the chairman and members of the Audit Committee, Remuneration Committee and Nomination Committee attended the 2020 AGM. The Company considered that their presence was able to answer all the questions from, and to maintain effective communication with, Shareholders at the 2020 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020. In addition, the Board has also adopted the principles and rules of the Model Code as written guidelines for relevant employees (the “Employees Written Guidelines”) in respect of their dealings in the securities of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group’s businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company. The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors. Independent non-executive Directors constitute not less than one-third of the Board.

The list of the Directors is set out in section headed “Corporate Information” on page 8 and their biography (including the relationships between the members of the Board) are set out in the section headed “Biographies of Directors and Senior Management” on pages 35 to 37 of this annual report. Save as otherwise disclosed, there is no relationship (including financial, business, family or other material relationship) between any members of the Board.

Chairman and Chief Executive Officer

The positions of chairman and chief executive officer are currently held by Mr. Kei Hoi Pang and Mr. Lai Zhuobin respectively. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the year 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing not less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the Directors is appointed for a specific term of three years. In accordance with the articles of association of the Company (the "Articles of Association") and Code Provision A.4.2 of the CG Code, each of the Directors is subject to retirement by rotation at least once every three years. In case of any Director appointed by the Board to fill a casual vacancy shall hold the office until the first general meeting after his appointment and be subject to re-election by the Shareholders at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold the office only until the next following annual general meeting and shall then be eligible for re-election by the Shareholders.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have timely access to appropriate information of the Company as well as the services and advice from the company secretary and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

CORPORATE GOVERNANCE REPORT

The Board reserves its decision on all major matters which relate to policies, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management. The delegated functions are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by senior management.

The Board believes that independent non-executive Directors have brought their independent judgment on issues in connection with the Group's strategies, performance, conflict of interests and management process so that the interests of all Shareholders are considered and safeguard.

Continuous Professional Development of Directors

Every newly appointed Director (if any) shall receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors' training is an on-going process. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company also updates Directors on any latest development regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

The training records of the Directors for year 2020 are summarized as follows:

Name of Directors	Participated in online training and reading materials relevant to corporate governance, regulatory updates and director's duties
Executive Directors	
Mr. Kei Hoi Pang	✓
Mr. Lai Zhuobin	✓
Mr. Xiao Xu	✓
Mr. Wu Jian	✓
Non-executive Director	
Ms. Kei Perenna Hoi Ting	✓
Independent Non-executive Directors	
Mr. Zhang Huaqiao	✓
Ms. Liu Ka Ying, Rebecca	✓
Mr. Cai Suisheng	✓

BOARD MEETINGS

The Board meets regularly to review the financial and operating performance of the Company and to discuss future strategy.

The attendance record of each Director at the Board meetings and the general meetings of the Company held in 2020 is set out in the table below:

Name of Director	Attendance/Number of	
	Board Meetings	General Meetings (AGM & EGM)
Executive Directors		
Mr. Kei Hoipang	7/7	0/2
Mr. Lai Zhuobin	7/7	2/2
Mr. Xiao Xu	7/7	2/2
Mr. Wu Jian	6/7	2/2
Non-executive Director		
Ms. Kei Perenna Hoi Ting	6/7	2/2
Independent Non-executive Directors		
Mr. Zhang Huaqiao	7/7	2/2
Ms. Liu Ka Ying, Rebecca	7/7	2/2
Mr. Cai Suisheng	7/7	2/2

The chairman also held a meeting solely with the independent non-executive Directors without the presence of other Directors on 27 March 2020.

BOARD COMMITTEES

The Board has established Audit Committee, Remuneration Committee and Nomination Committee in assisting the Board to discharge its functions. The terms of reference of such committees are posted on the Company's website and the Stock Exchange's website.

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 8 of this annual report.

Audit Committee

According to the terms of reference of the Audit Committee, its main duties include (but not limited to) making recommendations on the appointment of external auditor and monitoring the effectiveness of external audit, supervision of internal audit and oversight of the integrity of financial information and the financial reporting system, overseeing internal audit, risk management and internal control systems of the Company and ensuring such functions are adequately resourced as well as to perform the corporate governance function.



CORPORATE GOVERNANCE REPORT

During the year 2020, the Audit Committee reviewed 2019 annual financial statements and 2020 half-year financial statements and recommended the same to the Board for approval. The Audit Committee oversaw matters concerning the Company's external auditors including reviewing the scope and quality of audit, the external auditors' independence and objectivity as well as their fees and making recommendations to the Board regarding the appointment of the external auditors, the nature and scope of their audit and their fees. The Audit Committee also reviewed the effectiveness of the internal audit function of the Company and the effectiveness of the risk management and internal control system of the Group which cover all material controls including financial, operational and compliance controls. During the year ended 31 December 2020, the Audit Committee communicated with the external auditors thrice to discuss 2019 annual financial statements, 2020 half-year financial statements and other issues arising from the audit.

The attendance record of each member at the Audit Committee meetings of the Company held in 2020 is set out in the table below:

Name of Directors	Attendance/ Number of Meetings
Ms. Liu Ka Ying, Rebecca (<i>Chairman</i>)	3/3
Mr. Zhang Huaqiao	3/3
Mr. Cai Suisheng	3/3

Remuneration Committee

According to the terms of reference of the Remuneration Committee and the model adopted whereby the Remuneration Committee is responsible for making recommendation to the Board on the remuneration packages of individual executive Director and senior management. The Remuneration Committee is also responsible for making recommendation to the Board on the remuneration matters of non-executive Directors, the setting up of adequate and transparent procedures for setting such remuneration.

No Director or any of the senior management is allowed to determine their own remuneration. In making recommendation to the Board on the remuneration of Directors and senior management, the Remuneration Committee shall consider factors such as time commitment and responsibilities of Directors, employment conditions of other positions within the Group and whether their remuneration are performance-related.

During the year 2020, the Remuneration Committee recommended the Director fee of Mr. Zhong Huihong, who was appointed as an executive Director with effect from 1 January 2021, and reviewed the remuneration of the Directors and other incentive rewards such as grant of share options.

The attendance record of each member at the Remuneration Committee meetings of the Company held in 2020 is set out in the table below:

Name of Director	Attendance/ Number of Meetings
Mr. Zhang Huaqiao (<i>Chairman</i>)	3/3
Mr. Kei Hoi Pang	3/3
Ms. Liu Ka Ying, Rebecca	3/3

The remuneration of the senior management by band for the year ended 31 December 2020 is set out below:

Annual Income	Number of Persons
Below RMB5,000,000	2
RMB5,000,000 to 10,000,000	1
Over RMB10,000,000	2

Nomination Committee

According to the terms of reference of the Nomination Committee, its duties mainly include (but not limited to) reviewing the structure, size and composition of the Board and reviewing the policy on board diversity, assessing the independence of the independent non-executive Directors as well as making recommendations to the Board on the selection of individuals nominated for directorships.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's board diversity policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the year 2020, the Nomination Committee recommended to the Board on the appointment of Mr. Zhong Huihong as an executive Director.

The attendance record of each member at the Nomination Committee meetings of the Company held in 2020 is set out in the table below:

Name of Director	Attendance/ Number of Meetings
Mr. Kei Hoi Pang (<i>Chairman</i>)	2/2
Mr. Zhang Huaqiao	2/2
Ms. Liu Ka Ying, Rebecca	2/2



CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the board diversity policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to striving for diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a director nomination policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The director nomination policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and Board committees.

The director nomination policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the director nomination policy, as appropriate, to ensure its effectiveness.

Dividend Policy

The Company has adopted a dividend policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to shareholders' approval.

The declaration of dividends by the Company is also subject to any restrictions under the Companies Act of the Cayman Islands, the Articles of Association and any applicable laws, rules and regulations.

In determining payment of dividends, the Company shall share its profits with Shareholders while maintaining adequate reserves for meeting its future growth, with a view to declaring dividends higher than the industrial average level and achieving a stable and better return for the Shareholders.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of Shareholders;
- tax issue;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, the following dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may consider appropriate.

Corporate Governance Functions

The Audit Committee is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year 2020, the Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and the Company's compliance with the code and disclosure in this corporate governance report.



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. The procedures and guidelines comprise the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

The Company has also in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Company has established the "Notice in respect of Further Regulations on Joint Ventures Management" which formalised the management of the joint ventures and related affairs.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020.

The Group's audit and legal office is responsible for internal audit function of the Company in performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The audit and legal office examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee. In addition, the Group has engaged SHINEWING Risk Services Limited to carry out the internal audit function such as the analysis and independent assessment of the adequacy and effectiveness of the Group's risk management and internal control systems covering financial, operational and legal compliance controls for the year ended 31 December 2020. The assessments were conducted semi-annually and the results have been finalized in March 2021 and communicated with the Audit Committee.

The Board, through the Audit Committee, had reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed respective disclosure policy which provides a general guide to the Company's Directors, senior management, officers and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. This includes but is not limited to the following:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Company enters into significant negotiations.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing and reviewing the financial statements of the Company for the year ended 31 December 2020. The Director was of the view that the preparation of such financial statements are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 69 to 74.

AUDITOR'S REMUNERATION

The remuneration of external auditor of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	Fees
Audit Services	RMB7,800,000
Non-audit Services	RMB5,680,000
Total	RMB13,480,000



CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Li Yan Wing, Rita has been appointed as the Company's company secretary. Ms. Li is a corporate services executive director of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Xiao Xu, an executive Director, has been designated as the primary contact person at the Company who would work and communicate with Ms. Li on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2020, Ms. Li has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening General Meeting by Shareholders

Pursuant to Articles 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of 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.

Putting Forward Proposals at General Meetings

There is no provision allowing Shareholders to move new resolutions at general meetings under the Companies Act of the Cayman Islands or the Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit Nos. 02-03A, Level 68, International Commerce Centre, 1 Austin Road West, Hong Kong
(For the attention of the Board of Directors)
Fax: (852) 2175 5098
Email: i.r@logan.com.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

The detailed procedures for Shareholders to propose a person for election as a Director can be found on the website of the Company headed "Corporate Governance" section.

Shareholders may call the Company at (852) 2823 9200 or (86) 755 8528 8221 for any enquiry.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Board has established a shareholders' communication policy and posted it on the website of the Company setting out the principles of the Company in relation to Shareholders' communications, with the objective of ensuring that Shareholders are provided with equal and timely access to information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner and to allow them to engage actively with the Company.

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the year 2020, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.



DIRECTORS' REPORT

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to present the annual report of the Company together with the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL PLACE OF BUSINESS

Logan Group Company Limited (the “Company”) is a company incorporated and has its registered office in the Cayman Islands. The Company’s principal place of business in Hong Kong is situated at Unit Nos. 02–03A, Level 68, International Commerce Centre, 1 Austin Road West, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries (the “Group”) are principally engaged in property development, property investment, construction and decoration and primary land development. The activities and particulars of the Company’s subsidiaries are shown under note 1 to the consolidated financial statements. An analysis of the Group’s revenue and operating profit for the year by principal activities is set out in the section headed “Management Discussion and Analysis” in this annual report and notes 5 and 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group’s future business development are set out in “Chairman’s Statement” on pages 14 to 17 of this annual report. Description of possible risks and uncertainties facing by the Company is set out in “Management Discussion and Analysis” on pages 20 to 34 of this annual report. An analysis of the Group’s performance during the year using financial key performance indicators is set out in the Group’s “Five Years’ Financial Summary” on page 194 of this annual report.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH STAKEHOLDERS

The Group believes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

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

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

CONSOLIDATED FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2020 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 75 to 193.

RESULTS AND APPROPRIATIONS

Profits attributable to shareholders for the year ended 31 December 2020, before dividends, of RMB13,016,635,000 (2019: RMB11,269,044,000) have been transferred to reserves. Other movements in reserves are set out on pages 79 to 80 of "Consolidated Statement of Changes in Equity".

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK58 cents per share for the year ended 31 December 2020 (the "Dividend") (2019: a final dividend of HK45 cents per share), subject to the approval by shareholders at the forthcoming annual general meeting of the Company ("AGM") to be held on Friday, 18 June 2021. The Dividend, if approved by the Company's shareholders at the AGM, will be paid in cash on Friday, 16 July 2021 to the shareholders whose names appear on the register of members of the Company on Thursday, 8 July 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

- (a) To ascertain the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 11 June 2021.
- (b) To ascertain the shareholders' entitlement to the Dividend, the register of members of the Company will be closed from Tuesday, 6 July 2021 to Thursday, 8 July 2021, both days inclusive. In order to qualify for the Dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 5 July 2021.



DIRECTORS' REPORT

INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the investment properties and other property, plant and equipment are set out in notes 16 and 15 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2020 and as at that date is set out in note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company for the year ended 31 December 2020 are set out in "Consolidated Statements of Changes in Equity" and note 46 to the consolidated financial statements, respectively.

BORROWINGS

Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in the annual report and notes 26, 27 and 28 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 194 of the annual report.

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

During the year ended 31 December 2020, the Company repurchased from the market a total of 3,746,000 shares of the Company (the "Shares"). All the Shares repurchased have been cancelled. Details of the repurchases of the Shares are as follows:

Date of Repurchase	Number of Shares Repurchased	Highest Price per Share (HK\$)	Lowest Price per Share (HK\$)	Aggregate Consideration (HK\$)
14 January 2020	500,000	12.74	12.66	6,349,480
15 January 2020	500,000	13.04	12.88	6,478,100
16 January 2020	46,000	13.28	13.22	609,679
20 January 2020	1,200,000	13.60	13.34	16,135,480
21 January 2020	500,000	12.88	12.82	6,426,680
23 January 2020	500,000	13.08	12.94	6,515,760
24 January 2020	500,000	13.20	12.82	6,522,840

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the law of Cayman Islands being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new shares on a pro-rata basis to existing shareholder.

DIRECTORS

The list of Directors is set out on page 8 of this annual report.

In accordance with the Company's articles of association, Mr. Lai Zhuobin, Mr. Zhong Huihong, Mr. Zhang Huaqiao and Ms. Liu Ka Ying, Rebecca shall retire from office at the AGM and, being eligible, offer themselves for re-election.

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

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company and each of the independent non-executive Directors has signed an appointment letter with the Company. The appointment of each Director is for a period of three years and shall continue thereafter until being terminated by either party giving not less than three months' written notice.

None of the Directors who are proposed for election or re-election at the AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts of Significance

Other than those transactions disclosed in note 41 to the consolidated financial statements and in the section "Continuing Connected Transactions" below, no contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

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

Indemnity and Insurance Provisions

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. Such provisions were in force during the course of the financial year ended 31 December 2020 and remained in force as of the date of this annual report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against them.



DIRECTORS' REPORT

DEED OF NON-COMPETITION

The Company shall receive, from each of the controlling shareholders of the Company, an annual declaration on his/her/its compliance with the undertakings contained in the deed of non-competition (the "Deed of Non-Competition") entered into by each of them in favour of the Company pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not or will procure that his/her/its associates (other than members of the Group) not to, engage in the development of residential properties or mixed-use properties, which mainly represent residential properties with developments ancillary to the Group's residential projects, such as retail units, supermarkets and car parks, etc.

Details of the Deed of Non-Competition were disclosed in the prospectus of the Company dated 10 December 2013 under the section headed "Relationship with Our Controlling Shareholders".

For the year ended 31 December 2020 the Company had received an annual written confirmation from each of the Company's controlling shareholders in respect of their and their associates' compliance with the Deed of Non-Competition. The independent non-executive Directors had reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULE

2018 Facility Agreement

On 10 April 2018, the Company as borrower entered into a facility agreement with certain banks as lenders in relation to a 36-month term loan facility in an amount of HK\$900,000,000 (the "2018 Facility") (the "2018 Facility Agreement").

The 2018 Facility Agreement includes a condition imposing specific performance obligation on Mr. Kei Hoi Pang, Ms. Kei Perenna Hoi Ting and their close associates, that it will be an event of default if, among others, Mr. Kei Hoi Pang ("Mr. Kei") and his spouse, Ms. Kei Perenna Hoi Ting ("Ms. Kei") and her spouse and any child or step child, natural or adopted, under the age of 18 years of Mr. Kei (or his spouse) or Ms. Kei (or her spouse) and any trust of which Mr. Kei, Ms. Kei and any other person(s) identified in above are the principal beneficiaries (the "Kei Family") do not or cease to own, direct or indirect, at least 51% of the beneficial shareholding interest in the issued share capital of, and carrying 51% of the voting rights in, the Company; or the Kei Family collectively do not or cease to have management control of the Company; or any person other than any one of Mr. Kei, Ms. Kei and Mr. Ji Jiande is or becomes the president or the chairman of the Company.

At any time after the occurrence of aforementioned events so long as the same is continuing, the lenders may, by notice to the Company under the 2018 Facility agreement, cancel the commitments or any part thereof (and reduce them to zero); and/or declare that all or part of the 2018 Facility, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable, whereupon they shall become immediately due and payable, and/or all or part of the 2018 Facility be payable on demand, whereupon they shall immediately become payable on demand.

As at the date of this report, the term loan facility of HK\$900,000,000 remained outstanding.

2019 Facility Agreement

On 24 January 2019, the Company as borrower entered into a facility agreement with certain banks as lenders for a term loan facility of HK\$1,610,000,000 (the “2019 Facility Agreement”), which may be increased to not more than HK\$2,500,000,000 in accordance with the terms of the 2019 Facility Agreement at an interest rate of HIBOR plus 3.95% per annum. The facility has to be fully repaid within 42 months after the date of the 2019 Facility Agreement.

On 15 July 2019, term loan facility has been increased by HK\$150,000,000 to HK\$1,760,000,000.

Pursuant to the 2019 Facility Agreement, it shall constitute an event of default if (i) Ms. Kei Perenna Hoi Ting, her spouse and any of her child under the age of 18 years old, collectively do not or cease to beneficially own, direct or indirect, at least 51% of the beneficial shareholding interest in the issued share capital of, and carrying at least 51% of all the voting rights in, the Company, such shareholding interest and voting rights being free from any security; (ii) Mr. Kei Hoi Pang does not or ceases to have management control of the Company or the Group and/or control over the business of the Group; or (iii) any person other than any one of Mr. Kei Hoi Pang and Mr. Ji Jiande is or becomes the chairman of the Company. Upon and at any time after the occurrence of an event of default, the lenders may cancel all or any parts of their commitments and declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the finance documents be immediately due and payable.

As at the date of this report, the term loan facility of HK\$1,408,000,000 remained outstanding.

2020 Facility Agreement

On 8 April 2020, the Company as borrower entered into a facility agreement with certain banks as lenders pursuant to which a dual currency USD and HKD term loan facility of HK\$2,525,640,000 equivalent (with green shoe option of up to HK\$770,000,000) (the “2020 Facility Agreement”). The facility has to be fully repaid within 36 months after the date of the 2020 Facility Agreement.

Pursuant to the 2020 Facility Agreement, if (i) Ms. Kei Perenna Hoi Ting and her family collectively ceases to own, directly or indirectly, more than 50 per cent. of the Company’s total issued share capital, free from any security; and/or (ii) Mr. Kei Hoi Pang and his family ceases to maintain control of the Group’s business, if the majority lenders under the facilities so require, the Company shall prepay the facilities in full within the time specified under the 2020 Facility Agreement.

As at the date of this report, the term loan facility of HK\$2,230,000,000 and US\$38,000,000 remained outstanding.



DIRECTORS' REPORT

The Company will continue to make relevant disclosure in its subsequent interim and annual reports of the Company pursuant to Rule 13.21 of the Listing Rules for as long as circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continue to exist.

Save as disclosed above, as at 31 December 2020, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally adopted by the written resolutions of the shareholders of the Company passed on 18 November 2013 and the summary of the principal terms of the Share Option Scheme was as follows:

1. Purpose of the Share Option Scheme:

The Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

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

2. Participants of the Share Option Scheme:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new Shares as the Board may determine:

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

3. Maximum number of Shares available for issue:

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering (“the Hong Kong Public Offering and International Offering”) (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), being 500,000,000 shares (representing approximately 9.06% of the number of the issued shares of the Company as at the date of this annual report), excluding for this purpose Shares which would have been issued on the exercise in full of options in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company, but not cancelled, lapsed or exercised). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may: (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No further options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

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

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

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting.



DIRECTORS' REPORT

5. The period within which the Share options must be exercised under the Share Option Scheme:

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

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

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

7. The basis of determining the exercise price:

Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary Shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average of the closing price of the ordinary Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary Share.

8. The remaining life of the Share Option Scheme:

The Share Option Scheme will remain in force for a period of 10 years commencing from 18 November 2013.

Details of the share options granted under the Share Option Scheme during the year ended 31 December 2020 were as follows:

Name of Director	Date of grant	Exercise Price (HK\$)	Number of share options					Outstanding as at 31 December 2020	Percentage of total issued share capital ⁽¹⁾	Exercise period	Closing price of the securities immediately before the date on which the options were offered (HK\$)
			Outstanding as at 1 January 2020	Granted during this year	Exercised during this year	Cancelled/ Lapsed during this year	Outstanding as at 31 December 2020				
Mr. Kei Hoi Pang	29 May 2014	2.34	3,280,000	—	—	(3,280,000)	0	0%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34	
	25 August 2017	7.43	8,000,000	—	—	—	8,000,000	0.14%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34	
Mr. Lai Zhuobin	29 May 2014	2.34	1,042,500	—	—	(1,042,500)	0	0%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34	
	25 August 2017	7.43	2,800,000	—	—	—	2,800,000	0.05%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34	
Mr. Xiao Xu	29 May 2014	2.34	1,117,500	—	—	(1,117,500)	0	0%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34	
	25 August 2017	7.43	2,800,000	—	—	—	2,800,000	0.05%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34	
Ms. Kei Perenna Hoi Ting	29 May 2014	2.34	512,500	—	—	(512,500)	0	0%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34	
	25 August 2017	7.43	1,800,000	—	—	—	1,800,000	0.03%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34	
Total number held by Directors	29 May 2014	2.34	5,952,500	—	—	(5,952,500)	0	0%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34	
	25 August 2017	7.43	15,400,000	—	—	—	15,400,000	0.28%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34	
Total number held by other participants	29 May 2014	2.34	31,863,000	—	(20,421,000)	(11,442,000)	0	0%	29 May 2014 to 28 May 2020 ⁽²⁾	2.34	
	25 August 2017	7.43	40,760,000	—	(596,000)	(6,902,000)	33,262,000	0.60%	25 August 2017 to 24 August 2027 ⁽³⁾	7.34	
	8 June 2018	12.50	39,764,000	—	—	(5,337,000)	34,427,000	0.62%	8 June 2018 to 7 June 2028 ⁽⁴⁾	12.44	
	22 October 2018	7.64	31,365,000	—	—	(10,527,500)	20,837,500	0.38%	22 October 2018 to 21 October 2028 ⁽⁵⁾	7.33	
	28 June 2019	12.64	9,823,500	—	—	(3,343,000)	6,480,500	0.12%	28 June 2019 to 27 June 2029 ⁽⁶⁾	12.56	
	12 June 2020	13.08	—	5,565,000	—	—	5,565,000	0.10%	12 June 2020 to 11 June 2030 ⁽⁷⁾	13.02	



DIRECTORS' REPORT

Notes:

- (1) The percentage is calculated based on the total number of 5,520,130,450 Shares in issue as at 31 December 2020.
- (2) The share options are exercisable within a period of 6 years from 29 May 2014 and subject to the following vesting schedule and performance review:
 - (i) the share options granted to the Directors and certain senior managers or above of the Group will be vested evenly over a period of 4 years starting from 29 May 2015 and ending on 28 May 2019; and
 - (ii) the share options granted to certain mid-level managers of the Group will be vested evenly over a period of 3 years starting from 29 May 2015 and ending on 28 May 2018.
- (3) The share options are exercisable within a period of 10 years from 25 August 2017 and subject to the following vesting schedule and performance review:
 - (i) up to 25% of the share options granted after the expiration of 36 months from 25 August 2017;
 - (ii) up to another 25% of the share options granted after the expiration of 48 months from 25 August 2017;
 - (iii) up to another 25% of the share options granted after the expiration of 60 months from 25 August 2017; and
 - (iv) all the remaining share options granted after the expiration of 72 months from 25 August 2017.
- (4) The share options are exercisable within a period of 10 years from 8 June 2018 and subject to the following vesting schedule and performance review:
 - (i) up to 33.3% of the share option granted to each grantee at any time after the expiration of 36 months from 8 June 2018;
 - (ii) up to 33.3% of the share option granted to each grantee at any time after the expiration of 48 months from 8 June 2018; and
 - (iii) the remaining of the share option granted to each grantee at any time after the expiration of 60 months from 8 June 2018.
- (5) The share options are exercisable within a period of 10 years from 22 October 2018 and subject to the following vesting schedule and performance review:
 - (i) up to 33.3% of the share option granted to each grantee at any time after the expiration of 36 months from 22 October 2018;
 - (ii) up to 33.3% of the share option granted to each grantee at any time after the expiration of 48 months from 22 October 2018; and
 - (iii) the remaining of the share option granted to each grantee at any time after the expiration of 60 months from 22 October 2018.
- (6) The share options are exercisable within a period of 10 years from 28 June 2019 and subject to the following vesting schedule and performance review:
 - (i) for some grantees, up to 33.3% of their share options granted at any time after the expiration of 36 months from the date of grant and up to 66.7% of their share options granted at any time after the expiration of 48 months from the date of grant; and
 - (ii) for the remaining grantees, up to 50% of their share options granted at any time after the expiration of 36 months from the date of grant and up to 50% of their share options granted at any time after the expiration of 48 months from the date of grant.

- (7) the share options are exercisable within a period of 10 years from the 12 June 2020 and will be vested after the expiration of 36 months from 12 June 2020.
- (8) The weighted average closing price of the shares immediately before the dates on which the share options were exercised by the employees was HK\$12.27.

EQUITY-LINKED AGREEMENTS

Save as the Share Option Scheme and the Share Award Scheme, no equity-linked agreements were entered into by the Company during the year under review.

SHARE AWARD SCHEME

A share award scheme (the “Share Award Scheme”) was adopted by the Company on 13 May 2020 (the “Adoption Date”). Unless early termination as determined by the Board pursuant to the Share Award Scheme, it shall be valid and effective for a term of 15 years commencing on the Adoption Date, subject to any extension of the period by the Board. The purpose of the Share Award Scheme is (i) to promote the effective realization of the medium and long-term performance growth targets of the Group; (ii) to promote the long-term sustained growth in the shareholder value of the Group; and (iii) to attract outstanding talents in the industry and to motivate and retain outstanding key talents of the Group with rewards and incentives.

According to the Share Award Scheme, shares up to 3% of the issued share capital of the Company (from time to time) will be purchased by the trustee from the market out of cash contributed by the Company (the “Award Shares”) and be held in trust for the relevant selected participants until the Award Shares are vested with the relevant selected participants in accordance with the provisions of the Share Award Scheme. From the Adoption Date to 31 December 2020, the Company had through the trustee purchased a total of 72,974,000 shares from the market at an aggregate consideration of HK\$953,564,728.93 (including transaction costs). During the year ended 31 December 2020, no Award Shares had been granted.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

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

(i) Interest in Shares of the Company

Name of Director	Nature of Interest	Number of Shares ⁽¹⁾	Underlying Shares Interested ⁽²⁾	Aggregate interests	Approximate Percentage of Issued Share Capital ⁽⁵⁾
Mr. Kei Hoi Pang	Beneficiary of a family trust ⁽³⁾	3,401,600,000 (L)	—	3,401,600,000	61.62%
	Deemed interest ⁽³⁾	851,281,250 (L)	—	851,281,250	15.42%
	Beneficial owner	8,200,000 (L)	8,000,000	16,200,000	0.29%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust ⁽⁴⁾	3,401,600,000 (L)	—	3,401,600,000	61.62%
	Interest of a controlled corporation ⁽⁴⁾	850,000,000 (L)	—	850,000,000	15.40%
	Beneficial owner	1,281,250 (L)	1,800,000	3,081,250	0.06%
Mr. Lai Zhuobin	Beneficial owner	2,606,250 (L)	2,800,000	5,406,250	0.10%
Mr. Xiao Xu	Beneficial owner	2,793,750 (L)	2,800,000	5,593,750	0.10%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) The number of Shares represents the Shares in which the Directors are deemed to be interested as a result of holding share options.
- (3) Mr. Kei Hoi Pang is a beneficiary of the family trust, and therefore interested in the Shares held through Junxi Investments Limited. He is also considered to be interested in the Shares through Ms. Kei Perenna Hoi Ting as Ms. Kei Perenna Hoi Ting is being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.
- (4) Ms. Kei Perenna Hoi Ting is the settlor and a beneficiary of a family trust, and therefore interested in the Shares held through Junxi Investments Limited. She is also indirectly interested in the Company through Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively 15.40% equity interests in the Company.
- (5) The percentage is calculated based on the total number of 5,520,130,450 Shares in issue as at 31 December 2020.

(ii) Interest in Associated Corporations of the Company

Name of Director	Name of Associated Corporations	Percentage of Shareholding Interest
Ms. Kei Perenna Hoi Ting ⁽¹⁾	Junxi Investments Limited	100%
	Dragon Jubilee Investments Limited	100%
	Gao Run Holdings Limited	100%
	Thrive Ally Limited	100%

Note:

- (1) Mr. Kei Hoi Pang is a beneficiary of the family trust, and therefore interested in the Shares held through Junxi Investments Limited. He is also considered to be interested in the Shares through Ms. Kei Perenna Hoi Ting as Ms. Kei Perenna Hoi Ting is being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.

(iii) Interest in Debentures of the Company

Name of Director	Capacity in which the Debentures are Held	Amount of Debentures
Ms. Kei Hoi Pang	Interest of controlled corporation ⁽¹⁾	US\$20,000,000 ⁽²⁾
	Interest of controlled corporation ⁽¹⁾	US\$30,000,000 ⁽³⁾
	Interest of controlled corporation ⁽¹⁾	S\$10,000,000 ⁽⁴⁾
Mr. Zhang Huaqiao	Beneficial owner	US\$300,000 ⁽⁵⁾

Notes:

- (1) The entire issued share capital of Victorious City Investments Limited, the company which directly holds the debentures, is directly owned by Mr. Kei Hoi Pang.
- (2) The US\$20,000,000 debentures held by Mr. Kei Hoi Pang represents his interest in the US\$450,000,000 5.25% senior notes due 2023 issued by the Company.
- (3) The US\$30,000,000 debentures held by Mr. Kei Hoi Pang represents his interest in the US\$200,000,000 5.75% senior notes due 2022 issued by the Company.
- (4) The S\$10,000,000 debentures held by Mr. Kei Hoi Pang represents his interest in the S\$200,000,000 6.125% senior notes due 2021 issued by the Company.
- (5) The US\$300,000 debentures held by Mr. Zhang Huaqiao represents his interest in the US\$400,000,000 6.875% senior notes due 2021 issued by the Company.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of the Company's Issued Share Capital ⁽⁵⁾
Mr. Kei Hoi Pang	Beneficiary of a family trust, Deemed interest ⁽²⁾	4,252,881,250 (L)	77.04%
	Beneficial owner	16,200,000 (L)	0.29%
Ms. Kei Perenna Hoi Ting	Beneficiary of a family trust, Interest of controlled corporations ⁽³⁾	4,251,600,000 (L)	77.02%
	Beneficial owner	3,081,250 (L)	0.06%
Brock Nominees Limited ⁽⁴⁾	Nominee	3,401,600,000 (L)	61.62%
Credit Suisse Trust Limited ⁽⁴⁾	Trustee	3,401,600,000 (L)	61.62%
Junxi Investments Limited ⁽⁴⁾	Beneficial owner	3,401,600,000 (L)	61.62%
Kei Family United Limited ⁽⁴⁾	Interest of a controlled corporation	3,401,600,000 (L)	61.62%
Tenby Nominees Limited ⁽⁴⁾	Nominee	3,401,600,000 (L)	61.62%
Dragon Julibee Investments Limited	Beneficial owner	425,000,000 (L)	7.70%

Notes:

- (1) The letter "L" denotes the person's long position in Shares.
- (2) Mr. Kei Hoi Pang who is a beneficiary of the family trust, and therefore interested in the Shares through Junxi Investments Limited. Mr. Kei Hoi Pang is also considered to be interested in the Shares through Ms. Kei Perenna Hoi Ting as Ms. Kei Perenna Hoi Ting is being a person accustomed to act in accordance with Mr. Kei Hoi Pang's directions.
- (3) Ms. Kei Perenna Hoi Ting is the settlor and a beneficiary of a family trust, and therefore interested in the Shares held through Junxi Investments Limited. She is also indirectly interested in the Company through Dragon Julibee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, which owned collectively 15.40% interests in the Company.
- (4) The family trust is interested in the entire interest of Kei Family United Limited which in turns hold the entire interest in Junxi Investments Limited. Kei Family United Limited is owned as to 50% by each of Brock Nominees Limited and Tenby Nominees Limited, which hold the shares on behalf of Credit Suisse Trust Limited as trustee.
- (5) The percentage is calculated based on the total number of 5,520,130,450 Shares in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and/or Short Positions in Shares, Underlying Shares or Debentures of the Company or any of its Associated Corporations” of this annual report above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2020, no sales to the Group’s five largest customers and purchases from the Group’s five largest suppliers accounted for 30% or more of the total sales for the year and of the total purchases for the year, respectively.

None of the Directors, their close associates or any shareholders (according to the knowledge of the Directors owns more than 5% of the Company’s share capital) had any interest in the major suppliers of customers noted above.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions of the Company during the year ended 31 December 2020 are as follows:

2019 Master Pre-delivery Property Service Agreement

On 30 December 2019, Shenzhen Logan Holdings Co., Ltd.* (深圳市龍光控股有限公司) (“Shenzhen Logan”), a wholly-owned subsidiary of the Company, entered into the master pre-delivery property service agreement (the “2019 Master Pre-delivery Property Service Agreement”) with Logan Foundation Group Co., Ltd.* (龍光交通集團有限公司) (“Logan Foundation”) pursuant to which Shenzhen Logan has agreed to provide, and procure its subsidiaries to provide, pre-delivery property service, including, but not limited to, construction services and design services (the “Pre-delivery Property Service”), to Logan Foundation and its subsidiaries at the pre-delivery stages for a term commencing from 1 January 2020 and ended on 31 December 2022 (both days inclusive), and subject to an annual cap of RMB300,000,000 for year ended on 31 December 2020 and RMB350,000,000 for each year ended on 31 December 2021 and 31 December 2022 respectively.

The above annual caps were determined with reference to (i) the expected amount of service fees payable to Shenzhen Logan for the provision of Pre-delivery Property Service taking into account (a) at least 2 projects each with anticipated service demand in value of approximately RMB100,000,000 to be required by the Group in 2020; (b) anticipated increase in demand of Pre-delivery Property Service required by Logan Foundation during the term of the 2019 Master Pre-delivery Property Service Agreement taking into account of the number of property development projects of Logan Foundation in the PRC and the expected GFA to be completed for each year during the term of the 2019 Master Pre-delivery Property Service Agreement; and (c) the unit price per square meter as agreed from time to time; and (ii) the historical transaction amount.

* For identification purposes only



DIRECTORS' REPORT

2019 Master Management Service Agreement

On 30 December 2019, Shenzhen Logan entered into the master property management service agreement (the "2019 Master Property Management Service Agreement") with Guangdong Logan Group Property Management Co., Ltd.* (廣東龍光集團物業管理有限公司) ("Logan Property Management"), a wholly-owned subsidiary of Logan Foundation, pursuant to which Logan Property Management has agreed to provide, and procure its subsidiaries to provide services, including, but not limited to property management services and consultation services at the pre-delivery stage of property development (the "Property Management Service"), to Shenzhen Logan and its subsidiaries for a term commencing from 1 January 2020 and ended on 31 December 2022 (both days inclusive), and subject to annual caps of RMB250,000,000, RMB350,000,000 and RMB400,000,000 for each year ended on 31 December 2020, 31 December 2021 and 31 December 2022 respectively.

The above annual caps were determined with reference to (i) the expected demand of Property Management Service of the Group having regards to the expected GFA requiring property management services, the contracted sales of the Group and the expected land bank during the term of the 2019 Master Property Management Service Agreement; (ii) the prevailing market rate of similar property management services; and (iii) the historical transaction amounts and the growth in contracted sales in GFA of 62.8% for the first eleven months of 2019 as compared with the corresponding period in the previous year.

As Logan Foundation is effectively held as to 47% by Mr. Kei Hoi Pang. Mr. Kei Hoi Pang is an executive director and the chairman of the Company. Logan Foundation is hence a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the 2019 Master Pre-delivery Property Service Agreement and the 2019 Master Property Management Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Details of the 2019 Master Pre-delivery Property Service Agreement and 2019 Master Management Service Agreement are set out in the announcement of the Company dated 30 December 2019.

The Company has complied with the disclosure requirements as prescribed in Chapter 14A of the Listing Rules with respect to the above continuing connected transactions of the Group.

All independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that those transactions were entered into:

1. in the ordinary and usual course of business of the Group;
2. under normal commercial terms, or on terms better than terms available to or from independent third parties; and
3. in accordance with the agreements governing the above continuing connected transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the auditor of the Company confirmed to the Board that the aforesaid continuing connected transactions:

1. have been approved by the Board;
2. are in accordance with the pricing policy of the Group;
3. have been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
4. have not exceeded the relevant caps allowed by the Stock Exchange and as stated in the announcement.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions of the Group. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as otherwise disclosed, there are no related party transactions disclosed in note 41 to the financial statements which constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules during the year ended 31 December 2020.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires there to be an open market in the securities to be maintained. This normally means that at least 25% of an issuer's total issued share capital must at all times be held by the public. However, Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25%, if the issuer meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

- (a) the issuer will have an expected market capitalization at the time of listing of over HK\$10.0 billion;
- (b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;
- (c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing documents;
- (d) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and
- (e) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.



DIRECTORS' REPORT

The Stock Exchange had granted a waiver under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of 15% (or a higher percentage upon exercise of the over-allotment option as defined in the Company's prospectus dated 10 December 2013) of the Company's issued share capital (the "Company's Minimum Public Float") subject to:

- (i) the Company's Minimum Public Float upon the listing date was 15%;
- (ii) the sponsor and the Company were able to demonstrate satisfactory compliance with Rules 8.08(2) and 8.08(3) of the Listing Rules at the time of the listing;
- (iii) the Company has implemented appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float; and
- (iv) the Company has made appropriate disclosure of the lower prescribed percentage of public float in the Company's prospectus dated 10 December 2013 and confirms sufficiency of public float as at the date of this annual report.

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2020 and as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained on pages 38 to 49 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment as the auditor of the Company at the AGM.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

On behalf of the Board

Logan Group Company Limited

Kei Hoi Pang

Chairman

26 March 2021

INDEPENDENT AUDITOR'S REPORT



To the shareholders of Logan Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Logan Group Company Limited (formerly known as “Logan Property Holdings Company Limited”) (the “Company”) and its subsidiaries (the “Group”) set out on pages 75 to 193 which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="172 498 758 599"><i>Valuation of investment properties and inventory properties acquired through business combinations</i></p> <p data-bbox="172 648 758 901">As at 31 December 2020, the Group held investment properties with a carrying amount of RMB29,794 million representing 12% of the total assets of the Group. In addition, the Group acquired property projects with inventory properties of RMB32,669 million through business combinations during the current year.</p> <p data-bbox="172 944 758 1116">The Group has engaged external valuers to determine the fair value of the investment properties at the end of the reporting period and the fair values of the inventory properties at the date of acquisitions.</p> <p data-bbox="172 1159 758 1446">We identified this as a key audit matter because the carrying amounts of the investment properties and the inventory properties acquired through business combinations are significant to the Group and significant estimations are involved in determining their fair values. The determination of valuation models adopted also involved significant judgements.</p> <p data-bbox="172 1489 758 1554">Related disclosures are included in notes 3, 4, 16 and 35(b)(i) to the consolidated financial statements.</p>	<p data-bbox="802 648 1385 1159">We evaluated the objectivity, independence and competence of the external valuers engaged by the management of the Group. We also involved our internal valuation specialists to assist us in evaluating the valuations models, assumptions and parameters adopted in the valuation. We compared the valuation determined by the external valuer to the range provided by our internal valuation specialists. We evaluated the significant inputs to the valuation used. We also assessed the adequacy of the disclosures of the valuation of the investment properties and inventory properties acquired through business combinations in the consolidated financial statements.</p>

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="204 480 799 541"><i>Recoverability of receivables from joint ventures and associates</i></p> <p data-bbox="204 569 799 771">As at 31 December 2020, the Group had receivables from joint ventures and associates amounting to RMB18,210 million and RMB3,289 million, respectively. The aggregate amount of RMB21,499 million represented 9% of the total assets of the Group as at 31 December 2020 and is significant to the consolidated financial statements.</p> <p data-bbox="204 806 799 1095">The measurement of impairment losses of these receivables under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risk of default, loss given default and collateral recovery, changes in which can result in different levels of allowances.</p> <p data-bbox="204 1129 799 1397">The Group's expected credit loss calculations on receivables from joint ventures and associates are based on assumptions about risk of default and loss given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risk of the debtors or comparable companies in the market, existing market conditions as well as forward looking estimates at the end of each reporting period.</p> <p data-bbox="204 1431 799 1543">The Group has engaged external valuers to determine the expected credit loss for receivables from joint ventures and associates at the end of the reporting period.</p> <p data-bbox="204 1578 799 1780">We identified this as a key audit matter because the carrying amount of the receivables from joint ventures and associates is significant to the Group and significant estimation and judgement are required by management to assess the recoverability of these receivables from joint ventures and associates.</p> <p data-bbox="204 1815 799 1871">Related disclosures are included in notes 3, 4, 18, 19 and 21 to the consolidated financial statements.</p>	<p data-bbox="831 569 1426 655">We evaluated management's assessment on the recoverability of or the expected credit losses for balances by performing the following procedures:</p> <ul style="list-style-type: none"> <li data-bbox="831 689 1426 802">— We discussed with management to gain an understanding of the purpose and background of the underlying investments made by the joint ventures and associates. <li data-bbox="831 836 1426 948">— We examined the cooperation contracts and agreements for the projects acquired and title documents of the underlying assets acquired by the joint ventures and associates. <li data-bbox="831 983 1426 1129">— We reviewed the valuation reports or investment return analyses of the projects acquired and evaluated the key estimates and assumptions adopted in the valuation reports or investment return analyses. <li data-bbox="831 1164 1426 1310">— We examined supporting documents for significant payments made by the joint ventures and associates and obtained direct confirmations from joint ventures and associates on the balance of receivables. <li data-bbox="831 1345 1426 1431">— We inspected the title documents of land or development right agreements held by the joint ventures and associates. <li data-bbox="831 1466 1426 1522">— We performed site visit to evaluate the status of construction and existence of projects. <li data-bbox="831 1556 1426 1642">— We evaluated the impairment assessment of the receivables from joint ventures and associates made by management. <li data-bbox="831 1677 1426 1849">— We involved our internal specialists to assist us to evaluate the assumptions and other inputs including probability of default, loss given default and forward looking element in determining the expected credit loss on receivables from joint ventures and associates. <li data-bbox="831 1884 1426 1996">— We also assessed the adequacy of the disclosures of the recoverability of receivables from joint ventures and associates in the consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

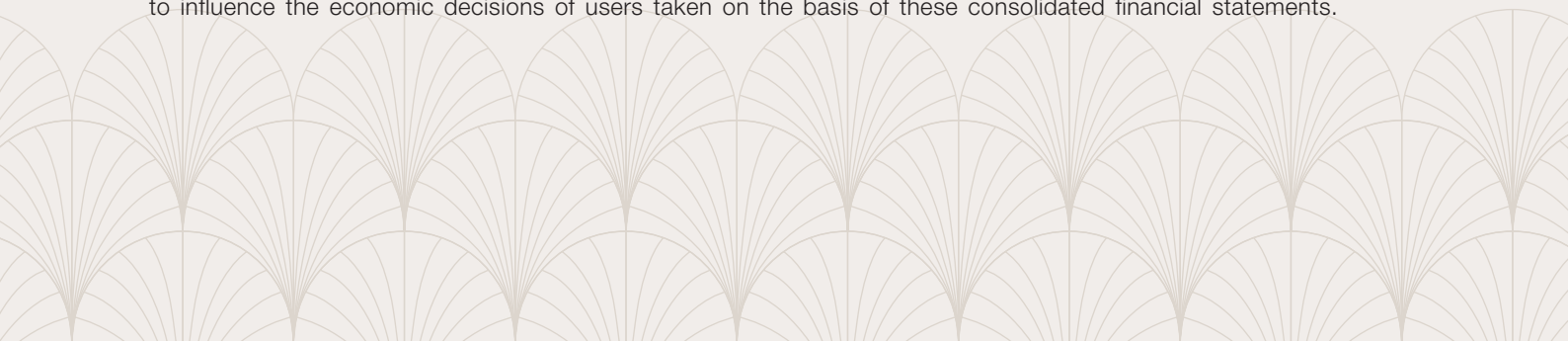
In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

The engagement partner on the audit resulting in this independent auditor's report is Chow Chi Chung.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

26 March 2021



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	6	71,079,729	57,480,418
Cost of sales		(49,747,857)	(39,347,437)
Gross profit		21,331,872	18,132,981
Other income and gains	6	2,107,785	2,130,113
Other expenses	7	(118,363)	(115,456)
Selling and marketing expenses		(1,672,170)	(1,398,172)
Administrative expenses		(1,867,320)	(1,409,352)
Net increase in fair value of investment properties	16	1,597,354	1,622,065
Net increase in fair value of derivative financial instruments		218,400	32,683
Share of losses of associates		(28,923)	(63,400)
Share of losses of joint ventures		(19,425)	(112,960)
PROFIT FROM OPERATIONS		21,549,210	18,818,502
Finance costs	8	(2,051,424)	(1,366,250)
PROFIT BEFORE TAX	9	19,497,786	17,452,252
Income tax expense	12	(6,123,692)	(5,888,994)
PROFIT FOR THE YEAR		13,374,094	11,563,258
Attributable to:			
Owners of the parent		13,016,635	11,269,044
Non-controlling interests		357,459	294,214
		13,374,094	11,563,258
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB cents)			
Basic	14	234.13	202.24
Diluted		232.36	199.36



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	13,374,094	11,563,258
OTHER COMPREHENSIVE INCOME FOR THE YEAR (after tax and reclassification adjustments)		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of group entities	865,243	23,451
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	14,239,337	11,586,709
Attributable to:		
Owners of the parent	13,881,878	11,292,495
Non-controlling interests	357,459	294,214
	14,239,337	11,586,709

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Investment properties	16	29,794,064	26,604,198
Other property, plant and equipment	15	159,893	891,954
Deferred tax assets	29	1,455,960	914,263
Investments in associates	18	3,488,649	3,460,487
Investments in joint ventures	19	8,968,781	13,934,196
Trade and other receivables, prepayments and other assets	21	4,282,980	—
Assets under cross-border guarantee arrangements	22	400,000	—
Cash and bank balances	23	1,829,261	980,543
Total non-current assets		50,379,588	46,785,641
CURRENT ASSETS			
Inventories	20	106,327,001	86,351,810
Trade and other receivables, prepayments and other assets	21	39,194,772	31,327,794
Tax recoverable		2,025,196	1,254,170
Assets under cross-border guarantee arrangements	22	4,547,191	566,140
Cash and bank balances	23	41,039,900	39,724,570
Total current assets		193,134,060	159,224,484
CURRENT LIABILITIES			
Trade and other payables	24	40,463,391	56,166,909
Contract liabilities	25	42,484,960	26,030,052
Liabilities under cross-border guarantee arrangements	22	5,376,575	921,994
Bank and other loans	26	9,665,437	9,443,571
Senior notes	27	7,192,358	3,128,150
Other current liabilities	28	6,439,252	17,024,670
Tax payable		9,149,363	6,381,743
Total current liabilities		120,771,336	119,097,089
NET CURRENT ASSETS		72,362,724	40,127,395
TOTAL ASSETS LESS CURRENT LIABILITIES		122,742,312	86,913,036



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		122,742,312	86,913,036
NON-CURRENT LIABILITIES			
Liabilities under cross-border guarantee arrangements	22	700,631	—
Bank and other loans	26	23,371,878	13,503,512
Senior notes	27	17,933,558	18,195,653
Corporate bonds	28	15,536,000	8,382,000
Deferred tax liabilities	29	4,528,780	3,837,852
Total non-current liabilities		62,070,847	43,919,017
Net assets		60,671,465	42,994,019
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	436,727	435,167
Perpetual capital securities	32	2,363,346	2,363,346
Reserves	33	39,603,161	31,395,904
		42,403,234	34,194,417
Non-controlling interests		18,268,231	8,799,602
Total equity		60,671,465	42,994,019

Lai Zhuobin
Director

Xiao Xu
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent											
	Share capital RMB'000 (note 30)	Share premium RMB'000 (note 33(i))	Shares held under share award scheme RMB'000 (note 31)	Share-based compensation reserve RMB'000 (note 31)	Exchange reserve RMB'000 (note 33(ii))	PRC statutory reserves RMB'000 (note 33(iii))	Other reserve RMB'000	Retained profits RMB'000	Perpetual capital securities RMB'000 (note 32)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	435,167	—*	—*	104,900*	(303,509)*	1,279,222*	(1,489,207)*	31,804,498*	2,363,346	34,194,417	8,799,602	42,994,019
Profit for the year	—	—	—	—	—	—	—	13,016,635	—	13,016,635	357,459	13,374,094
Other comprehensive income — Exchange differences on translation of financial statements of group entities	—	—	—	—	865,243	—	—	—	—	865,243	—	865,243
Total comprehensive income for the year	—	—	—	—	865,243	—	—	13,016,635	—	13,881,878	357,459	14,239,337
Transfer to PRC statutory reserves	—	—	—	—	—	179,619	—	(179,619)	—	—	—	—
Repurchase and cancellation of own shares	(342)	(44,451)	—	—	—	—	—	—	—	(44,793)	—	(44,793)
2019 final dividend declared	—	—	—	—	—	—	—	(2,235,312)	—	(2,235,312)	—	(2,235,312)
2020 interim dividends declared	—	—	—	—	—	—	—	(2,140,142)	—	(2,140,142)	—	(2,140,142)
Issuance of shares in connection with the exercise of share options	1,902	67,033	—	(20,030)	—	—	—	—	—	48,905	—	48,905
Equity-settled share-based transactions	—	—	—	76,637	—	—	—	—	—	76,637	—	76,637
Effect of forfeited or expired share options	—	—	—	(52,526)	—	—	—	52,526	—	—	—	—
Shares purchased under share award scheme	—	—	(823,306)	—	—	—	—	—	—	(823,306)	—	(823,306)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	819,990	819,990
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(387,479)	—	—	(387,479)	(2,672,278)	(3,059,757)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	10,963,458	10,963,458
Distribution to holders of perpetual capital securities	—	—	—	—	—	—	—	(167,571)	—	(167,571)	—	(167,571)
At 31 December 2020	436,727	22,582*	(823,306)*	108,981*	561,734*	1,458,841*	(1,876,686)*	40,151,015*	2,363,346	42,403,234	18,268,231	60,671,465

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent										
	Share capital	Share premium	Share-based compensation reserve	Exchange reserve	PRC statutory reserves	Other reserve	Retained profits	Perpetual capital securities	Total	Non-controlling interests	Total equity
	RMB'000 (note 30)	RMB'000 (note 33(i))	RMB'000 (note 31)	RMB'000 (note 33(ii))	RMB'000 (note 33(iii))	RMB'000	RMB'000	RMB'000 (note 32)	RMB'000	RMB'000	RMB'000
At 1 January 2019	434,041	—	88,205	(326,960)	1,117,742	538,543	25,033,889	2,363,346	29,248,806	7,496,980	36,745,786
Profit for the year	—	—	—	—	—	—	11,269,044	—	11,269,044	294,214	11,563,258
Other comprehensive income –											
Exchange differences on translation of financial statements of group entities	—	—	—	23,451	—	—	—	—	23,451	—	23,451
Total comprehensive income for the year	—	—	—	23,451	—	—	11,269,044	—	11,292,495	294,214	11,586,709
Transfer to PRC statutory reserves	—	—	—	—	161,480	—	(161,480)	—	—	—	—
Repurchase and cancellation of own shares	(1,682)	(90,022)	—	—	—	—	(81,298)	—	(173,002)	—	(173,002)
2018 final and special dividends declared	—	—	—	—	—	—	(2,313,041)	—	(2,313,041)	—	(2,313,041)
2019 interim and special dividends declared	—	—	—	—	—	—	(1,786,604)	—	(1,786,604)	—	(1,786,604)
Issuance of shares in connection with the exercise of share options	2,808	90,022	(29,823)	—	—	—	—	—	63,007	—	63,007
Equity-settled share-based transactions	—	—	57,659	—	—	—	—	—	57,659	—	57,659
Effect of forfeited share options	—	—	(11,141)	—	—	—	11,141	—	—	—	—
Dividends declared to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(302,940)	(302,940)
Deemed disposal of subsidiaries	—	—	—	—	—	(114,875)	—	—	(114,875)	—	(114,875)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	(1,927,171)	—	—	(1,927,171)	(3,500,000)	(5,427,171)
Capital contribution from non-controlling shareholders	—	—	—	—	—	14,296	—	—	14,296	4,811,348	4,825,644
Distribution to holders of perpetual capital securities	—	—	—	—	—	—	(167,153)	—	(167,153)	—	(167,153)
At 31 December 2019	435,167	—*	104,900*	(303,509)*	1,279,222*	(1,489,207)*	31,804,498*	2,363,346	34,194,417	8,799,602	42,994,019

* These reserve accounts comprise the consolidated reserves of RMB39,603,161,000 (2019: RMB31,395,904,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		19,497,786	17,452,252
Adjustments for:			
Interest income	6	(1,739,621)	(1,158,274)
Finance costs	8	2,051,424	1,366,250
Depreciation	9	60,100	60,590
Net loss on disposal of items of other property, plant and equipment	9	4	234
Premium on early redemption of senior notes	7	—	53,328
Share of losses of joint ventures		19,425	112,960
Share of losses of associates		28,923	63,400
Net increase in fair value of investment properties	16	(1,597,354)	(1,622,065)
Net increase in fair value of derivative financial instruments		(218,400)	(32,683)
Gain on bargain purchase	35(b)	(38,146)	(351,316)
Gain on remeasurement of pre-existing interests in joint ventures and an associate	35(b)	—	(246,349)
Gain on disposal of subsidiaries	36(a)	(637)	—
Gain on deemed disposal of subsidiaries upon loss of control, net	36(b)	(39,848)	(89,913)
Equity-settled share-based transactions	9	76,637	57,659
		18,100,293	15,666,073
Increase in inventories and land deposits		(4,605,716)	(8,852,189)
Increase in trade and other receivables, prepayments and other assets		(887,817)	(1,262,315)
Increase in trade and other payables		5,248,133	17,266,169
Decrease in contract liabilities		(14,210,192)	(14,147,434)
Cash generated from operations		3,644,701	8,670,304
Tax paid		(2,413,815)	(2,798,216)
Net cash flows from operating activities		1,230,886	5,872,088



CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,007,627	861,058
Addition to investment properties	16	(760,198)	(1,026,693)
Addition to other property, plant and equipment	15	(70,175)	(77,322)
Disposal of subsidiaries	36(a)	(1,962,828)	—
Deemed disposal of subsidiaries	36(b)	(2,777,705)	(1,840,973)
Acquisition of subsidiaries that are not a business	35(a)	(330,712)	(3,185,147)
Acquisition of subsidiaries	35(b)	9,193,733	5,937,074
Disposal of a joint venture		346,751	—
Investments in joint ventures		(1,569,101)	(1,381,279)
Investments in associates		(126,074)	(1,684,488)
Repayment from joint ventures		4,475,143	18,465,669
Repayment from/(advances to) associates		1,863,672	(1,210,915)
Acquisition of a subsidiary in prior year		—	(7,542,163)
Payment of land deposits		(4,282,980)	—
Proceeds from disposal of investment properties		—	10,418
Proceeds from disposal of other property, plant and equipment		28,704	738
(Increase)/decrease in assets under cross-border guarantee arrangements		(4,381,051)	1,787,517
Decrease/(increase) in pledged deposits		20,453	(179,909)
Increase in non-current non-pledged time deposits		(949,000)	(711,000)
Net cash flows (used in)/from investing activities		(273,741)	8,222,585
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(4,328,017)	(4,099,764)
Proceeds from bank and other loans		25,483,012	12,447,243
Repayment of bank and other loans		(18,092,407)	(15,229,293)
Proceeds from issuance of senior notes		8,056,100	5,652,117
Repayment of senior notes		(2,991,270)	(1,786,361)
Proceeds from issuance of corporate bonds		7,379,000	5,010,000
Repayment of corporate bonds		(8,833,000)	(4,280,449)
Proceeds from/(repayment of) cross-border guarantee arrangements		5,332,376	(2,119,574)
Premium paid on early redemption of senior notes		—	(53,328)
Proceeds from issuance of shares in connection with the exercise of share options		48,905	63,007
Repurchase of own shares		(44,793)	(173,002)
Shares purchased under share award scheme		(823,306)	—
Repayment to non-controlling shareholders/former non-controlling shareholders		(8,854,936)	(4,754,577)
Repayment to joint ventures		(981,168)	(4,090,395)
Advances from associates		366,543	339,481
Capital contribution from non-controlling shareholders		10,963,458	4,825,644
Payments for acquisition of non-controlling interests		(3,059,757)	(1,000,000)
Payments for acquisition of non-controlling interests in prior year		(3,600,000)	—
Dividends paid to non-controlling shareholders		—	(302,940)
(Repayment of)/proceeds from loans from a non-controlling shareholder		(107,500)	13,000
Distribution paid to holders of perpetual capital securities		(167,571)	(167,153)
Dividends paid to ordinary equity shareholders of the Company		(4,060,139)	(979,211)
Net cash flows from/(used in) financing activities		1,685,530	(10,685,555)

	Note	2020 RMB'000	2019 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,642,675	3,409,118
Cash and cash equivalents at beginning of year		39,227,247	35,130,194
Effect of foreign exchange rate changes		(1,407,174)	687,935
CASH AND CASH EQUIVALENTS AT END OF YEAR		40,462,748	39,227,247
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		29,032,513	37,347,055
Non-pledged time deposits		11,430,235	1,880,192
Cash and cash equivalents as stated in the consolidated statement of cash flows and included in the consolidated statement of financial position	23	40,462,748	39,227,247

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

Logan Group Company Limited (formerly known as “Logan Property Holdings Company Limited”) (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in property development, property investment, construction and decoration and urban redevelopment business in the People’s Republic of China (the “PRC” or “Mainland China”) during the year.

In the opinion of the directors, Junxi Investments Limited is the immediate holding company of the Company and the ultimate controlling party of the Company is Ms. Kei Perenna Hoi Ting, who is a non-executive director of the Company.

Information about subsidiaries

The following list contains particulars of the Company’s principal subsidiaries. All of them are established in the PRC unless otherwise stated.

Name of subsidiaries	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
		Group’s effective interest	Held by the Company	Held by subsidiary	
Logan Construction Co., Ltd. (note) (龍光工程建設有限公司)	RMB80,000,000	91%	—	91%	Property construction
Shenzhen Logan Holdings Co., Ltd.* (note) (深圳市龍光控股有限公司)	RMB443,000,000	100%	—	100%	Investment holding
Zhongshan Logan Property Co., Ltd. (note) (中山市龍光房地產有限公司)	RMB30,000,000	100%	—	100%	Property development
Nanning Logan Property Development Co., Ltd. (note) (南寧市龍光房地產開發有限公司)	RMB100,000,000	100%	—	100%	Property development and investment
Guangzhou Logan Property Co., Ltd. (note) (廣州市龍光房地產有限公司)	RMB40,000,000	100%	—	100%	Property development and investment
Guangzhou Logan Realty Co., Ltd. (note) (廣州市龍光置業有限公司)	RMB30,000,000	100%	—	100%	Property development
Huizhou Daya Bay Logan Property Co., Ltd. (note) (惠州大亞灣龍光房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Shantou Logan Property Co., Ltd. (note) (汕頭市龍光房地產有限公司)	RMB10,000,000	100%	—	100%	Property development

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Zuhai Logan Property Development Co., Ltd. (note) (珠海市龍光房地產開發有限公司)	RMB30,000,000	100%	—	100%	Property development and investment
Foshan Shunde Logan Realty Co., Ltd. (note) (佛山市順德區龍光置業房產有限公司)	RMB35,295,000	100%	—	100%	Property development
Huizhou Logan Property Co., Ltd. (note) (惠州市龍光房地產有限公司)	RMB30,000,000	100%	—	100%	Property development
Dongguan Logan Property Co., Ltd. (note) (東莞市龍光房地產有限公司)	RMB50,000,000	100%	—	100%	Property development
Shantou Jinfengyuan Realty Co., Ltd. (note) (汕頭市金鋒園置業有限公司)	RMB66,000,000	100%	—	100%	Property development
Nanning Logan Jinjun Property Development Co., Ltd. (note) (南寧市龍光金駿房地產開發有限公司)	RMB50,000,000	100%	—	100%	Property development and investment
Chengdu Logan Property Co., Ltd. (note) (成都市龍光房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Shantou Logan Realty Co., Ltd. (note) (汕頭市龍光置業有限公司)	RMB33,000,000	100%	—	100%	Property development and investment
Shantou Jiarun Property Co., Ltd. (note) (汕頭市佳潤房地產有限公司)	RMB50,000,000	100%	—	100%	Property development
Foshan Shancheng Logan Property Co., Ltd. (note) (佛山市禪城區龍光房地產有限公司)	RMB10,500,000	100%	—	100%	Property development
Nanning Logan Bojun Property Development Co., Ltd. (note) (南寧市龍光鉞駿房地產開發有限公司)	RMB700,000,000	100%	—	100%	Property development
Chengdu Logan Jinjun Realty Co., Ltd. (note) (成都市龍光金駿置業有限公司)	RMB10,000,000	100%	—	100%	Property development
Chengdu Logan Donghua Property Development Co., Ltd. (note) (成都市龍光東華房地產開發有限公司)	RMB558,059,600	100%	—	100%	Property development

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Shantou Weida Property Co., Ltd.# (note) (汕頭市偉達房地產有限公司)	RMB54,200,441	100%	—	100%	Property development
Shenzhen Logan Dongzhen Realty Co., Ltd. (note) (深圳市龍光東圳置業有限公司)	RMB30,000,000	100%	—	100%	Investment holding
Huizhou Daya Bay Dongzhen Property Co., Ltd. ("Huizhou Dongzhen") (note) (惠州大亞灣東圳房地產有限公司)	RMB100,000,000	100%	—	100%	Property development and investment
Shenzhen Logan Property Co., Ltd. (note) (深圳市龍光房地產有限公司)	RMB80,000,000	100%	—	100%	Property development and investment
Shenzhen Yongjing Decorating Construction Co., Ltd. (note) (深圳市潤景裝飾工程有限公司)	RMB200,000,000	91%	—	100%	Provision of decoration services to joint ventures and associates
Shenzhen Logan Media Planning Co., Ltd. (note) (深圳市龍光傳媒策劃有限公司)	RMB2,200,000	100%	—	100%	Provision of advertising services to joint ventures and associates
Nanning Logan Junchi Property Development Co., Ltd. (note) (南寧市龍光駿馳房地產開發有限公司)	RMB35,000,000	100%	—	100%	Property development
Foshan Nanhai Logan Realty Co., Ltd. (note) (佛山市南海區龍光置業房產有限公司)	RMB58,820,000	100%	—	100%	Property development
Shenzhen Logan Investment Consultancy Co., Ltd. (note) (深圳市龍光投資顧問有限公司)	RMB10,000,000	100%	—	100%	Investment holding
Shantou Logan Jinjun Property Co., Ltd. (note) (汕頭市龍光金駿房地產有限公司)	RMB50,000,000	100%	—	100%	Property development
Foshan Runjing Property Co., Ltd. (note) (佛山市順德區龍光潤景房地產有限公司)	RMB50,000,000	100%	—	100%	Property development

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Shenzhen Jinjun Property Co., Ltd. (note) (深圳市金駿房地產有限公司)	RMB198,000,000	100%	—	100%	Property development
Guilin Logan Bojun Property Development Co., Ltd. (note) (桂林市龍光鉞駿房地產開發有限公司)	RMB50,000,000	100%	—	100%	Property development
Shenzhen Logan Junchi Property Development Co., Ltd. (note) (深圳市龍光駿馳房地產開發有限公司)	RMB5,000,000	51%	—	51%	Property development
Foshan Logan Sunshine Seaward Property Co., Ltd. (note) (佛山市龍光陽光海岸房地產有限公司)	RMB50,000,000	66%	—	66%	Property development
Guangxi King Kerry Realty Co., Ltd. (note) (廣西金凱利置業有限公司)	US\$18,000,000	95%	—	95%	Property development
Zhuhai Junjing Property Development Co., Ltd. (note) (珠海市駿景房地產開發有限公司)	RMB10,000,000	100%	—	100%	Property development
Shantou Logan Runjing Property Co., Ltd. (note) (汕頭市龍光潤璟房地產有限公司)	RMB50,000,000	100%	—	100%	Property development
Nanning Logan Mingjun Property Development Co., Ltd. (note) (南寧市龍光銘駿房地產開發有限公司)	RMB50,000,000	100%	—	100%	Property development
Shenzhen Logan Junjing Property Development Co., Ltd. ("Shenzhen Logan Junjing") (note) (深圳市龍光駿景房地產開發有限公司)	RMB100,000,000	100%	—	100%	Property development
Shenzhen Junteng Realty Co., Ltd. (note) (深圳市駿騰置業有限公司)	RMB10,500,000	100%	—	100%	Property development
Zhuhai Junchi Property Development Co., Ltd. (note) (珠海市駿馳房地產開發有限公司)	RMB10,000,000	100%	—	100%	Property development
Shenzhen Logan Junfei Realty Co., Ltd. (note) (深圳市龍光駿飛置業有限公司)	RMB10,000,000	100%	—	100%	Property development



NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Shenzhen Logan Junyu Property Development Co., Ltd. (note) (深圳市龍光駿譽房地產開發有限公司)	RMB10,000,000	100%	—	100%	Property development
Huizhou Logan Junjing Property Co., Ltd. (note) (惠州市龍光駿景房地產有限公司)	RMB10,000,000	100%	—	100%	Property development and investment
Huizhou Logan Jinjun Property Co., Ltd. (note) (惠州市龍光金駿房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Shenzhen Logan Bojun Property Co., Ltd. (note) (深圳市龍光鉞駿房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Shanghai Logan Property Co., Ltd. (note) (上海市龍光房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Nanning Logan Jiarun Property Development Co., Ltd. (note) (note) (南寧市龍光佳潤房地產開發有限公司)	RMB50,000,000	100%	—	100%	Property development
Foshan Logan Junjing Property Co., Ltd.@ (note) (佛山市龍光駿景房地產有限公司)	RMB21,000,000	50%	—	50%	Property development
Huizhou Boshen Property Co., Ltd. (note) (惠州市鉞紳房地產有限公司)	RMB10,000,000	51%	—	51%	Property development
Liuzhou Logan Mingjun Property Development Co., Ltd. (note) (柳州市龍光銘駿房地產開發有限公司)	RMB102,040,000	100%	—	100%	Property development
Chengdu Zhonghui Investment Co., Ltd. (note) (成都中暉投資有限公司)	RMB1,000,000	100%	—	100%	Property development
Zhongshan Haixin Property Co., Ltd. (note) (中山市海心置業有限公司)	RMB224,624,902	100%	—	100%	Property development
Shenzhen Kaifung Industrial Co., Ltd. ("Shenzhen Kaifung") (note) (深圳市凱豐實業有限公司)	RMB15,000,000	100%	—	100%	Property development

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Runjing Printing (Shenzhen) Company Ltd. ("Runjing Printing") (note) (潤璟印刷(深圳)有限公司)	RMB133,224,082	100%	—	100%	Urban redevelopment
Nanning Logan Century Property Development Co., Ltd. (note) (南寧龍光世紀房地產有限公司)	RMB100,000,000	100%	—	100%	Property development
Zhaoqing Gaoxing Logan Property Development Co., Ltd. (note) (肇慶市高新區龍光房地產有限公司)	RMB20,000,000	100%	—	100%	Property development
Chaozhou Jingrong Property Co., Ltd. (note) (潮州市景榮房地產開發有限公司)	RMB161,100,000	100%	—	100%	Property development
Huizhou Dejie Transportation Co., Ltd. ("Huizhou Dejie") (note) (惠州德捷運輸設備有限公司)	RMB146,659,409	100%	—	100%	Urban redevelopment
Huizhou Huihe Investment Co., Ltd. (note) (惠州市惠和投資有限公司)	RMB50,000,000	100%	—	100%	Property development
Huizhou Taihe Yixin Property Co., Ltd. (note) (惠州泰和怡馨房地產有限公司)	RMB265,118,600	100%	—	100%	Property development
Foshan Logan Junshen Property Co., Ltd. [®] ("Foshan Junshen") (note) (佛山市龍光駿紳房地產有限公司)	RMB20,000,000	50%	—	50%	Property development
Heyuan Meiping Property Development Co., Ltd. ("Heyuan Meiping") (note) (河源美平房地產發展有限公司)	RMB876,772,031	75%	—	75%	Property development
Shenzhen Kangqiao Jiacheng Realty Investment Co., Ltd. (note) (深圳市康橋佳城置業投資有限公司)	RMB1,000,000,000	94%	—	94%	Property development
Nanning Hengliang Property Development Co., Ltd. (note) (南寧市恒亮房地產開發有限公司)	RMB10,000,000	100%	—	100%	Property development

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Nanning Yaotai Property Development Co., Ltd. (note) (南寧市耀泰房地產開發有限公司)	RMB20,000,000	100%	—	100%	Property development
Huizhou Lujing Property Development Co., Ltd. (note) (惠州市綠景房地產開發有限公司)	RMB20,750,000	100%	—	100%	Property development
Zhuhai Hengqin Haojing Realty Co., Ltd. ("Zhuhai Hengqin Haojing") (note) (珠海市橫琴好景置業有限公司)	RMB57,438,606	73%	—	73%	Property development
Nanning Yaorong Property Development Co., Ltd. (note) (南寧市耀榮房地產開發有限公司)	RMB10,000,000	100%	—	100%	Property development
Huizhou Aoda Property Development Co., Ltd. (note) (惠州市澳達地產發展有限公司)	RMB2,048,400	100%	—	100%	Property development
Dongguan Logan Junyu Property Development Co., Ltd. (東莞市龍光駿譽房地產開發有限公司)	RMB20,000,000	100%	—	100%	Property development
Guangzhou Logan Junshen Property Co., Ltd. (note) (廣州市龍光駿紳房地產有限公司)	RMB500,000,000	100%	—	100%	Property development
Shenzhen Logan Junrong Property Co., Ltd. (note) (深圳市龍光駿榮房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Foshan Sanshui Logan Jinjun Property Co., Ltd.* (note) (佛山市三水區龍光金駿房地產有限公司)	RMB100,000,000	50%	—	50%	Property development
Nanning Logan Jiuju Property Development Co., Ltd. (note) (南寧市龍光玖駿房地產開發有限公司)	RMB20,000,000	100%	—	100%	Property development
Nanning Logan Jiuyao Property Development Co., Ltd. (note) (南寧市龍光玖曜房地產開發有限公司)	RMB20,000,000	100%	—	100%	Property development
Foshan Nanhai Logan Juncheng Property Co., Ltd. (note) (佛山市南海區龍光駿誠房地產有限公司)	RMB21,000,000	100%	—	100%	Property development

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name of subsidiaries	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Shenzhen Minghuida Investment Co., Ltd. ("Shenzhen Minghuida") [@] (note) (深圳市銘輝達投資有限公司)	RMB33,333,300	30%	—	30%	Property development
Nanning Yaoyong Property Development Co., Ltd. (note) (南寧市耀崙房地產開發有限公司)	RMB10,000,000	100%	—	100%	Property development
Zhuhai Shunxing Realty Co., Ltd. ("Zhuhai Shunxing") (note) (珠海市順興置業有限公司)	RMB65,000,000	100%	—	100%	Property development
Nanning Logan Juncheng Property Development Co., Ltd. (note) (南寧市龍光駿誠房地產開發有限公司)	RMB20,000,000	100%	—	100%	Property development
Foshan Shunde Kaimo Property Development Co., Ltd. (note) (佛山市順德區凱模房地產開發有限公司)	RMB10,000,000	100%	—	100%	Property development
Zhongshan Tongan Realty Co., Ltd. ("Zhongshan Tongan") [#] (note) (中山市同安置業有限公司)	RMB318,143,726	50%	—	50%	Property development
Guangxi Tangqin Tongguang Investment Co., Ltd. [#] (note) (廣西唐沁同光投資有限公司)	RMB320,000,000	33%	—	33%	Property development
Sino Triumph Global Limited ("Sino Triumph") [#]	USD100	30%	—	30%	Investment holding
Silver Maple Developments Limited ("Silver Maple") [#]	USD100	30%	—	30%	Investment holding

[#] Registered as wholly-foreign-owned enterprises under PRC law

[@] These entities are accounted for as subsidiaries of the Group because the Group owns more than half of the voting rights even though the equity interests in these entities attributable to the Group are 50% or less.

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

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



NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value.

These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (“RMB’000”) except when otherwise indicated.

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
(CONTINUED)

- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.
- (d) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ⁴
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{4, 7}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{4, 6}
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ³
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ³
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ No mandatory effective date yet determined but available for adoption

⁶ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁷ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank loans denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.



NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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

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

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

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

Business combinations and goodwill

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

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

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

Fair value measurement

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person;
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Other property, plant and equipment and depreciation

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other property, plant and equipment and depreciation (Continued)

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

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

Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and other plant and equipment	3 to 10 years

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

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

Properties held for development for sale

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Properties under development for sale

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Investment properties

Investment properties include both completed investment properties and investment properties under construction.

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

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at the end of the reporting period when the fair value can be determined reliably.

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Other property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Other property, plant and equipment and depreciation" above.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

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

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

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

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

Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

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

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

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

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

Simplified approach

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

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, bank and other loans, senior notes, corporate bonds and liabilities under cross-border guarantee arrangements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

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

Financial guarantee contracts

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

Provisions

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of properties

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession or the legal title of the inventories and the Group has present right to payment and the collection of the consideration is probable.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) *Construction and decoration services*

Revenue from the provision of construction and decoration services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction and decoration services.

(c) *Provision of management services*

Revenue from the provision of management service is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) *Urban redevelopment business*

Revenue from urban redevelopment business is recognised at a point in time, when the customer obtains control of the assets and the Group has present right to payment and the collection of the consideration is probable.

Revenue from another source

Rental income is recognised on a time proportion basis over the lease terms. 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 incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Costs to fulfil a contract

Other than the costs which are capitalised as properties under development for sale and other property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

Costs of obtaining contracts

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer it would not have incurred if the contract had not been obtained e.g., commission to sales agents. 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.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("Equity-Settled Transactions").

The cost of Equity-Settled Transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

Share option scheme (Continued)

The cost of Equity-Settled Transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

Share award scheme

Where shares are acquired by the Share Award Scheme from the market or by electing for scrip in lieu of cash dividends, the total consideration of shares acquired from the market (including any directly attributable incremental costs) or under the scrip dividend scheme is presented as shares held for the Share Award Scheme and deducted from total equity.

Upon vesting, the related costs of the vested awarded shares purchased from the market and shares acquired under the scrip dividend scheme (dividend shares) are credited to shares held for the Share Award Scheme, with a corresponding decrease in the employee share-based compensation reserve for awarded shares and a decrease in retained earnings for dividend shares.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme. Where employees leave the scheme prior to the full vesting of the employer’s contributions, the amount of forfeited contributions cannot be used to reduce the contributions payable by the Group.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the “Pension Scheme”) operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to statement of profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they have been approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is Hong Kong dollars ("HK\$") while RMB is used as the presentation currency because the Group's operation is mainly carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to statement of profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries, joint ventures and associates operating outside the PRC are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determining the timing of satisfaction of contracts related to sale of properties

The Group determined that the sales contract with customers requires the Group to complete the development of property before transferring the legal title of the relevant property to customers. The Group also determined that the Group does not have an enforceable right to payment from customers for performance completed to date before the transfer of legal title of the relevant property to customers. Consequently, the Group concluded that the timing of transfer of properties is at the point of time that the purchasers obtained the physical possession or the legal title of the completed property.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for these portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development for sale included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.



NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Allocation of construction cost on properties under development for sale

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in the PRC which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption in HKAS 12 Income Taxes that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. In determining the Group's deferred tax on investment properties, the directors have determined that the presumption set out in HKAS 12 Income Taxes that investment properties measured using the fair value model are recovered through sale is rebutted. Continuous assessments on the presumption will be made by management at each reporting date.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Valuation of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Valuation of properties under development for sale and completed properties for sale (Continued)

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 a provision for properties under development for sale and completed properties 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.

Investments in joint ventures and associates

The Group has cooperated with certain third parties to engage in certain property development projects through investments in and advances to joint ventures and associates. Significant estimation and judgement are required to assess the recoverability of the receivables from joint ventures and associates because the profitability of the future development of properties by the joint ventures and associates over a number of years can be difficult to predict and can be influenced by broader political and economic factors.

Estimation of fair value of investment properties and inventory properties acquired through business combinations

Investment properties, including completed investment properties and investment properties under construction, were revalued at each reporting date during the year based on the appraised market value provided by independent professional valuers. Inventory properties acquired through business combinations were evaluated at fair value at the date of acquisition. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date. The valuations of investment properties under construction and inventory properties acquired through business combinations were based on the residual approach, and have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group's latest development plan.

PRC corporate income tax ("CIT")

The Group is subject to CIT in the PRC. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)**PRC land appreciation tax ("LAT")**

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Provision for expected credit losses on receivables from joint ventures and associates

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risk of default, loss given default and collateral recovery, changes in which can result in different levels of allowances.

The Group's expected credit loss calculations on receivables from joint ventures and associates are based on assumptions about risk of default and loss given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the debtors or comparable companies in the market, existing market conditions as well as forward looking estimates at the end of each reporting period. It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At 31 December 2020, the carrying amount of the Group's receivables from joint ventures and associates was RMB21,499 million (2019: RMB26,183 million), and the ECLs are insignificant. Further details of the Group's receivables from joint ventures and associates, and the key assumptions and inputs used for impairment calculations are given in notes 18, 19 and 21 to the financial statements.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the property development segment develops and sells residential properties and retail shops, and sells land held for development;
- (b) the property leasing segment leases office units, retail shops and hotels to generate rental income and to gain from the appreciation in the properties' values in the long term;
- (c) the construction and decoration contracts and others segment engage in the construction of office premises and residential buildings and provides decoration services for external customers and for group companies, and provides interior decoration services to property buyers; and
- (d) the urban redevelopment business segment engages in the sale of land held for urban redevelopment.

The Group's revenue from external customers from each operating segment is set out in note 6 to the financial statements.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that depreciation, other income and gains, other expenses, finance costs, share of profits or losses of joint ventures and associates, fair value gains or losses on investment properties and derivative financial instruments and head office and corporate income and expenses are excluded from such measurement. Segment assets and liabilities are not reported to the Group's chief operating decision maker regularly.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Information regarding the reportable segments is presented below.

	Property development RMB'000	Property leasing RMB'000	Construction and decoration contracts and others RMB'000	Urban redevelopment business RMB'000	Total RMB'000
Year ended					
31 December 2020					
Gross revenue from external customers (note 6)	55,108,708	116,119	10,117,866	6,019,115	71,361,808
Less: Sales related taxes	(250,321)	(7,034)	(24,724)	—	(282,079)
Net revenue from external customers	54,858,387	109,085	10,093,142	6,019,115	71,079,729
Inter-segment revenue	—	65,272	14,677,889	—	14,743,161
Reportable segment revenue	54,858,387	174,357	24,771,031	6,019,115	85,822,890
Reportable segment profit	11,812,363	126,034	5,116,915	4,793,051	21,848,363

	Property development RMB'000	Property leasing RMB'000	Construction and decoration contracts and others RMB'000	Urban redevelopment business RMB'000	Total RMB'000
Year ended					
31 December 2019					
Gross revenue from external customers (note 6)	41,180,693	129,616	11,568,862	4,900,000	57,779,171
Less: Sales related taxes	(259,853)	(2,099)	(36,801)	—	(298,753)
Net revenue from external customers	40,920,840	127,517	11,532,061	4,900,000	57,480,418
Inter-segment revenue	—	63,161	13,167,740	—	13,230,901
Reportable segment revenue	40,920,840	190,678	24,699,801	4,900,000	70,711,319
Reportable segment profit	10,203,386	152,824	5,225,809	2,911,861	18,493,880

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about a major customer

During the years ended 31 December 2020 and 2019, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Reconciliation of reportable segment revenue and profit or loss

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	85,822,890	70,711,319
Elimination of inter-segment revenue	(14,743,161)	(13,230,901)
Consolidated revenue	71,079,729	57,480,418
Profit		
Reportable segment profit	21,848,363	18,493,880
Elimination of inter-segment profits	(3,687,578)	(2,711,710)
Reportable segment profit derived from the Group's external customers	18,160,785	15,782,170
Other income and gains	2,107,785	2,130,113
Other expenses	(118,363)	(115,456)
Depreciation	(60,100)	(60,590)
Finance costs	(2,051,424)	(1,366,250)
Share of losses of associates	(28,923)	(63,400)
Share of losses of joint ventures	(19,425)	(112,960)
Net increase in fair value of investment properties	1,597,354	1,622,065
Net increase in fair value of derivative financial instruments	218,400	32,683
Unallocated head office and corporate expenses	(308,303)	(396,123)
Consolidated profit before tax	19,497,786	17,452,252

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the segment assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

6. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
Sale of properties*	55,108,708	41,180,693
Construction and decoration and others income	10,117,866	11,568,862
Urban redevelopment business income	6,019,115	4,900,000
Revenue from another source		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	116,119	129,616
	71,361,808	57,779,171
Less: Sales related taxes	(282,079)	(298,753)
	71,079,729	57,480,418

* The invoiced amount billed to buyers of properties was RMB60,529,087,000 (2019: RMB45,015,384,000), including value-added tax of RMB5,420,379,000 (2019: RMB3,834,691,000).

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

	Sale of properties RMB'000	Construction and decoration income and others RMB'000	Urban redevelopment business income RMB'000	Total RMB'000
Timing of revenue recognition:				
Goods transferred at a point in time	54,858,387	—	6,019,115	60,877,502
Services transferred over time	—	10,093,142	—	10,093,142
Total revenue from contracts with customers	54,858,387	10,093,142	6,019,115	70,970,644

6. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2020

	Property development RMB'000	Construction and decoration contracts and others RMB'000	Urban redevelopment business RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	54,858,387	10,093,142	6,019,115	70,970,644
Intersegment sales	—	14,677,889	—	14,677,889
	54,858,387	24,771,031	6,019,115	85,648,533
Intersegment adjustments and eliminations	—	(14,677,889)	—	(14,677,889)
Total revenue from contracts with customers	54,858,387	10,093,142	6,019,115	70,970,644

For the year ended 31 December 2019

	Sale of properties RMB'000	Construction and decoration income and others RMB'000	Urban redevelopment business income RMB'000	Total RMB'000
Timing of revenue recognition:				
Goods transferred at a point in time	40,920,840	—	4,900,000	45,820,840
Services transferred over time	—	11,532,061	—	11,532,061
Total revenue from contracts with customers	40,920,840	11,532,061	4,900,000	57,352,901

NOTES TO FINANCIAL STATEMENTS

31 December 2020

6. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2019

	Property development RMB'000	Construction and decoration contracts and others RMB'000	Urban redevelopment business RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	40,920,840	11,532,061	4,900,000	57,352,901
Intersegment sales	—	13,167,740	—	13,167,740
	40,920,840	24,699,801	4,900,000	70,520,641
Intersegment adjustments and eliminations	—	(13,167,740)	—	(13,167,740)
Total revenue from contracts with customers	40,920,840	11,532,061	4,900,000	57,352,901

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	20,944,669	7,983,495
Construction and decoration and others income	1,002,756	1,399,787

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the inventories is obtained by the purchaser.

Construction and decoration and others income

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Urban redevelopment business income

The performance obligation is satisfied when the customer obtains control of the assets.

6. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Other income and gains

An analysis of the Group's other income and gains is as follows:

	Notes	2020 RMB'000	2019 RMB'000
Bank interest income		430,051	411,354
Interest income on amounts due from associates and joint ventures		1,309,570	746,920
Forfeiture income on deposits received		42,733	55,645
Government subsidies		9,528	13,797
Gain on disposal of subsidiaries	36(a)	637	—
Gain on deemed disposal of subsidiaries upon loss of control, net	36(b)	39,848	89,913
Gain on remeasurement of pre-existing interests in joint ventures and an associate to the date of obtaining control and acquisition	35(b)	—	246,349
Gain on bargain purchase	35(b)	38,146	351,316
Foreign exchange differences, net		—	15,939
Others		237,272	198,880
		2,107,785	2,130,113



NOTES TO FINANCIAL STATEMENTS

31 December 2020

7. OTHER EXPENSES

	2020 RMB'000	2019 RMB'000
Charitable donations	22,783	12,979
Premium on early redemption of senior notes	—	53,328
Foreign exchange differences, net	28,686	—
Net loss on disposal of items of other property, plant and equipment	4	234
Others	66,890	48,915
	118,363	115,456

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank and other loans and other finance costs	2,355,189	2,122,688
Interest on senior notes	1,887,659	1,433,320
Interest on corporate bonds	1,234,666	958,700
Total interest expense on financial liabilities not at fair value through profit or loss	5,477,514	4,514,708
Less: Interest capitalised	(3,426,090)	(3,148,458)
	2,051,424	1,366,250

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2020 RMB'000	2019 RMB'000
Cost of properties sold		41,045,790	30,447,999
Cost of services provided		8,702,067	8,899,438
Depreciation	15	107,013	73,186
Less: Amount capitalised		(46,913)	(12,596)
		60,100	60,590
Lease payments not included in the measurement of lease liabilities		29,947	24,015
Auditor's remuneration		7,800	7,000
Employee benefit expenses (including directors' remuneration (note 10)):			
Director's fee		3,663	3,803
Salaries and other staff costs		1,312,089	1,212,259
Equity-settled share option expense		76,637	57,659
Pension scheme contributions		48,584	87,933
Less: Amount capitalised		(594,621)	(390,748)
		846,352	970,906
Foreign exchange differences, net ^{*/^}		28,686	(15,939)
Interest income:			
— Cash at banks		(430,051)	(411,354)
— Amounts due from associates and joint ventures		(1,309,570)	(746,920)
Gain on disposal of subsidiaries	36(a)	(637)	—
Gain on deemed disposal of subsidiaries upon loss of control, net [^]	36(b)	(39,848)	(89,913)
Net loss on disposal of items of other property, plant and equipment [*]	7	4	234
Gain on remeasurement of pre-existing interests in joint ventures and an associate to the date of obtaining control and acquisition [^]	35(b)	—	(246,349)
Gain on bargain purchase [^]	35(b)	(38,146)	(351,316)

[^] The amounts are included in "Other income and gains" in the consolidated statement of profit or loss.

^{*} The amounts are included in "Other expenses" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	3,663	3,803
Other emoluments:		
Salaries, allowances and benefits in kind	22,853	24,097
Discretionary performance related bonuses	20,228	44,007
Equity-settled share option expense	3,502	6,867
Retirement scheme contributions	397	423
	46,980	75,394
	50,643	79,197

During the year and in prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above directors' remuneration disclosures.

10. DIRECTORS' REMUNERATION (CONTINUED)

The remuneration of each of the directors is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2020						
Executive Directors:						
Kei Hoipang ("Mr. Kei", also act as the Chairman of the Group)	—	9,000	10,935	1,850	155	21,940
Xiao Xu	—	3,601	339	601	53	4,594
Lai Zhuobin (Chief Executive)	—	4,501	4,985	635	53	10,174
Wu Jian [@]	—	5,751	701	—	41	6,493
Non-executive Director:						
Kei Perenna Hoi Ting ("Ms. Kei")	2,400	—	3,268	416	95	6,179
Independent non-executive Directors:						
Zhang Huaqiao	421	—	—	—	—	421
Liu Ka Ying, Rebecca	421	—	—	—	—	421
Cai Suisheng	421	—	—	—	—	421
	3,663	22,853	20,228	3,502	397	50,643
2019						
Executive Directors:						
Mr. Kei	—	9,252	12,993	2,725	90	25,060
Ji Jiande [#]	—	5,134	15,813	1,428	82	22,457
Xiao Xu	—	3,575	2,425	954	85	7,039
Lai Zhuobin (Chief Executive)	—	3,819	6,409	954	85	11,267
Wu Jian [@]	—	2,317	2,469	—	22	4,808
Non-executive Director:						
Ms. Kei	2,486	—	3,898	806	59	7,249
Independent non-executive Directors:						
Zhang Huaqiao	439	—	—	—	—	439
Liu Ka Ying, Rebecca	439	—	—	—	—	439
Cai Suisheng	439	—	—	—	—	439
	3,803	24,097	44,007	6,867	423	79,197

[#] Mr. Ji Jiande resigned as an executive director of the Company with effect from 10 September 2019.

[@] Mr. Wu Jian was appointed as an executive director of the Company with effect from 12 September 2019 and resigned as an executive director of the Company with effect from 1 January 2021.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2019: three directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	11,403	6,114
Discretionary bonuses	11,294	13,174
Share-based payments	—	954
Retirement scheme contributions	137	101
	22,834	20,343

The emoluments of the three (2019: two) individuals who are neither a director nor chief executive of the Company with the highest emoluments are within the following bands:

	Number of employees	
	2020	2019
HK\$7,000,001 to HK\$7,500,000	1	—
HK\$8,000,001 to HK\$8,500,000	1	—
HK\$10,000,001 to HK\$10,500,000	1	—
HK\$11,000,001 to HK\$11,500,000	—	1
HK\$11,500,001 to HK\$12,000,000	—	1
	3	2

No individual waived or agreed to waive any emoluments during the year.

During the year and in prior years, share options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

12. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	2020 RMB'000	2019 RMB'000
Current charge for the year:		
PRC CIT	4,778,145	4,495,200
PRC LAT	1,539,964	1,152,058
Dividend withholding tax	360,000	280,042
(Overprovision)/underprovision in prior years, net:		
PRC CIT	(18,231)	52,422
	6,659,878	5,979,722
Deferred (note 29)	(536,186)	(90,728)
Total tax charge for the year	6,123,692	5,888,994

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	19,497,786	17,452,252
At the statutory/applicable rates of different jurisdictions	5,172,329	4,372,598
Adjustments in respect of current tax of previous periods	(18,231)	52,422
Income not subject to tax	(150,143)	(188,829)
Expenses not deductible for tax	953,202	547,804
Effect of withholding tax at prevailing tax rate on the distributable profits of the Group's PRC subsidiaries	360,000	280,042
Tax losses utilised from previous periods	(85,393)	(53,621)
Tax losses not recognised	52,657	14,534
LAT	1,539,964	1,152,058
Tax effect of LAT deductible for PRC CIT	(384,991)	(288,014)
Lower tax rates for specific provinces or enacted by local authority	(1,315,702)	—
Tax charge at the Group's effective rate	6,123,692	5,888,994



NOTES TO FINANCIAL STATEMENTS

31 December 2020

13. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Interim dividends — HK43 cents (2019: HK38 cents) per ordinary share	2,140,142	1,786,604
Proposed final dividends — HK58 cents (2019: HK45 cents) per ordinary share	2,693,469	2,220,403
	4,833,611	4,007,007

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 5,515,607,000 (2019: 5,489,585,000) in issue less the weighted average number of shares held under the share award scheme (2019: Nil) during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent, adjusted for the distribution related to perpetual capital securities. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme (2019: Nil) during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to owners of the parent	13,016,635	11,269,044
Distribution related to perpetual capital securities	(167,571)	(167,153)
Profit used in the basic and diluted earnings per share calculations	12,849,064	11,101,891

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

	Number of shares	
	2020 '000	2019 '000
Shares		
Weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the year, used in the basic earnings per share calculation	5,488,099	5,489,585
Effect of dilution — weighted average number of ordinary shares:		
Share options	41,663	79,048
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	5,529,762	5,568,633

15. OTHER PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and other plant and equipment RMB'000	Total RMB'000
31 December 2020				
At 1 January 2020				
Cost	723,346	267,763	309,307	1,300,416
Accumulated depreciation	(18,544)	(207,992)	(181,926)	(408,462)
Net carrying value	704,802	59,771	127,381	891,954
At 1 January 2020, net of accumulated depreciation	704,802	59,771	127,381	891,954
Additions	8,393	27,503	34,279	70,175
Acquisition of subsidiaries (note 35)	—	7,167	9,901	17,068
Depreciation	(23,265)	(62,068)	(21,680)	(107,013)
Disposals	—	—	(28,708)	(28,708)
Transfer to investment properties	(681,857)	—	—	(681,857)
Disposal and deemed disposal of subsidiaries (note 36)	—	(1,419)	(493)	(1,912)
Exchange realignment	—	—	186	186
At 31 December 2020, net of accumulated depreciation	8,073	30,954	120,866	159,893
At 31 December 2020:				
Cost	49,882	301,014	324,472	675,368
Accumulated depreciation	(41,809)	(270,060)	(203,606)	(515,475)
Net carrying value	8,073	30,954	120,866	159,893

NOTES TO FINANCIAL STATEMENTS

31 December 2020

15. OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and other plant and equipment RMB'000	Total RMB'000
31 December 2019				
At 1 January 2019:				
Cost	41,683	219,185	257,591	518,459
Accumulated depreciation	(16,489)	(158,350)	(167,606)	(342,445)
Net carrying value	25,194	60,835	89,985	176,014
At 1 January 2019, net of accumulated depreciation	25,194	60,835	89,985	176,014
Additions	—	48,005	29,317	77,322
Acquisition of subsidiaries (note 35)	681,860	298	30,599	712,757
Depreciation	(2,159)	(49,824)	(21,203)	(73,186)
Disposals	(93)	—	(879)	(972)
Deemed disposal of subsidiaries (note 36)	—	—	(666)	(666)
Exchange realignment	—	457	228	685
At 31 December 2019, net of accumulated depreciation	704,802	59,771	127,381	891,954
At 31 December 2019:				
Cost	723,346	267,763	309,307	1,300,416
Accumulated depreciation	(18,544)	(207,992)	(181,926)	(408,462)
Net carrying value	704,802	59,771	127,381	891,954

At 31 December 2020, right-of-use assets in respect of leasehold land with an aggregate carrying amount of approximately RMB7,003,000 (2019: RMB108,619,000) were included in land and buildings and the depreciation charged to profit or loss in the current year was RMB1,167,000 (2019: RMB1,207,000).

At 31 December 2020, certain of the Group's other property, plant and equipment were pledged to secure certain bank and other loans granted to the Group (note 39).

16. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2019	12,969,073	5,368,938	18,338,011
Additions	31,138	995,555	1,026,693
Acquisition of subsidiaries (note 35(b)(ii))	1,326,506	4,257,550	5,584,056
Disposals	(10,418)	—	(10,418)
Transfer from completed properties for sale	26,507	—	26,507
Transfer upon completion of construction	5,101,251	(5,101,251)	—
Net gain from a fair value adjustment	883,136	738,929	1,622,065
Exchange realignment	17,284	—	17,284
Carrying amount at 31 December 2019 and 1 January 2020	20,344,477	6,259,721	26,604,198
Additions	93,847	666,351	760,198
Acquisition of subsidiaries (note 35(b)(i))	199,968	—	199,968
Transfer upon completion of construction	912,320	(912,320)	—
Transfer from other property, plant and equipment	681,857	—	681,857
Net gain from a fair value adjustment	1,066,106	531,248	1,597,354
Exchange realignment	(49,511)	—	(49,511)
Carrying amount at 31 December 2020	23,249,064	6,545,000	29,794,064

The Group's completed investment properties and investment properties under development were revalued on 31 December 2020 based on valuations performed by APAC Asset Valuation and Consulting Limited, Greater China (Shanghai) Appraisal Limited and Vocation (Beijing) International Assets Appraisal Co., Ltd., independent professionally qualified valuers, at RMB29,794,064,000 (2019: RMB26,604,198,000).

At 31 December 2020, certain of the Group's investment properties were pledged to secure certain bank and other loans granted to the Group (note 39).

The Group's completed investment properties are leased to third parties under operating leases, further summary details of which are included in (note 17).

Fair value hierarchy

For the years ended 31 December 2020 and 2019, the fair value measurements of all investment properties of the Group were categorised within Level 3 of the fair value hierarchy and details of their movements are disclosed above.

In the opinion of the directors, for all investment properties that are measured at fair value, the properties have been used in their highest and best use.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

16. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

The following table illustrates the fair value measurement of the Group's investment properties:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2020 RMB'000	2019 RMB'000
Recurring fair value measurement for:		
Leasehold land — Hong Kong	1,631,117	1,551,037
Commercial — Mainland China	21,617,947	18,793,440
Investment properties under construction	6,545,000	6,259,721
	29,794,064	26,604,198

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range	
			2020	2019
Completed investment properties				
— Residential — Hong Kong	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	265,275-437,475	233,299-385,588
— Commercial — Mainland China	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	12,538-147,724	17,600-150,380
— Commercial — Mainland China	Income approach	Risk-adjusted discount rate	3.3%-7.7%	3.3%-6%
		Expected market rental growth	0%-5.5%	0%-10%
		Expected occupancy rate	73%-100%	95%-100%
		Expected yearly unit rental income (RMB/sq.m.)	205-1,934	147-2,008
		Capitalisation rate	3.0%-6.0%	3.5%-6.5%
Investment properties under construction	Residual approach	Gross development value (RMB/sq.m.)	13,000-18,200	13,200-64,391
		Budgeted construction costs to be incurred (RMB/sq.m.)	2,947	1,124-11,451
		Development profit	5%	8%
		Risk-adjusted discount rate	4.35%	4.35%-8%

16. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

The valuations of completed investment properties were based on either the direct comparison method by reference to comparable market transactions, which is positively correlated to the market unit sale rate; or the income approach by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties, which is positively correlated to the market rental growth rate, and negatively correlated to risk-adjusted discount rate and capitalisation rate.

The valuations of investment properties under construction were based on the residual approach, and have taken into account the expected construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group latest development plan. The valuations of investment properties under construction are positively correlated to the development profit and negatively correlated to the risk-adjusted discount rate.

17. LEASES

The Group as a lessor

The Group leases its investment properties (note 16) under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB109,085,000 (2019: RMB127,517,000), details of which are included in note 6 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	83,215	120,127
After one year but within two years	78,775	88,540
After two years but within three years	70,814	69,438
After three years but within four years	73,117	48,079
After four year but within five years	39,236	28,204
After five years	104,153	95,678
	449,310	450,066

NOTES TO FINANCIAL STATEMENTS

31 December 2020

18. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	2,037,249	2,009,087
Due from an associate (note)	1,451,400	1,451,400
	3,488,649	3,460,487

Note: As at 31 December 2020, the amount due from an associate is unsecured, bearing interest at a fixed interest rate of 7.98% (2019: 7.98%) per annum and repayable in 2022 (2019: 2022).

Particulars of the principal associates, which are unlisted corporate entities, are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Delight Prime Limited ("Delight Prime") (悦盛有限公司)	Incorporated	BVI	Paid-up capital US\$50,000	20%	—	20%	Property development
Zhuhai Ruiliang Property Company Limited ("Zhuhai Ruiliang") (珠海市瑞梁房地產有限公司)	Incorporated	The PRC	Registered capital RMB1,318,000,000	50%	—	50%	Property development
Nanning Jinlin Real Estate ("Nanning Jinlin") (南寧錦麟置業有限公司)	Incorporated	The PRC	Registered capital RMB1,140,000,000	50%	—	50%	Property development

Note: The English translation of the name is for reference only. The official names of these entities are in Chinese.

The directors consider that the Group can only exercise significant influence over Delight Prime, Zhuhai Ruiliang and Nanning Jinlin based on their board composition, and accordingly they are classified as associates of the Group. Zhuhai Ruiliang and Nanning Jinlin are accounted for as associates of the Group because the Group owns less than half of the voting rights even though the equity interests in these entities attributable to the Group are 50%. The associates are accounted for using the equity method in the consolidated financial statements.

Amount due from an associate represented an interest-bearing loan granted to an associate. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2020, the probability of default applied was 27.08% (2019: 26.89%) and the loss given default was approximately to 0% (2019: 0%) and the expected credit loss was considered to be minimal.

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information of a material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	2020 RMB'000	2019 RMB'000
Gross amounts of Delight Prime		
Cash and bank balances	672,510	14,363
Current assets (excluding cash and bank balances)	7,666,172	4,619,235
Non-current assets	16,449	15,712
Current liabilities	(6,938,516)	(3,157,630)
Equity	1,416,615	1,491,680
Revenue	—	—
Loss for the year	—	(16,475)
Other comprehensive income	—	—
Total comprehensive loss	—	(16,475)
Reconciled to the Group's interest in Delight Prime		
Gross amounts of net assets of Delight Prime	1,416,615	1,491,680
Group's effective interest	20%	20%
Group's share of net assets of Delight Prime	283,323	298,336
Elimination of other downstream transaction	(17,987)	(15,013)
Amount due from Delight Prime	1,451,400	1,451,400
Carrying amount in the consolidated financial statements	1,716,736	1,734,723

All associates have been accounted for using the equity method in these financial statements and their financial year end dates are coterminous with that of the Group.

The following table illustrates the financial information of the Group's other associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the associates' loss and total comprehensive loss for the year	(28,923)	(60,105)
Aggregate carrying amount of the Group's investments in the associates	1,771,913	1,725,764

NOTES TO FINANCIAL STATEMENTS

31 December 2020

19. INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	8,753,730	7,956,548
Due from joint ventures (note)	215,051	5,977,648
	8,968,781	13,934,196

Note: As at 31 December 2020, all amounts due from joint ventures are unsecured, bear interest at fixed interest rates ranging from 4.69% to 7.98% (2019: ranging from 3.4% to 7.3%) per annum and mature from two to five years (2019: from two to five years).

To address the increasing land premium in public bidding, the Group started in 2016 to secure land by teaming up with resourceful joint venture partners. These joint ventures are mainly engaged in urban development projects in Shenzhen, Nanning, Shantou and Zhongshan.

Details of the Group's interests in the principal joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Shenzhen Yingrui Industrial Co., Ltd. ("Shenzhen Yingrui") (note) (深圳市盈睿實業有限公司)	Incorporated	The PRC	Registered capital RMB10,000,000	50%	—	50%	Investment holding
LN Development (STIRLING) PTE. LTD* ("LN Development")	Incorporated	Singapore	Registered capital SG\$4,000,000	51%	—	51%	Property investment
Shenzhen Yurongshun Industrial Co., Ltd. (note) (深圳市裕榮順實業有限公司)	Incorporated	The PRC	Registered capital RMB10,000,000	50%	—	50%	Investment holding
Unicorn Bay Limited ("Unicorn Bay") (麒麟灣有限公司)	Incorporated	BVI	Paid-up capital US\$50,000	50%	50%	—	Investment holding

* This entity is accounted for as a joint venture of the Group because the decisions about the relevant activities of this entity require the unanimous consent of both shareholders of this entity.

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The Group shares control in the above entities with other shareholders, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

Amounts due from joint ventures represented interest-bearing loans granted to joint ventures. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2020, the probability of default applied was 0.61% (2019: 0.65%) and the loss given default was approximately 0% (2019: ranging from 0% to 12.12%) and the expected credit loss was considered to be minimal.

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, is disclosed below:

	2020 RMB'000	2019 RMB'000
Gross amounts of LN Development		
Cash and bank balances	557,539	718,052
Current assets (excluding cash and bank balances)	4,089,758	5,121,411
Non-current assets	182	496
Trade and other payables	(106,677)	(216,318)
Non-current liabilities	(2,182,661)	(3,441,806)
Equity	2,358,141	2,181,835
Revenue	3,432,994	1,637,939
Profit for the year	271,706	127,430
Other comprehensive income	(95,400)	21,370
Total comprehensive income	176,306	148,800
Reconciled to the Group's interest in LN Development		
Gross amounts of equity of LN Development	2,358,141	2,181,835
Group's effective interest	51%	51%
Group's share of equity of LN Development	1,202,652	1,112,736
Carrying amount in the consolidated financial statements	1,202,652	1,112,736

NOTES TO FINANCIAL STATEMENTS

31 December 2020

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	2020 RMB'000	2019 RMB'000
Gross amounts of Unicorn Bay		
Cash and bank balances	52,861	30,509
Current assets (excluding cash and bank balances)	18,280,611	17,384,525
Non-current assets	165,413	199,421
Trade and other payables	(2,047,030)	(1,574,921)
Non-current liabilities	(6,403,675)	(6,411,153)
Equity	10,048,180	9,628,381
Revenue	—	—
Loss for the year	(58,830)	(33,351)
Other comprehensive loss	(3,185)	653
Total comprehensive loss	(62,015)	(32,698)
Reconciled to the Group's interest in Unicorn Bay		
Gross amounts of equity of Unicorn Bay	10,048,180	9,628,381
Group's effective interest	50%	50%
Group's share of equity of Unicorn Bay	5,024,090	4,814,191
Amount due from the joint venture	—	773,868
Carrying amount in the consolidated financial statements	5,024,090	5,588,059

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	2020 RMB'000	2019 RMB'000
Gross amounts of Shenzhen Yingrui		
Cash and bank balances	67	96
Current assets (excluding cash and bank balances)	1,161,760	1,873,730
Non-current assets	27,877	34,575
Trade and other payables	(1,561,043)	(2,236,655)
Equity	(371,339)	(328,254)
Revenue	—	—
Loss for the year	(43,085)	(171,052)
Other comprehensive loss	—	—
Total comprehensive loss	(43,085)	(171,052)
Reconciled to the Group's interest in Shenzhen Yingrui		
Gross amounts of equity of Shenzhen Yingrui	(371,323)	(328,254)
Group's effective interest	50%	50%
Group's share of equity of Shenzhen Yingrui	—	—
Amount due from the joint venture	—	1,700,000
Carrying amount in the consolidated financial statements	—	1,700,000

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of joint ventures' loss for the year, net	(128,580)	(75,747)
Share of the joint ventures' other comprehensive loss	—	—
Share of the joint ventures' total comprehensive loss	(128,580)	(75,747)
Aggregate carrying amount of the Group's investments in the joint ventures	2,742,039	5,533,401

NOTES TO FINANCIAL STATEMENTS

31 December 2020

20. INVENTORIES

	2020 RMB'000	2019 RMB'000
Construction:		
Raw materials	506,068	181,654
Property development:		
Properties held for development for sale	4,076,036	2,426,924
Properties under development for sale	84,764,336	69,368,750
Completed properties for sale	16,980,561	14,374,482
	105,820,933	86,170,156
	106,327,001	86,351,810
Properties expected to be recovered within normal operating cycle:		
Within one year	68,928,503	45,140,361
After one year	36,892,430	41,029,795
	105,820,933	86,170,156

All the completed properties for sale are stated at the lower of cost and net realisable value.

At 31 December 2020, certain of the Group's properties held for development for sale, properties under development for sale and completed properties for sale were pledged to secure certain bank and other loans granted to the Group (note 39).

Lump sum payments were made upfront to acquire the leased land from the PRC government with lease periods of 40 to 70 years, and no ongoing payments will be made under the terms of these land leases.

21. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	Notes	2020 RMB'000	2019 RMB'000
Trade receivables	(i)	1,038,943	542,621
Prepayments and other receivables		11,328,903	7,297,423
Land deposits	(ii)	6,612,431	1,688,850
Amounts due from related companies	(iii)	657,904	292,621
Amounts due from non-controlling shareholders	(iii)	3,222,589	2,023,304
Amounts due from associates	(iv)	1,837,920	3,111,895
Amounts due from joint ventures	(v)	17,994,624	15,642,361
Costs of obtaining contracts	(vi)	484,408	628,391
Derivative financial instruments:			
Senior notes redemption call options (note 27(xx))		300,030	100,328
	(vii)	43,477,752	31,327,794
Portion classified as current assets		(39,194,772)	(31,327,794)
Non-current portion		4,282,980	—

Notes:

- (i) The Group's trade receivables arise from the sale of properties, leasing of investment properties and provision of construction and decoration services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date or invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Current to 30 days	737,062	73,726
31 days to 90 days	289,126	447,875
91 to 180 days	5,134	20,280
181 to 365 days	7,621	740
	1,038,943	542,621

- (ii) The amounts represented deposits for the acquisition of land.
- (iii) The amounts due from related companies and non-controlling shareholders are unsecured, interest-free and repayable on demand.



NOTES TO FINANCIAL STATEMENTS

31 December 2020

21. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER ASSETS (CONTINUED)

Notes: (Continued)

- (iv) Except for amounts of RMB226 million (2019: RMB413 million), which are trade receivables derived from the provision of construction and decoration services by the Group to the associates, with credit period of generally six months, other amounts due from associates are unsecured, interest-free and repayable on demand.

An ageing analysis of the trade receivables from associates as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
0 to 30 days	160,205	17,515
31 to 90 days	62,871	33,699
91 to 180 days	2,140	303,319
181 to 365 days	564	—
Over 365 days	—	58,211
	225,780	412,744

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Based on the evaluation on the provision rate and gross carrying amount, the directors of the Company are of the opinion that the financial impact of ECLs in respect of these balances is considered immaterial. As at 31 December 2020 and 2019, the loss allowance for trade receivables was assessed to be minimal.

- (v) Except for the amounts of RMB4,009 million (2019: RMB4,109 million), which are trade receivables derived from the provision of construction and decoration services by the Group to the joint ventures, with credit period of generally six months, and amounts of RMB760 million as at 31 December 2019 which were unsecured, bearing interest at rates ranging from 5.70% to 7.30% per annum and repayable in 2020, other amounts due from joint ventures are unsecured, interest-free and repayable on demand.

An ageing analysis of the trade receivables from joint ventures as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
0 to 30 days	3,536,662	1,621,851
31 to 90 days	264,743	467,477
91 to 180 days	27,534	768,444
181 to 365 days	179,759	1,081,699
Over 365 days	—	169,187
	4,008,698	4,108,658

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Based on the evaluation on the provision rate and gross carrying amount, the directors of the Company are of the opinion that the financial impact of ECLs in respect of these balances is considered immaterial. As at 31 December 2020 and 2019, the loss allowance for trade receivables was assessed to be minimal.

- (vi) The amount represents prepaid agency fees in connection with the sale of properties.
- (vii) The financial assets included in the above balances relate to receivables for which there was no recent history of default. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

22. ASSETS AND LIABILITIES UNDER CROSS-BORDER GUARANTEE ARRANGEMENTS

During 2020 and 2019, the Group entered into some cross-border guarantee arrangements with certain financial institutions, whereby certain onshore funding (i.e. in the PRC) and offshore funding (i.e. in Hong Kong) have been used as a pledge against advances to offshore (i.e. in Hong Kong) and onshore (i.e. in the PRC) for the Group's general working capital.

Pursuant to these arrangements which are made in compliance with the relevant rules and regulations promulgated by the State Administration of Foreign Exchange, funds are advanced to the Group's subsidiaries in Hong Kong by depositing a certain amount of funds in the relevant financial institutions by the Group's subsidiaries in the PRC or vice versa. The net cost of such arrangements is less than 1% per annum of the total funds advanced.

	2020 RMB'000	2019 RMB'000
Assets under cross-border guarantee arrangements	4,947,191	566,140
Portion classified as current assets	(4,547,191)	(566,140)
Non-current portion	400,000	—
Liabilities under cross-border guarantee arrangements	6,077,206	921,994
Portion classified as current liabilities	(5,376,575)	(921,994)
Non-current portion	700,631	—

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. CASH AND BANK BALANCES

	2020 RMB'000	2019 RMB'000
Cash and bank balances	42,869,161	40,705,113
Portion classified as current assets	(41,039,900)	(39,724,570)
Non-current portion	1,829,261	980,543

Notes:

- (a) Included in the cash and bank balances as at 31 December 2020 are guarantee deposits of RMB5,384,690,000 (2019: RMB4,409,526,000) which are placed in designated bank accounts and can only be applied in the designated property development projects in accordance with the applicable prevailing government regulations.
- (b) Included in the cash and bank balances as at 31 December 2020 are deposits of RMB292,626,000 (2019: RMB429,920,000) pledged to banks to secure the mortgage loans granted to the property purchasers.
- (c) Included in the cash and bank balances as at 31 December 2020 are bank deposits of RMB453,787,000 (2019: RMB336,946,000) pledged to secure certain bank and other loans granted to the Group (note 39).
- (d) Included in the cash and bank balances as at 31 December 2020 are non-current non-pledged time deposits of RMB1,660,000,000 (2019: RMB711,000,000)

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB35,463,475,000 (2019: RMB33,391,551,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Non-pledged time deposits are made for varying periods of between seven days and six months depending on immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Non-current portion of non-pledged time deposits are made for varying periods of between two and five years. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND OTHER PAYABLES

	Notes	2020 RMB'000	2019 RMB'000
Trade payables	(i)	21,683,379	24,127,252
Other payables and accrued charges	(ii)	10,846,693	25,546,174
Customer deposits received		796,333	24,998
Rental and other deposits received		476,611	404,699
Proceeds from asset-backed securities	(iii)	4,045,908	3,746,901
Amounts due to non-controlling shareholders	(iv)	1,781,758	120,144
Amounts due to related companies	(v)	310,635	582,596
Amounts due to joint ventures	(vi)	9,152	1,271,164
Amounts due to associates	(vii)	512,922	342,981
		40,463,391	56,166,909

Notes:

- (i) An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Current to 30 days	5,658,896	9,532,282
31 to 90 days	5,891,352	5,381,636
91 to 180 days	2,984,200	2,723,328
181 to 365 days	3,862,533	3,084,331
Over 365 days	3,286,398	3,405,675
	21,683,379	24,127,252

The trade payables are non-interest-bearing.

- (ii) Other payables are non-interest-bearing and are expected to be settled within one year. Included in the balance as at 31 December 2020 is a dividend payable of RMB5,683,202,000 (2019: RMB5,367,887,000) to the immediate holding company.
- (iii) The balance represented proceeds, deduction of certain percentage of upfront fee, received from specific purpose entities ("SPEs") set up by financial institutions in the PRC for the issuance of asset-backed securities, to which the Group has transferred the right of receipt of the remaining sales proceeds of certain properties to be delivered by the Group. Under the assignment arrangement between the Group and the SPEs, as and when the Group receives the sales proceeds from customers, the Group would remit to the holder of the asset-backed securities any cash flows it collects on behalf of the SPEs.
- (iv) The amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand, except for amounts of RMB107,500,000 as at 31 December 2019 which bore interest at fixed interest rates ranging from 5.7% to 7.0% per annum.
- (v) The amounts due to related companies are unsecured, interest-free and repayable on demand.
- (vi) The amounts due to joint ventures are unsecured, interest-free and repayable on demand.
- (vii) The amounts due to associates are unsecured, interest-free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

25. CONTRACT LIABILITIES

Contract liabilities mainly represent sales proceeds received from buyers in connection with the Group's pre-sales of properties. Balance as at 1 January 2019 was RMB16,785 million. Contract liabilities are expected to be settled within the Group's normal operating cycle. The increase in contract liabilities during the year was mainly due to the growth of the Group's contracted sales and an amount of RMB30,681 million (2019: RMB23,393 million) recognised in relation to the acquisition of subsidiaries, partially offset by the delivery of properties in the current year.

26. BANK AND OTHER LOANS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	4.76-8.78	2021	7,452,110	4.76-8.50	2020	8,436,604
Bank loans – unsecured	3.75-6.65	2021	3,468,579	4.75-6.60	2020	2,908,737
Other loans – secured	6.18	2021	180,000	6.65-12.00	2020	2,133,200
Other loans – unsecured	9.50-9.90	2021	632,000	10.60-10.90	2020	9,700
			11,732,689			13,488,241
Non-current						
Bank loans – secured	4.76-8.80	2022-2038	16,637,534	3.06-7.98	2021-2024	8,861,268
Bank loans – unsecured	5.00-6.90	2022-2025	4,134,344	5.23-6.65	2021-2023	2,810,611
Other loans – secured	9.40	2023	2,600,000	6.65-12.00	2021	1,831,633
			23,371,878			13,503,512
			35,104,567			26,991,753

26. BANK AND OTHER LOANS (CONTINUED)

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	10,920,689	11,345,341
In the second year	5,280,242	5,125,043
In the third to fifth years, inclusive	15,294,636	6,546,836
Beyond five years	197,000	—
	31,692,567	23,017,220
Other loans repayable:		
Within one year	812,000	2,142,900
In the second year	2,600,000	1,831,633
	3,412,000	3,974,533
Portion classified as current liabilities	35,104,567	26,991,753
— based on maturity terms of the loans	(9,665,437)	(9,443,571)
— based on the accumulated pre-sales/sales amount of the property development projects and presented as other current liabilities (note 28)	(2,067,252)	(4,044,670)
Non-current liabilities	23,371,878	13,503,512

Notes:

- (a) Certain of the Group's bank and other loans are secured by the Group's equity interests in certain subsidiaries, bank deposits, land and buildings, investment properties, properties held for development for sale, properties under development for sale and completed properties for sale, details of which are disclosed in note 39 to the financial statements.
- (b) Except for certain bank and other loans of RMB5,557,038,000 (2019: RMB4,117,347,000) and RMB3,357,410,000 (2019: RMB3,807,075,000) as at 31 December 2020 which were denominated in HK\$ and Singapore dollars ("SG\$"), respectively, all of the Group's bank and other loans were denominated in RMB.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

27. SENIOR NOTES

	Effective interest rate (% per annum)	2020 RMB'000	2019 RMB'000
US\$200m Senior Notes (notes (i), (xx))	5.80	1,325,331	1,389,500
US\$450m Senior Notes (notes (ii), (xx))	5.42	2,958,417	3,129,141
US\$250m Senior Notes (notes (iii), (xx))	6.75	1,668,170	1,766,909
SG\$200m Senior Notes (notes (iv), (xx))	6.60	1,056,805	1,017,416
US\$300m Senior Notes (notes (v), (xx))	7.32	1,985,679	2,101,581
US\$100m Senior Notes (notes (vi), (xx))	7.62	661,267	697,852
US\$300m Senior Notes due 2021 (notes (vii), (xx))	8.05	2,002,128	2,118,895
US\$80m Senior Notes (notes (viii), (xx))	9.74	—	553,331
US\$370m Senior Notes (notes (ix), (xx))	9.20	—	2,574,819
US\$50m Senior Notes (notes (x), (xx))	9.45	315,080	324,114
US\$300m Senior Notes due 2022 (notes (xi), (xx))	7.78	2,004,634	2,123,224
US\$400m Senior Notes due 2023 (notes (xii), (xx))	6.76	2,675,275	2,838,873
US\$100m Senior Notes due 2024 (notes (xiii), (xx))	7.60	650,636	688,148
US\$300m Senior Notes due 2025 (notes (xiv), (xx))	5.96	1,995,736	—
US\$180m Senior Notes due 2024 (notes (xv), (xx))	5.42	1,271,017	—
US\$100m Senior Notes due 2024 (notes (xvi), (xx))	4.53	654,689	—
US\$300m Senior Notes due 2025 (notes (xvii), (xx))	5.49	1,956,350	—
US\$300m Senior Notes due 2026 (notes (xviii), (xx))	5.03	1,944,702	—
		25,125,916	21,323,803
Portion classified as current liabilities (note (xix))		(7,192,358)	(3,128,150)
Non-current portion (note (xix))		17,933,558	18,195,653
Analysed into:			
Repayable:			
Within one year		7,192,358	3,128,150
In the second year		3,826,737	7,702,653
In the third to fifth years, inclusive		12,162,119	10,493,000
Beyond five years		1,944,702	—
		25,125,916	21,323,803

27. SENIOR NOTES (CONTINUED)

Notes:

- (i) On 3 January 2017, the Company issued senior notes with a principal amount of US\$200,000,000 due in 2022 (the "US\$200m Senior Notes"). The senior notes are interest bearing at 5.75% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 3 January 2022. At any time and from time to time on or after 3 January 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (ii) On 23 May 2017, the Company issued senior notes with a principal amount of US\$450,000,000 due in 2023 (the "US\$450m Senior Notes"). The senior notes are interest bearing at 5.25% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 23 February 2023. At any time and from time to time on or after 23 May 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (iii) On 7 March 2018, the Company issued senior notes with a principal amount of US\$250,000,000 due in 2021 ("US\$250m Senior Notes"). The senior notes are interest bearing at 6.375% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 7 March 2021. At any time and from time to time on or after 7 March 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum. On 7 March 2021, the Company redeemed the US\$250m Senior Notes in full upon maturity.
- (iv) On 16 April 2018, the Company issued senior notes with a principal amount of SG\$200,000,000 due in 2021 ("SG\$200m Senior Notes"). The senior notes are interest bearing at 6.125% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 16 April 2021. At any time and from time to time on or after 16 April 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (v) On 24 April 2018, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2021 ("US\$300m Senior Notes"). The senior notes are interest bearing at 6.875% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 24 April 2021. At any time and from time to time on or after 24 April 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (vi) On 30 May 2018, the Company issued senior notes with a principal amount of US\$100,000,000 due in 2021 ("US\$100m Senior Notes"). The senior notes are consolidated and form a single series with the US\$300m Senior Notes due 2021 issued on 24 April 2018. The senior notes are interest bearing at 6.875% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 24 April 2021. At any time and from time to time on or after 24 April 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (vii) On 27 August 2018, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2021 ("US\$300m Senior Notes due 2021"). The senior notes are interest bearing at 7.5% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 27 August 2021. At any time and from time to time prior to 27 August 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (viii) On 6 December 2018, the Company issued senior notes with a principal amount of US\$80,000,000 due in 2020 ("US\$80m Senior Notes"). The senior notes are interest bearing at 6.95% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 5 June 2020. At any time and from time to time prior to 5 June 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum. In June 2020, the Company redeemed the US\$80m Senior Notes in full upon maturity.
- (ix) On 12 December 2018, the Company issued senior notes with a principal amount of US\$370,000,000 due in 2020 ("US\$370m Senior Notes"). The senior notes are interest bearing at 8.75% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 12 December 2020. At any time and from time to time prior to 12 December 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum. In December 2020, the Company redeemed the US\$370m Senior Notes in full upon maturity.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

27. SENIOR NOTES (CONTINUED)

Notes: (Continued)

- (x) On 9 January 2019, the Company issued senior notes with a principal amount of US\$50,000,000 due in 2022 ("US\$50m Senior Notes"). The senior notes are consolidated and form a single series with the US\$200m Senior Notes due in 2022 issued on 3 January 2017. The senior notes are interest bearing at 5.75% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 3 January 2022. At any time and from time to time on or after 3 January 2020, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xi) On 25 February 2019, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2022 ("US\$300m Senior Notes due 2022"). The senior notes are interest bearing at 7.50% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 25 August 2022. At any time and from time to time prior to 25 February 2021, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xii) On 16 July 2019, the Company issued senior notes with a principal amount of US\$400,000,000 due in 2023 ("US\$400m Senior Notes due 2023"). The senior notes are interest bearing at 6.50% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 16 July 2023. At any time and from time to time on or after 16 July 2021, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xiii) On 9 September 2019, the Company issued senior notes with a principal amount of US\$100,000,000 due in 2024 ("US\$100m Senior Notes due 2024"). The senior notes are interest bearing at 6.90% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 9 June 2024. At any time and from time to time on or after 9 September 2022, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xiv) On 14 January 2020, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2025 ("US\$300m Senior Notes due 2025"). The senior notes are interest bearing at 5.75% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 14 January 2025. At any time and from time to time on or after 14 January 2023, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xv) On 17 January 2020, the Company issued senior notes with a principal amount of US\$180,000,000 due in 2024 ("US\$180m Senior Notes due 2024"). The senior notes are consolidated and form a single series with the US\$100m Senior Notes due 2024 issued on 9 September 2019. The senior notes are interest bearing at 6.90% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 9 June 2024. At any time and from time to time on or after 9 September 2022, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xvii) On 17 September 2020, the Company issued senior notes with a principal amount of US\$100,000,000 due in 2024 ("US\$100m Senior Notes"). The senior notes are interest bearing at 4.25% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 17 September 2024. At any time and from time to time on or after 17 September 2023, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xvii) On 19 October 2020, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2025 ("US\$300m Senior Notes"). The senior notes are interest bearing at 5.25% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 19 October 2025. At any time and from time to time on or after 19 October 2023, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.
- (xviii) On 14 December 2020, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2026 ("US\$300m Senior Notes"). The senior notes are interest bearing at 4.85% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 14 December 2026. At any time and from time to time on or after 14 December 2024, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

27. SENIOR NOTES (CONTINUED)

Notes: (Continued)

- (xix) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.
- (xx) Redemption call options represent the fair value of the Company's options to early redeem the senior notes and are recorded as derivative financial instruments under "Trade and other receivables, prepayments and other assets" (note 21). The assumptions applied in determining the fair value of the redemption call options as at 31 December 2020 and 31 December 2019 are set out in note 44.

28. CORPORATE BONDS

	2020 RMB'000	2019 RMB'000
Corporate bonds due in 2020	—	4,490,000
Corporate bonds due in 2021	3,372,000	3,372,000
Corporate bonds due in 2022	5,026,000	8,490,000
Corporate bonds due in 2023	1,000,000	1,000,000
Corporate bonds due in 2024	5,510,000	4,010,000
Corporate bonds due in 2025	5,000,000	—
	19,908,000	21,362,000
Analysed into:		
Repayable:		
Within one year	4,372,000	12,980,000
In the second year	5,026,000	3,372,000
In the third to fifth years, inclusive	10,510,000	5,010,000
	19,908,000	21,362,000
Portion classified as non-current liabilities	(15,536,000)	(8,382,000)
Current liabilities	4,372,000	12,980,000
Bank and other loans classified as other current liabilities based on the accumulated pre-sales/sales amount/area of the property development projects (note 26)	2,067,252	4,044,670
Total other current liabilities	6,439,252	17,024,670



NOTES TO FINANCIAL STATEMENTS

31 December 2020

28. CORPORATE BONDS (CONTINUED)

Notes:

- (i) On 19 August 2015 and 27 August 2015, Shenzhen Logan Holdings Co., Ltd. ("Shenzhen Logan"), a company established in the PRC and a wholly-owned subsidiary of the Company, issued domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first and second tranches with principal amounts of RMB4,000,000,000 and RMB1,000,000,000 were fixed at 5% per annum and 4.77% per annum, respectively. The terms of the first and second tranches of corporate bonds were 5 year and 4 years. At the end of third year and second year, Shenzhen Logan shall be entitled to adjust the coupon rates of the first and second tranches of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 19 August 2018, Shenzhen Logan had adjusted the coupon rate of the first tranche of corporate bonds from 5% per annum to 7.3% per annum and the first tranche of corporate bonds with an aggregate principal amount of RMB10,000,000 was sold back to Shenzhen Logan; the first tranche of corporate bonds with a remaining principal amount of RMB3,990,000,000 was due and fully paid upon maturity in August 2020.

The second tranche of the corporate bonds with a remaining principal amount of RMB762,449,000 was due and fully paid upon maturity in August 2019.

- (ii) On 13 January 2016 and 16 May 2016, Shenzhen Logan issued non-public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first and second tranches with principal amounts of RMB2,500,000,000 and RMB500,000,000 were fixed at 5.8% per annum and 5.2% per annum, respectively. The terms of the first and second tranches of corporate bonds were 3 years and 4 years. At the end of the second year, Shenzhen Logan shall be entitled to adjust the coupon rate of the first and second tranches of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 13 January 2018, Shenzhen Logan had adjusted the coupon rate of the first tranche of corporate bonds from 5.8% per annum to 6.88% per annum and the first tranche of corporate bonds with an aggregate principal amount of RMB10,000,000 was sold back to Shenzhen Logan; the first tranche of corporate bonds with a remaining principal amount of RMB2,490,000,000 was due and fully paid upon maturity in January 2019.

On 16 May 2018, Shenzhen Logan had adjusted the coupon rate of the second tranche of corporate bonds from 5.2% per annum to 6.99% per annum. The second tranche of corporate bonds amounting to RMB500,000,000 was due and fully paid upon maturity in May 2020.

- (iii) On 25 July 2016, Shenzhen Logan issued non-public domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB3,000,000,000 was 5.15% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 25 July 2019, Shenzhen Logan had adjusted the coupon rate of corporate bonds from 5.15% per annum to 6.00% per annum and the corporate bonds with an aggregate principal amount of RMB1,028,000,000 were sold back to Shenzhen Logan; the corporate bonds with a remaining principal amount of RMB1,972,000,000 is due in July 2021 and were classified as a current liability as at 31 December 2020.

- (iv) On 21 October 2016, Shenzhen Logan issued domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,400,000,000 was 3.4% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 20 October 2019, Shenzhen Logan had adjusted the coupon rate of corporate bonds from 3.4% per annum to 5.2% per annum and the corporate bonds with a principal amount of RMB1,400,000,000 is due in October 2021 and were classified as a current liability as at 31 December 2020.

28. CORPORATE BONDS (CONTINUED)

Notes: (Continued)

- (v) On 1 February 2018, 22 March 2018, 21 May 2018 and 7 December 2018, Shenzhen Logan issued non-public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rates of the first, second, third and fourth tranches with principal amounts of RMB2,000,000,000, RMB2,000,000,000, RMB1,000,000,000 and RMB1,000,000,000 were fixed at 6.99% per annum, 7.20% per annum, 7.30% per annum and 7% per annum, respectively. The terms of all these four domestic corporate bonds were 4 years. At the end of second year, Shenzhen Logan shall be entitled to adjust the coupon rates of all these four domestic corporate bonds and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 1 February 2020, Shenzhen Logan had adjusted the coupon rate of first tranche of corporate bonds from 6.99% per annum to 5.40% per annum and the corporate bonds with an aggregate principal amount of RMB1,290,000,000 were sold back to Shenzhen Logan; the first tranche of corporate bonds with a remaining principal amount of RMB710,000,000 are due in February 2022 and were classified as a non-current liability as at 31 December 2020. On 22 March 2020, Shenzhen Logan had adjusted the coupon rate of second tranche of corporate bonds from 7.20% per annum to 4.90% per annum and the corporate bonds with an aggregate principal amount of RMB174,000,000 were sold back to Shenzhen Logan; the second tranche of corporate bonds with a remaining principal amount of RMB1,826,000,000 are due in March 2022 and were classified as a non-current liability as at 31 December 2020. On 21 May 2020, the third tranche of corporate bonds with a principal amount of RMB1,000,000,000 were fully paid before maturity. On 7 December 2020, the fourth tranche of corporate bonds with principal amount of RMB1,000,000,000 were fully paid before maturity.

- (vi) On 20 November 2018, Shenzhen Logan issued domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB2,490,000,000 was 5.98% per annum. The terms of the domestic corporate bonds were 4 years. At the end of the second year, Shenzhen Logan shall be entitled to adjust the coupon rate of domestic corporate bonds and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan.

On 20 November 2020, Shenzhen Logan had adjusted the coupon rate of corporate bonds from 5.98% per annum to 4.60% per annum. The corporate bonds were classified as a non-current liability as at 31 December 2020.

- (vii) On 19 March 2019, Shenzhen Logan issued domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,510,000,000 was 5.50% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 31 December 2020.

- (viii) On 5 August 2019, Shenzhen Logan issued two tranches of private domestic corporate bonds. The coupon rates of the first and second tranches with principal amounts of RMB500,000,000 and RMB1,000,000,000 were fixed at 6.5% per annum and 6.2% per annum, respectively. The terms of the first and second tranches of corporate bonds were 5 years and 4 years, respectively. At the end of the third year and the second year, Shenzhen Logan shall be entitled to adjust the coupon rates of the first and second tranches of corporate bonds respectively and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The first tranche of corporate bonds was classified as a non-current liability as at 31 December 2020 and the second tranche of corporate bonds was classified as a current liability as at 31 December 2020.

- (ix) On 18 November 2019, Shenzhen Logan issued public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB2,000,000,000 was 5.09% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 31 December 2020.

- (x) On 8 January 2020, Shenzhen Logan issued public domestic corporate bonds on the Shenzhen Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,000,000,000 was 4.80% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 31 December 2020.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

28. CORPORATE BONDS (CONTINUED)

Notes: (Continued)

- (xi) On 15 April 2020, Shenzhen Logan issued non-public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB1,500,000,000 was 4.69% per annum. The terms of the domestic corporate bonds were 4 years. At the end of the second year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 31 December 2020.
- (xii) On 24 July 2020, Shenzhen Logan issued public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB2,000,000,000 was 4.69% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 31 December 2020.
- (xiii) On 14 September 2020, Shenzhen Logan issued public domestic corporate bonds on the Shanghai Stock Exchange. The coupon rate of the domestic corporate bonds with a principal amount of RMB2,000,000,000 was 4.80% per annum. The terms of the domestic corporate bonds were 5 years. At the end of the third year, Shenzhen Logan shall be entitled to adjust the coupon rate, and the bond holders shall be entitled to sell back the bonds to Shenzhen Logan. The corporate bonds were classified as a non-current liability as at 31 December 2020.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000	Fair value adjustments arising from business combination RMB'000	Total RMB'000
At 1 January 2019	2,973,219	301,695	3,274,914
Charged/(credited) to profit or loss during the year	425,495	(175,592)	249,903
Acquisition of subsidiaries (note 35(b))	—	1,091,634	1,091,634
At 31 December 2019 and 1 January 2020	3,398,714	1,217,737	4,616,451
Charged/(credited) to profit or loss during the year	399,338	(485,596)	(86,258)
Acquisition of subsidiaries (note 35(b))	—	685,417	685,417
At 31 December 2020	3,798,052	1,417,558	5,215,610

29. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Unrealised profits arising from intra-group transactions RMB'000	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2019	469,613	655,501	227,117	1,352,231
Credited to profit or loss during the year	122,656	81,657	136,318	340,631
At 31 December 2019 and 1 January 2020	592,269	737,158	363,435	1,692,862
Credited to profit or loss during the year	227,886	101,096	120,946	449,928
At 31 December 2020	820,155	838,254	484,381	2,142,790

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	(1,455,960)	(914,263)
Net deferred tax liabilities recognised in the consolidated statement of financial position	4,528,780	3,837,852
	3,072,820	2,923,589

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

29. DEFERRED TAX (CONTINUED)

Deferred tax assets (Continued)

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB48,043,425,000 at 31 December 2020 (2019: RMB40,882,914,000).

In the opinion of the directors, the Group's tax losses in respect of which deferred tax assets have not been recognised was not significant as at the end of the reporting period.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

A summary of movements in the Company's issued share capital is as follows:

	2020		2019	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	5,502,860	550,286	5,490,197	549,020
Repurchase of shares	(3,746)	(375)	(19,130)	(1,913)
Issuance of shares in connection with the exercise of share options	21,017	2,102	31,793	3,179
At 31 December	5,520,131	552,013	5,502,860	550,286
RMB'000 equivalent at 31 December		436,727		435,167

Notes:

- (a) Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the fair value of the shares repurchased and cancelled of HK\$49,038,000 (equivalent to approximately RMB44,793,000) (2019: HK\$196,783,000 (equivalent to approximately RMB173,002,000)) was transferred out from share capital and share premium (2019: share capital, share premium and retained profits) during the year.
- (b) During the year, the subscription rights attached to 21,017,000 (2019: 31,792,700) share options were exercised at the subscription price of HK\$2.340 and HK\$7.430 (2019: HK\$2.340) per share, resulting in the issue of an aggregate of 21,017,000 shares for a total cash consideration of HK\$54,202,000 (equivalent to approximately RMB48,905,000) (2019: HK\$74,395,000 (equivalent to approximately RMB63,007,000)) before expenses. An amount of HK\$21,998,000 (equivalent to approximately RMB20,030,000) (2019: HK\$33,486,000 (equivalent to approximately RMB29,823,000)) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Share options

Details of the Company's share option scheme are included in note 31 to the consolidated financial statements.

31. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Share option scheme

The Company operates a share option scheme (the “Share Option Scheme”) which was adopted by an ordinary resolution of the shareholders of the Company on 18 November 2013. Full-time and part-time employees, executives, officers or directors (including independent non-executive directors) of the Group and any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group are included in the eligible participants under the Scheme. The maximum number of shares may be granted is 10% of the shares in issue immediately upon completion of the Global offering. Each participant cannot be entitled to more than 0.1% of the total number of shares in issue in any 12-month period unless approval from the independent non-executive directors of the Company is obtained. The option shall expire, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Share Option Scheme.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to directors, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share option is determinable by the directors, but should not be less than the highest of (i) the official closing price of the shares of the Company as stated in the Stock Exchange daily quotation sheet on the date of grant of the share options; (ii) the average official closing price of the shares of the Company as stated in the Stock Exchange for the five business days immediately preceding the date of the offer; and (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholder’s meetings.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

31. SHARE OPTION SCHEME AND SHARE AWARD SCHEME
(CONTINUED)

Share option scheme (Continued)

The following share options were outstanding under the Share Option Scheme during the year:

	2020		2019	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At beginning of year	7.81	174,928,000	6.78	216,718,000
Granted during the year	13.08	5,565,000	12.64	10,500,000
Lapsed during the year	7.87	(20,368,000)	3.53	(5,174,800)
Forfeited or expired during the year	5.87	(32,596,000)	9.34	(15,322,500)
Exercised during the year	2.48	(21,017,000)	2.34	(31,792,700)
At 31 December	9.72	106,512,000	7.81	174,928,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2020 Number of options	2019 Number of options	Exercise price HK\$	Exercise period
5,565,000	—	13.08	6/12/2023 — 6/12/2030
1,895,250	4,215,250	12.64	6/28/2022 — 6/28/2029
4,585,250	5,608,250	12.64	6/28/2023 — 6/28/2029
8,258,500	9,763,000	7.64	10/22/2021 — 10/22/2028
3,492,000	10,801,000	7.64	10/22/2022 — 10/22/2028
9,087,000	10,801,000	7.64	10/22/2023 — 10/22/2028
11,475,666	13,254,666	12.5	6/8/2021 — 6/8/2028
11,475,667	13,254,667	12.5	6/8/2023 — 6/8/2028
11,475,667	13,254,667	12.5	6/8/2024 — 6/8/2028
8,172,000	14,040,000	7.43	8/25/2020 — 8/25/2027
13,161,000	14,040,000	7.43	8/25/2021 — 8/25/2027
4,708,000	14,040,000	7.43	8/25/2022 — 8/25/2027
13,161,000	14,040,000	7.43	8/25/2023 — 8/25/2027
—	1,073,000	2.34	5/29/2016 — 5/28/2020
—	5,321,000	2.34	5/29/2017 — 5/28/2020
—	15,585,000	2.34	5/29/2018 — 5/28/2020
—	15,836,500	2.34	5/29/2019 — 5/28/2020
106,512,000	174,928,000		

31. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (CONTINUED)

Share option scheme (Continued)

The fair value of the share options granted during the year was HK\$13,300,000 (equivalent to RMB11,194,000) (HK\$2.39 each) (2019: HK\$23,468,000 (equivalent to RMB21,022,000)), of which the Group recognised a share option expense of HK\$4,433,000 (equivalent to RMB3,747,000) (2019: HK\$2,801,000 (equivalent to RMB2,509,000)) during the year.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted and the following table lists the major inputs used:

	2020	2019
Dividend yield (%)	7%	7%
Expected volatility (%)	38%	37%
Risk-free interest rate (%)	0.53%	1.46%
Exit rates of the grantees of the options granted under the Scheme (%)	25%	20%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 106,512,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of additional ordinary shares of the Company and additional share capital of HK\$10,651,000 (equivalent to RMB8,964,000) and share premium of HK\$1,024,645,000 (equivalent to RMB862,383,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 105,976,000 share options outstanding under the Share Option Scheme, which represented approximately 2% of the Company's shares in issue as at that date.

Share award scheme

The Company operates a share award scheme (the "Share Award Scheme") which was adopted by an ordinary resolution of the shareholders of the Company on 13 May 2020. Unless otherwise cancelled or amended, the Share Award Scheme will remain valid and effective for 15 years from the date of adoption. The specific objectives of the Share Award Scheme are (i) to promote the effective realisation of the medium and long-term performance growth targets of the Group; (ii) to promote the long-term sustained growth in the shareholder value of the Group; and (iii) to attract outstanding talents in the industry and to motivate and retain outstanding key talents of the Group with rewards and incentives.



NOTES TO FINANCIAL STATEMENTS

31 December 2020

31. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (CONTINUED)

Share award scheme (Continued)

The Share Award Scheme is operated by an independent trustee which holds the shares in trust for the selected participants, until the shares become vested. The shares to be awarded under the Share Award Scheme will be acquired by the trustee from the open market. The shares granted will be vested in the proportions and on the dates as set out in the relevant letters of grant issued by the Company. Vested shares will be transferred to the selected participants at no cost save that transaction fees and expenses will be payable by the selected participants as transferees.

As at 31 December 2020, the number of the Company's shares held under the share award scheme account is 72,974,000. None of the shares purchased has been awarded under the Share Award Scheme.

32. PERPETUAL CAPITAL SECURITIES

On 31 May 2017, the Company issued perpetual capital securities with a principal amount of US\$350,000,000 (equivalent to approximately RMB2,363,346,000).

The securities confer the holders a right to receive distributions at the applicable distribution rate of 7% per annum from and including 31 May 2017, payable semi-annually on 31 May and 30 November of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. Unless and until the Company satisfies in full all outstanding arrears of distribution and any additional distribution amount, the Company shall not declare or pay any dividends, distributions or make payment on, and will procure that no dividend or other payment is made on or redeem, reduce, cancel, buy-back or acquire for any consideration any share capital thereof. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the directors, 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 of the Company.

33. RESERVES

(i) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 3.

(iii) PRC statutory reserves

PRC statutory reserves include the general reserve, statutory surplus reserve and statutory reserve fund.

General reserve

The general reserve is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

33. RESERVES (CONTINUED)

(iii) PRC statutory reserves (Continued)

Statutory surplus reserve

According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option scheme.

The share options lapsed due to the resignation of certain mid-level managers. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the related share-based compensation reserve is transferred to retained profits.

34. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

The following table lists out the information relating to Sino Triumph, Silver Maple and Shenzhen Minghuida, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Sino Triumph	Silver Maple	Shenzhen Minghuida	Foshan Junshen	Heyuan Meiping	Huizhou Dongzhen*
	2020 RMB'000	2020 RMB'000	2020 RMB'000	2019 RMB'000	2019 RMB'000	2019 RMB'000
NCI percentage	70%	70%	70%	50%	25%	18%
Current assets	2,980,750	2,889,275	2,292,524	4,173,827	3,612,694	8,221,668
Non-current assets	530,669	415,854	322,379	189	267	5,160,025
Current liabilities	(778,787)	(289,088)	(5,310)	(570,866)	(785,709)	(6,034,192)
Non-current liabilities	—	—	—	—	—	(461,735)
Net assets	2,732,632	3,016,041	2,609,593	3,603,150	2,827,252	6,885,766
Carrying amount of NCI	2,628,463 [#]	2,907,945 [#]	2,599,715 [#]	1,800,751	2,000,000 [#]	1,516,705 [#]
Revenue	5,791	634	—	—	—	4,294,839
Profit/(loss) for the year	1,539	(9,606)	(408)	(14,196)	(34,055)	798,608
Total comprehensive income/(loss)	1,539	(9,606)	(408)	(14,196)	(34,055)	798,608
(Loss)/profit allocated to NCI	—	(4,959)	(7,098)	—	16,705	—
Cash (outflow)/inflow from operating activities	—	276,145	(2,287,619)	(1,812,704)	238,271	996,205
Cash outflow from investing activities	(2,376,789)	(276,570)	(322,379)	—	(297)	—
Cash inflow from financing activities	2,628,463	2,912,903	2,610,000	1,810,000	2,000,000	1,582,000

* These subsidiaries have no non-controlling interests as at 31 December 2020.

The net assets attributable to NCI is the sum of the capital injection plus the share of profit or loss of the relevant projects.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

35. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of subsidiaries that are not a business

(i) Year ended 31 December 2020

During the year ended 31 December 2020, the Group acquired certain assets through acquisition of Beyond Force Company Limited (“Beyond Force”) and certain companies included in others mentioned below from independent third parties, acquisition of Foshan Nanhai Anfengcang Property Management Co., Ltd. (“Foshan Anfengcang”), Zhongshan Guangxing Footwear Co., Ltd. (“Zhongshan Guangxing Footwear”), Shenzhen Longrong Investment Co., Ltd (“Shenzhen Longrong”) and certain companies included in others mentioned below from certain joint ventures of the Group. Upon the completion of acquisitions, the acquired companies became wholly-owned subsidiaries of the Group, except for certain companies included in others below being a non-wholly-owned subsidiary. The following table summarises the financial information in relation to the acquisition of subsidiaries. Among subsidiaries acquired in the current year, certain subsidiaries were acquired from joint ventures at an aggregate consideration of RMB713 million.

	Foshan Anfengcang RMB'000	Zhongshan Guangxing Footwear RMB'000	Shenzhen Longrong RMB'000	Beyond Force RMB'000	Others RMB'000	Total RMB'000
Other property, plant and equipment	—	—	—	—	13,702	13,702
Inventories	165,187	184,447	670,693	434,173	449,587	1,904,087
Trade and other receivables, prepayments and other assets	16	38	3,276	114,048	393,672	511,050
Tax recoverable	5,645	11	369	—	180	6,205
Cash and bank balances	537	360	54,551	1,778	71,396	128,622
Trade and other payables	(7,775)	(8,856)	(474,889)	(307,287)	(448,252)	(1,247,059)
Tax payables	—	—	—	(712)	(1)	(713)
Bank and other loans	—	—	(254,000)	—	—	(254,000)
Total identifiable net assets	163,610	176,000	—	242,000	480,284	1,061,894
Non-controlling interests	—	—	—	—	55	55
	163,610	176,000	—	242,000	480,339	1,061,949
Satisfied by:						
Cash consideration	—	176,000	—	—	283,334	459,334
Consideration payable included in trade and other payables	163,610	—	—	242,000	112,960	518,570
Reclassification from pre-existing interest in joint ventures and an associate to investment in a subsidiary	—	—	—	—	84,045	84,045
	163,610	176,000	—	242,000	480,339	1,061,949

35. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of subsidiaries that are not a business (Continued)

(i) Year ended 31 December 2020 (Continued)

An analysis of the cash flows in respect of the above acquisitions is as follows:

	Foshan Anfengcang RMB'000	Zhongshan Guangxing Footwear RMB'000	Shenzhen Longrong RMB'000	Beyond Force RMB'000	Others RMB'000	Total RMB'000
Cash consideration paid	—	(176,000)	—	—	(283,334)	(459,334)
Cash and cash equivalents acquired	537	360	54,551	1,778,228	71,396	128,622
Net outflow of cash and cash equivalents included in cash flows from investing activities	537	(175,640)	54,551	1,778,228	(211,938)	(330,712)

(ii) Year ended 31 December 2019

During the year ended 31 December 2019, the Group acquired 100% equity interests in certain assets through acquisition of Huizhou Dejie from an independent third party and joint venture of the Group and acquired the remaining 50% equity interests in assets from joint ventures of the Group. Upon the completion of acquisitions, the acquired companies became wholly-owned subsidiaries of the Group. The following table summarises the financial information in relation to the acquisition of subsidiaries.

	Huizhou Dejie RMB'000	Runjing Printing RMB'000	Others RMB'000	Total RMB'000
Other property, plant and equipment	4,369	12,190	8,594	25,153
Inventories	1,206,810	1,890,185	489,745	3,586,740
Other receivables	112,326	674	751	113,751
Tax recoverable	368	106	1,166	1,640
Cash and bank balances	402	2,501	7,950	10,853
Trade and other payables	(98,275)	(5,656)	(438,206)	(542,137)
	1,226,000	1,900,000	70,000	3,196,000
Satisfied by:				
Cash consideration	1,226,000	1,900,000	70,000	3,196,000

NOTES TO FINANCIAL STATEMENTS
31 December 2020

35. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of subsidiaries that are not a business (Continued)

(ii) Year ended 31 December 2019 (Continued)

An analysis of the cash flows in respect of the above acquisitions is as follows:

	Huizhou Dejie RMB'000	Runjing Printing RMB'000	Others RMB'000	Total RMB'000
Cash consideration paid	(1,226,000)	(1,900,000)	(70,000)	(3,196,000)
Cash and bank balances acquired	402	2,501	7,950	10,853
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,225,598)	(1,897,499)	(62,050)	(3,185,147)

(b) Acquisition of subsidiaries that are a business

(i) Year ended 31 December 2020

During the year ended 31 December 2020, the Group entered into equity transfer agreements with certain joint ventures for the acquisition of 72.89% of equity interest of Zhuhai Hengqin and 50% of Dongguan Junyu and entire equity interest of Zhuhai Shunxing and acquired 33% of Zhongshan Tongan from third parties. Upon completion of the acquisitions, the acquired companies became wholly-owned subsidiaries of the Group, except for Zhuhai Hengqin, Zhongshan Tongan and certain companies included in others below being non-wholly-owned subsidiaries. These acquired companies are principally engaged in the business of property development and property investment in the PRC.

35. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of subsidiaries that are a business (Continued)

(i) Year ended 31 December 2020 (Continued)

The fair values of the identifiable assets and liabilities of the above transactions as at the date of acquisition were as follows:

	Notes	Zhuhai	Dongguan	Zhongshan	Zhuhai	Others	Total
		Hengqin	Junyu	Tongan	Shunxing		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other property, plant and equipment	15	257	540	413	310	1,846	3,366
Investment properties	16	—	—	—	—	199,968	199,968
Inventories		2,825,594	1,699,556	982,109	2,892,089	24,269,302	32,668,650
Trade and other receivables, prepayments and other assets		308,604	1,754	869,046	43,707	3,518,856	4,741,967
Tax recoverable		326,949	75,554	87,934	48,013	2,000,765	2,539,215
Cash and bank balances		1,169,544	599,949	388,795	118,729	9,377,620	11,654,637
Trade and other payables		(195,297)	(92,726)	(102,374)	(967,314)	(7,385,292)	(8,743,003)
Contract liabilities		(2,570,785)	(892,301)	(1,564,103)	(528,414)	(25,125,240)	(30,680,843)
Deferred tax liabilities	29	(208,972)	(4,990)	(66,557)	(197,120)	(207,778)	(685,417)
Bank and other loans		(583,334)	(494,000)	(120,000)	(607,000)	(5,586,420)	(7,390,754)
Total identifiable net assets at fair value		1,072,560	893,336	475,263	803,000	1,063,627	4,307,786
Non-controlling interests		(177,056)	—	(214,763)	—	(428,226)	(820,045)
Gains on bargain purchase		—	—	—	—	(38,146)	(38,146)
Total consideration		895,504	893,336	260,500	803,000	597,255	3,449,595
Satisfied by:							
Cash consideration		895,504	455,000	—	803,000	307,400	2,460,904
Consideration payable included in trade and other payables		—	—	260,500	—	289,855	550,355
Reclassification from pre-existing interest in joint ventures and an associate to investment in a subsidiary		—	438,336	—	—	—	438,336
		895,504	893,336	260,500	803,000	597,255	3,449,595



35. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of subsidiaries that are a business (Continued)

(i) Year ended 31 December 2020 (Continued)

An analysis of the cash flows in respect of the acquisitions is as follows:

	RMB'000
Cash consideration paid	(2,460,904)
Cash and bank balances acquired	11,654,637
Net inflow of cash and bank balances included in cash flows from investing activities	9,193,733

The fair value of the other receivables as at the date of the acquisition amounted to RMB4,767,442,000. The gross contractual amount of other receivables was RMB4,767,442,000, of which nil is expected to be uncollectible.

Since the acquisitions, the subsidiaries acquired during the year contributed RMB22,298,066,000 to the Group's revenue and RMB2,707,117,000 to the consolidated profit for the year.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB71,327,966,000 and RMB13,154,564,000 respectively.

(ii) Year ended 31 December 2019

In March 2019, the Group entered into equity transfer agreements with an associate partner and certain joint ventures for the acquisitions of 50% equity interest in Shenzhen Kaifung and entire equity interest in the companies set out below. Upon completion of the acquisitions, the acquired companies became wholly-owned subsidiaries of the Group. These acquired companies are principally engaged in the business of property development and property investment in the PRC.

35. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of subsidiaries that are a business (Continued)

(ii) Year ended 31 December 2019 (Continued)

The fair values of the identifiable assets and liabilities of the above transactions as at the date of acquisition were as follows:

	Notes	Shenzhen	Nanning	Heyuan	Nanning	Others	Total
		Kaifung RMB'000	Hengliang RMB'000	Meiping RMB'000	Yaotai RMB'000		
Investment properties	16	4,257,550	–	–	–	1,326,506	5,584,056
Other property, plant and equipment	15	1,317	95	85	1,568	684,539	687,604
Inventories		14,924,063	2,481,140	3,430,005	2,649,597	7,145,335	30,630,140
Trade and other receivables, prepayments and other assets		103,425	83,457	72,258	83,500	3,005,855	3,348,495
Tax recoverable		698,186	165,112	22,016	274,548	798,932	1,958,794
Cash and bank balances		1,382,052	1,190,949	99,622	2,482,137	4,176,033	9,330,793
Trade and other payables		(6,231,977)	(955,466)	(140,111)	(217,724)	(3,786,749)	(11,332,027)
Contract liabilities		(8,047,606)	(2,276,394)	(327,687)	(3,979,185)	(8,761,735)	(23,392,607)
Deferred tax liabilities	29	(202,857)	(16,789)	(575,892)	(21,294)	(274,802)	(1,091,634)
Bank and other loans		(6,390,000)	(664,800)	–	(1,260,768)	(3,389,100)	(11,704,668)
Total identifiable net assets at fair value		494,153	7,304	2,580,296	12,379	924,814	4,018,946
Gains on bargain purchase		(239,577)	2,696	(296)	3,811	(117,950)	(351,316)
Gain on remeasurement of pre-existing interests in joint ventures and an associate		(239,514)	–	–	(6,190)	(645)	(246,349)
Total consideration		15,062	10,000	2,580,000	10,000	806,219	3,421,281
Satisfied by:							
Cash consideration		7,500	10,000	2,580,000	–	796,219	3,393,719
Consideration payable included in trade and other payables		–	–	–	10,000	10,000	20,000
Reclassification from pre-existing interest in joint ventures and an associate to investment in a subsidiary		7,562	–	–	–	–	7,562
		15,062	10,000	2,580,000	10,000	806,219	3,421,281



NOTES TO FINANCIAL STATEMENTS

31 December 2020

35. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)**(b) Acquisition of subsidiaries that are a business (Continued)****(ii) Year ended 31 December 2019 (Continued)**

An analysis of the cash flows in respect of the acquisitions is as follows:

	RMB'000
Cash consideration paid	(3,393,719)
Cash and bank balances acquired	9,330,793
Net inflow of cash and bank balances included in cash flows from investing activities	5,937,074

The fair value of the other receivables as at the date of the acquisition amounted to RMB3,079,719,000. The gross contractual amount of other receivables was RMB3,079,719,000, of which nil is expected to be uncollectible.

Since the acquisitions, the subsidiaries acquired during the year contributed RMB15,505,795,000 to the Group's revenue and RMB2,115,740,000 to the consolidated profit for the year.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB57,480,418,000 and RMB11,380,563,000, respectively.

36. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

The effect of such disposals on the Group's assets and liabilities is set out below:

	Note	2020 RMB'000
Net assets disposed of:		
Other property, plant and equipment	15	35
Inventories		382,056
Trade and other receivables, prepayments and other assets		104,493
Tax recoverable		43,966
Cash and cash equivalents		2,274,831
Trade and other payables		(1,178,515)
Bank and other loans		(1,315,500)
Net assets attributable to the Group disposed of		311,366
Gain on disposal of subsidiaries, net		637
Total consideration		312,003

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2020 RMB'000
Cash consideration received	312,003
Cash and cash equivalents disposed of	(2,274,831)
Net cash outflow arising from disposal	(1,962,828)



NOTES TO FINANCIAL STATEMENTS

31 December 2020

36. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Deemed disposal of subsidiaries

The effect of such disposals on the Group's assets and liabilities is set out below:

	Note	2020 RMB'000	2019 RMB'000
Net assets disposed of:			
Other property, plant and equipment	15	1,877	666
Inventories		20,990,570	15,989,773
Trade and other receivables, prepayments and other assets		648,157	715,190
Tax recoverable		235,528	120,713
Cash and cash equivalents		2,777,705	1,840,973
Trade and other payables		(19,459,861)	(14,758,685)
Bank and other loans		(4,951,000)	(3,830,000)
Net assets attributable to the Group disposed of		242,976	78,630
Gain on deemed disposal of subsidiaries, net		39,848	89,913
Reclassification to investments in joint ventures at fair value at date of deemed disposal		282,824	168,543

An analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries is as follows:

	2020 RMB'000	2019 RMB'000
Cash and bank balances deconsolidated and outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries	(2,777,705)	(1,840,973)

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, the Group, a joint venture and a non-controlling shareholder entered into a three-party agreement, pursuant to which the payable amounting to RMB3,960,000,000 due by the Group to the non-controlling shareholder was offset against the Group's receivable due from the joint venture.

(b) Changes in liabilities arising from financing activities

	Interest payables included in trade and other payables		Dividend payable included in trade and other payables		Corporate bonds	Liabilities under cross-border guarantee arrangements	Amounts due to non-controlling shareholders/ former non-controlling shareholders included in trade and other payables	Amounts due to joint ventures and associates included in trade and other payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000			RMB'000	RMB'000	
At 1 January 2020	751,333	26,991,753	21,323,803	5,367,887	21,362,000	921,994	10,370,144	1,614,145	88,703,059
Changes from financing cash flows	–	7,390,605	5,064,830	(4,060,139)	(1,454,000)	5,332,376	(8,962,436)	(614,625)	2,696,611
Foreign exchange movement	–	(656,045)	(1,507,232)	–	–	(177,164)	–	–	(2,340,441)
Interest expense	2,915,855	–	1,887,659	–	–	–	–	–	4,803,514
Interest paid	(2,684,873)	–	(1,643,144)	–	–	–	–	–	(4,328,017)
Acquisition of subsidiaries	–	7,644,754	–	–	–	–	374,050	(477,446)	7,541,358
Disposal of subsidiaries	–	(1,315,500)	–	–	–	–	–	–	(1,315,500)
Deemed disposal of subsidiaries	–	(4,951,000)	–	–	–	–	–	–	(4,951,000)
Dividends declared	–	–	–	4,375,454	–	–	–	–	4,375,454
At 31 December 2020	982,315	35,104,567	25,125,916	5,663,202	19,908,000	6,077,206	1,761,758	522,074	95,185,038
At 1 January 2019	700,292	21,544,062	16,764,667	2,247,453	20,632,449	3,041,568	10,684,550	15,381,635	90,996,676
Changes from financing cash flows	–	(2,782,050)	3,865,756	(979,211)	729,551	(2,119,574)	(4,741,577)	(3,750,914)	(9,778,019)
Changes from non-financing cash flows	–	–	–	–	–	–	–	(7,542,163)	(7,542,163)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	4,427,171	–	4,427,171
Foreign exchange movement	–	188,247	496,303	–	–	–	–	–	684,550
Interest expense	2,914,562	166,826	1,433,320	–	–	–	–	–	4,514,708
Interest paid	(2,863,521)	–	(1,236,243)	–	–	–	–	–	(4,099,764)
Acquisition of subsidiaries	–	11,704,668	–	–	–	–	–	(2,474,413)	9,230,255
Deemed disposal of subsidiaries	–	(3,830,000)	–	–	–	–	–	–	(3,830,000)
Dividends declared	–	–	–	4,099,645	–	–	–	–	4,099,645
At 31 December 2019	751,333	26,991,753	21,323,803	5,367,887	21,362,000	921,994	10,370,144	1,614,145	88,703,059

NOTES TO FINANCIAL STATEMENTS

31 December 2020

38. FINANCIAL GUARANTEES

At the end of the reporting period, the Group had the following financial guarantees:

	2020 RMB'000	2019 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes (i) and (ii))	38,446,624	36,322,302
Guarantees given to banks and other lenders in connection with credit facilities granted to joint ventures and associates, net of counter-guarantees from joint venture partners	5,935,273	7,695,074
Add: Counter-guarantees provided by joint venture partners to the Group	198,750	1,341,370
Guarantees given to banks and other lenders in connection with credit facilities granted to joint ventures and associates provided by the Group (note (iii))	6,134,023	9,036,444
Guarantees given to banks in connection with credit facilities granted to third parties	433,500	—
Counter-indemnities for guarantees issued in respect of various obligations of the Group (note (iv))	799,000	—
	45,813,147	45,358,746

The Group does not hold any collateral or other credit enhancements over the guarantees. The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor. The amount initially recognised represents the fair value at initial recognition of the financial guarantees.

Notes:

- (i) As at 31 December 2020, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction banks, net of any auction proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

38. FINANCIAL GUARANTEES (CONTINUED)

Notes: (Continued)

- (ii) The fair value of the guarantees at initial recognition and the ECL allowance are not significant as the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties.
- (iii) As at 31 December 2020, the Group provided guarantees to the extent of RMB6,134,023,000 (2019: RMB9,036,444,000) in respect of credit facilities granted to the joint ventures and associates. In addition, as at 31 December 2020, the joint venture partners entered into counter-guarantee agreements with the Group, pursuant to which the joint venture partners provided counter-guarantees to the Group in proportion to those joint venture partners' respective interests in the joint ventures in respect of guarantees provided by the Group to the banks and other lenders on behalf of the joint venture partners. In the event of default on payment by the joint ventures, the Group is responsible for repaying the outstanding loan principals together with the accrued interest and penalties owed by the joint ventures, and the Group has the right to recover from the joint venture partners the attributable portion of liabilities paid pursuant to the counter-guarantee agreements.
- In the opinion of the directors, the fair value of the guarantees at initial recognition and the ECL allowance are not significant.
- (iv) As at 31 December 2020, the Group provided counter-indemnities to certain banks or financial institutions for guarantees issued in respect of various obligations of the Group.

39. PLEDGE OF ASSETS

At the end of the reporting period, the Group's equity interests in certain subsidiaries and the following assets of the Group were pledged to secure certain bank and other loans granted to the Group:

	Notes	2020 RMB'000	2019 RMB'000
Bank deposits	23	453,787	336,946
Other property, plant and equipment	15	—	681,860
Investment properties	16	900,000	2,330,407
Properties held for development for sale	20	660,040	—
Properties under development for sale	20	30,443,227	16,951,354
Completed properties for sale	20	3,731,872	1,659,653
		36,188,926	21,960,220

40. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for	17,832,312	16,462,461

NOTES TO FINANCIAL STATEMENTS

31 December 2020

41. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2020 RMB'000	2019 RMB'000
Construction contracts income from related companies	(i)	358,982	418,085
Construction contracts income from joint ventures	(ii)	7,759,816	9,295,618
Construction contracts income from associates	(ii)	175,629	894,220
Project management service income from joint ventures	(ii)	559,549	508,436
Project management service income from associates	(ii)	3,052	3,372
Project management service income from related companies	(i)	1,124	4,576
Decoration income from related companies	(i)	18,271	2,441
Decoration income from joint ventures	(ii)	1,099,629	184,736
Decoration income from associates	(ii)	107,454	325,816
Design service income from related companies	(i)	2,297	2,798
Design service income from joint ventures	(ii)	87,532	136,782
Design service income from associates	(ii)	2,637	7,297
Rental income from related companies	(iii)	30,973	4,777
Rental income from joint ventures	(iii)	1,608	432
Interest income from joint ventures	(iv)	1,257,184	763,153
Interest income from associates	(iv)	116,709	197,870
Consultancy fee to a joint venture	(v)	—	88,000
Property management expenses to related companies	(vi)	243,626	—

Notes:

- (i) The income was derived from the construction, project management, decoration and design services provided to related companies controlled by Mr. Kei at rates similar to the terms and conditions set out in the contracts entered into with the other major customers of the Group.
- (ii) The income represented the gross income derived from the construction, project management, decoration and design services provided to joint ventures and associates, which are before the elimination of relevant income between the Group and joint ventures or associates, at rates similar to the terms and conditions set out in the contracts entered into with the other major customers of the Group.
- (iii) The income was derived from the leasing of the Group's investment properties to related companies controlled by Mr. Kei, joint ventures and associates at rates similar to the terms and conditions set out in the rental agreements entered into with the other tenants of the Group.
- (iv) This represented the gross interest income from the joint ventures and associates, which is before the elimination of interest between the Group and joint ventures or associates. The Group has been providing funds to joint ventures and associates.
- (v) This represented the consultancy fee for the services on urban redevelopment business provided by a joint venture to the Group in prior year at a rate determined in accordance with the terms and conditions set out in the contract entered into with the relevant party.
- (vi) This represented the property management service provided by related companies controlled by Mr. Kei to the Group at rates determined in accordance with the terms and conditions set out in the agreements entered into with the relevant parties.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) Remuneration to key management personnel includes amounts paid to the directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11.

Transactions in connection with construction contracts income, project management service income, decoration income and design service income from related companies and property management expenses to related companies above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. FINANCIAL INSTRUMENTS BY CATEGORY

Except for the derivative financial instruments, which are classified as financial assets at fair value through profit or loss, other financial assets and financial liabilities of the Group as at 31 December 2020 and 2019 were financial assets at amortised cost, and financial liabilities at amortised cost, respectively.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than derivative financial instruments, and senior notes and corporate bonds, reasonably approximate to their fair values.

Management has assessed that the fair values of cash and bank deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, the current portion of bank and other loans, amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

For the Group's assets and liabilities not measured at fair value in the consolidated statement of financial position but for which the fair value is disclosed, (i) non-current portion of non-pledged time deposits (ii) the carrying amounts of the amounts due from joint ventures and associates included in investments in joint ventures and associates, bank and other loans and assets and liabilities under cross-border guarantee arrangements approximated to their fair values and were determined as Level 3; (iii) the fair values of the senior notes and certain corporate bonds were RMB26,283,550,000 with carrying amount of RMB25,125,916,000 and RMB12,473,242,000 with carrying amount of RMB12,400,000,000, respectively (2019: RMB22,214,115,000 with carrying amount of RMB21,323,803,000 and RMB11,570,684,000 with carrying amount of RMB11,390,000,000, respectively), and were determined as Level 1; and (iv) the fair values of the remaining corporate bonds were RMB7,562,629,000 with carrying amount of RMB7,508,000,000 (2019: RMB10,031,752,000 with carrying amount of RMB9,972,000,000), and were determined as Level 2.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of bank deposits, bank and other loans and corporate bonds and assets and liabilities under cross-border guarantee arrangements have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of the senior notes and corporate bonds are calculated with reference to quoted market prices at the reporting date. The changes in fair value as a result of the Group's own non-performance risk for bank and other loans as at 31 December 2020 and 2019 were assessed to be insignificant.

Derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of derivative financial instruments are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes redemption call options	—	—	300,030	300,030

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Senior notes redemption call options	—	—	100,328	100,328

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets measured at fair value: (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 RMB'000	2019 RMB'000
Senior notes redemption call options		
At 1 January	100,328	65,548
Total gains recognised in statement of profit or loss	218,400	32,683
Exchange realignment	(18,698)	2,097
At 31 December	300,030	100,328

Below is a summary of the valuation techniques used and the key inputs to the valuation of senior note redemption call options:

	Valuation techniques	Significant unobservable inputs	Range	
			2020	2019
Senior note redemption call options	Residual method	Risk free rate	0.043% to 0.498%	1.450% to 1.700%
		Option adjusted spread	1.750% to 4.129%	2.916% to 4.720%
		Discount rate	1.808% to 4.542%	4.494% to 6.390%

The fair values of derivative financial instruments are determined using the residual method by subtracting the fair value of the straight debt from the quoted market price of the notes at the date of valuation. The fair value measurement is negatively correlated to risk free rate, option adjusted spread and discount rate.

The Group did not have any financial liabilities measured at fair values as at 31 December 2020 and 2019.

During the year, there were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 for both financial assets and financial liabilities (2019: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank and other loans and senior notes and corporate bonds, amounts due from/to related parties, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group's accounting policies related to derivatives are set out in note 3 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in the PRC at the same savings rate of unrestricted deposits throughout the year. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank and other loans with floating interest rates.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2020		
RMB	1%	(165,824)
HK\$	1%	(66,705)
US\$	1%	(1,257)
SG\$	1%	(37,147)
RMB	(1%)	165,824
HK\$	(1%)	66,705
US\$	(1%)	1,257
SG\$	(1%)	37,147
2019		
RMB	1%	(130,165)
HK\$	1%	(46,212)
US\$	1%	(4,182)
SG\$	1%	(38,071)
RMB	(1%)	130,165
HK\$	(1%)	46,212
US\$	(1%)	4,182
SG\$	(1%)	38,071

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of China to pay capital account items, such as the repayment of bank and other loans denominated in foreign currencies.

The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries' ability to obtain required foreign currency through debt or equity financing, including by means of loans or capital contributions from the shareholders.

All the revenue-generating operations of the Group are transacted in RMB. The majority of the Group's assets and liabilities are denominated in RMB except for the Company and certain investment holding companies within the Group operating in Hong Kong and Singapore, in which bank and other loans, senior notes and other receivables were denominated either in HK\$ and SG\$, respectively. The fluctuation of exchange rates of RMB and HK\$ against other foreign currencies will not have a material adverse effect on the operating results of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates against HK\$, US\$ and SG\$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax RMB'000
2020		
If HK\$ weakens against RMB	(5%)	(30,618)
If HK\$ strengthens against RMB	5%	30,618
If SG\$ weakens against HK\$	(5%)	52,840
If SG\$ strengthens against HK\$	5%	(52,840)
2019		
If HK\$ weakens against RMB	(5%)	(283,176)
If HK\$ strengthens against RMB	5%	283,176
If SG\$ weakens against HK\$	(5%)	56,789
If SG\$ strengthens against HK\$	5%	(56,789)



NOTES TO FINANCIAL STATEMENTS

31 December 2020

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. There is no significant concentration of credit risk within the Group.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 38.

The credit risk of the Group's other financial assets, which mainly comprise investments in associates, investments in joint ventures, cash and short term deposits, other receivables and amounts due from related parties, joint ventures and associates, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The credit risk of the Group's trade receivables, other receivables, amounts due from related parties, non-controlling shareholders, joint ventures and associates, assets under cross-border guarantee arrangements, cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Except for trade receivables which apply the simplified approach in calculating ECLs, the credit quality of other financial assets measured at amortised cost is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition and hence, they are all classified under stage 1 for measurement of ECLs. The loss allowance for all financial assets measured at amortised cost was not significant as at 31 December 2020 and 2019.

Guarantees given to banks and other lenders in connection with credit facilities granted to associates and joint ventures and in respect of mortgage facilities provided for certain purchasers of the Group's properties with an aggregate amount utilised of RMB45,014,147,000 (2019: RMB45,358,746,000) which are not yet past due and there is no information indicating of default and, hence, are all classified under stage 1 for measurement of ECLs.

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other loans. In the opinion of the directors of the Company, the Group will have adequate sources of funding to finance its operational needs and manage its liquidity position.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
2020					
Bank and other loans	13,537,876	7,908,362	17,238,726	207,697	38,892,661
Senior notes	8,500,202	4,531,504	12,730,916	2,035,798	27,798,420
Corporate bonds	5,538,068	8,275,788	12,072,530	—	25,886,386
Trade payables	21,683,379	—	—	—	21,683,379
Financial liabilities included in other payables and accruals	8,475,446	—	—	—	8,475,446
Due to related parties	310,635	—	—	—	310,635
Due to non-controlling shareholders	490,258	—	—	—	490,258
Due to associates and joint ventures	522,074	—	—	—	522,074
Liabilities under cross-border guarantee arrangements	5,376,575	700,631	—	—	6,077,206
	64,434,513	21,416,285	42,042,172	2,243,495	130,136,465
Financial guarantees issued: Maximum amount guaranteed	45,014,147	—	—	—	45,014,147

NOTES TO FINANCIAL STATEMENTS

31 December 2020

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(CONTINUED)

Liquidity risk (Continued)

	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Total RMB'000
2019				
Bank and other loans	14,939,583	7,503,558	6,940,523	29,383,664
Senior notes	3,918,239	7,905,495	12,455,190	24,278,924
Corporate bonds	14,352,272	3,775,546	5,672,563	23,800,381
Trade payables	24,127,252	—	—	24,127,252
Financial liabilities included in other payables and accruals	19,609,671	—	—	19,609,671
Due to related parties	582,596	—	—	582,596
Due to non-controlling shareholders	123,144	—	—	123,144
Due to associates and joint ventures	1,614,145	—	—	1,614,145
Liabilities under cross-border guarantee arrangements	921,994	—	—	921,994
	80,188,896	19,184,599	25,068,276	124,441,771
Financial guarantees issued: Maximum amount guaranteed	45,358,746	—	—	45,358,746

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using a net debt to equity ratio, which is net debt divided by the total equity. Net debt includes total bank and other loans, senior notes and corporate bonds less cash and bank balances. Total capital comprises all components of equity (i.e., share capital, non-controlling interests, perpetual capital securities and reserves). The Group aims to maintain a healthy and stable net debt to equity ratio.

The net debt to equity ratios as at 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Bank and other loans	35,104,567	26,991,753
Senior notes	25,125,916	21,323,803
Corporate bonds	19,908,000	21,362,000
Less: Cash and bank balances	(42,869,161)	(40,705,113)
Net debt	37,269,322	28,972,443
Total equity	60,671,465	42,994,019
Net debt to equity ratio	61.4%	67.4%

As at 31 December 2020, Shenzhen Logan, a wholly-owned subsidiary of the Company (established in the People's Republic of China) (the "Issuer"), has totally issued an amount of RMB19.9 billion of corporate bonds, of which RMB12.4 billion are publicly issued (2019: RMB11.4 billion). According to the Securities Law of the People's Republic of China, the accumulated bond balance constitutes no more than 40% of the net asset value of the Issuer. Other than the ratio, neither the Company nor any other of its subsidiaries are subject to externally imposed capital requirements.

45. EVENT AFTER THE REPORTING PERIOD

On 13 January 2021, the Company issued senior notes with a principal amount of US\$300,000,000 due in 2028. The senior notes are interest-bearing at 4.5% per annum and the interest is payable semi-annually in arrears. The maturity date of the senior notes is 13 January 2028. The details of the redemption price are disclosed in the relevant offering memorandum.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	10,544	10,544
Other property, plant and equipment	5,455	6,819
Total non-current assets	15,999	17,363
CURRENT ASSETS		
Prepayments and other receivables	43,418,572	36,956,935
Cash and bank balances	9,127,909	2,410,152
Total current assets	52,546,481	39,367,087
CURRENT LIABILITIES		
Other payables and accruals	14,440,965	7,689,699
Bank loans	3,889,764	2,860,730
Senior notes	7,192,358	3,128,150
Total current liabilities	25,523,087	13,678,579
NET CURRENT ASSETS	27,023,394	25,688,508
TOTAL ASSETS LESS CURRENT LIABILITIES	27,039,393	25,705,871
NON-CURRENT LIABILITIES		
Bank loans	4,242,141	2,178,610
Senior notes	17,933,558	18,195,653
Total non-current liabilities	22,175,699	20,374,263
Net assets	4,863,694	5,331,608
EQUITY		
Share capital	436,727	435,167
Perpetual capital securities	2,363,346	2,363,346
Reserves (note)	2,063,621	2,533,095
Total equity	4,863,694	5,331,608

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange reserve RMB'000	Shares held under share award scheme RMB'000	Share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2019	—	89,810	—	88,205	1,803,216	1,981,231
Profit and total comprehensive income for the year	—	117,517	—	—	4,754,607	4,872,124
Repurchase and cancellation of own shares	(90,022)	—	—	—	(81,298)	(171,320)
Equity-settled share-based transactions	—	—	—	57,659	—	57,659
Distribution to holders of perpetual capital securities	—	—	—	—	(167,153)	(167,153)
Effect of forfeited share options	—	—	—	(11,141)	11,141	—
Issuance of shares in connection with the exercise of share options	90,022	—	—	(29,823)	—	60,199
Dividends declared	—	—	—	—	(4,099,645)	(4,099,645)
At 31 December 2019 and 1 January 2020	—	207,327	—	104,900	2,220,868	2,533,095
Profit and total comprehensive income for the year	—	(71,286)	—	—	4,888,954	4,817,668
Repurchase and cancellation of own shares	(44,451)	—	—	—	—	(44,451)
Equity-settled share-based transactions	—	—	—	76,637	—	76,637
Shares purchased under share award scheme	—	—	(823,306)	—	—	(823,306)
Distribution to holders of perpetual capital securities	—	—	—	—	(167,571)	(167,571)
Effect of forfeited or expired share options	—	—	—	(52,526)	52,526	—
Issuance of shares in connection with the exercise of share options	67,033	—	—	(20,030)	—	47,003
Dividends declared	—	—	—	—	(4,375,454)	(4,375,454)
At 31 December 2020	22,582	136,041	(823,306)	108,981	2,619,323	2,063,621

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

FIVE YEARS' FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	71,079,729	57,480,418	44,136,908	27,689,658	20,538,838
Profit attributable to shareholders of the Company	13,016,635	11,269,044	8,288,398	6,527,400	4,487,736

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	At 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Non-current assets	50,379,588	46,785,641	39,454,188	28,276,304	27,980,313
Current assets	193,134,060	159,224,484	130,640,489	83,594,544	58,521,396
Total assets	243,513,648	206,010,125	170,094,677	111,870,848	86,501,709
Current liabilities	120,771,336	119,097,089	88,538,511	57,293,756	31,054,870
Non-current liabilities	62,070,847	43,919,017	44,810,380	27,413,283	29,695,493
Total liabilities	182,842,183	163,016,106	133,348,891	84,707,039	60,750,363
Net assets	60,671,465	42,994,019	36,745,786	27,163,809	25,751,346
Total equity attributable to shareholders of the Company	42,403,234	34,194,417	29,248,806	23,306,221	19,426,849
Non-controlling interests	18,268,231	8,799,602	7,496,980	3,857,588	6,324,497
Total equity	60,671,465	42,994,019	36,745,786	27,163,809	25,751,346

SCHEDULE OF MAJOR PROPERTIES

GROUP I — PROPERTY INTEREST HELD BY THE COMPANY UNDER DEVELOPMENT/FOR FUTURE DEVELOPMENT FOR SALE

Property	Address	Type	Interest attributable to the Company	Land area (sq.m.)	GFA (sq.m.)	Stage of development (note)	Completion deadline
Qianhai Heavens 前海天境	4 Qianwan Road, Nanshan District, Shenzhen, PRC	Residential	100%	31,745	260,976	3	2023
Shanghai Heavens 上海天境	Dinghai Community, Yangpu District, Shanghai, PRC	Residential	100%	14,559	48,396	3	2022
Logan Headquarters Center 龍光總部中心	OCT Block, Nanshan District, Shenzhen, PRC	Commercial	94%	37,000	392,798	3	2023
Jiuyue Park 玖悅台	Renmin Road, Longhua, Minzhi Street, Shenzhen, PRC	Residential	50%	32,667	208,605	3	2022
Acesite Glory Mansion 玖譽府	South of Hazens Guanlanhui, Fucheng Street, Longhua District, Shenzhen, PRC	Residential	100%	15,324	84,897	3	2021
Ap Lei Chau Project 鴨洲項目	Lee Nam Road, Ap Lei Chau, Hong Kong Island, Hong Kong	Residential	50%	11,752	83,610	3	2024
Stirling Residences 尚景苑	Stirling Road, Queenstown, Singapore	Residential	51%	21,098	88,734	3	2022
The Florence Residence 悅湖苑	Hougang Avenue 2, District 19, Singapore	Residential	100%	36,161	104,108	3	2023
Sky Jade 天璞	Shawan South Village, Panyu District, Guangzhou, PRC	Residential	50%	50,198	160,276	3	2021
Jiangnan Royal City 江南大境	East Zhenan Road, Chang'an Town, Dongguan, PRC	Residential	65%	73,400	286,868	3	2021
Acesite Park 玖龍台	Green Island Lake, Chancheng District, Foshan, PRC	Residential	50%	82,078	723,159	3	2022
Celestial Gem Plaza 天瑾廣場	North of Fuhua Road, Lecong, Shunde District, Foshan, China	Residential	50%	20,778	211,225	3	2022
Glory Lake 玖御湖	Shishan Town, Nanhai District, Foshan, China	Residential	100%	72,700	204,093	3	2021
Acesite Lake 玖龍湖	Danzao Fairy Lake, Nanhai District, Foshan, China	Residential	50%	77,093	269,706	4	2020

SCHEDULE OF MAJOR PROPERTIES

GROUP I — PROPERTY INTEREST HELD BY THE COMPANY UNDER DEVELOPMENT/FOR FUTURE DEVELOPMENT FOR SALE (CONTINUED)

Property	Address	Type	Interest attributable to the Company	Land area (sq.m.)	GFA (sq.m.)	Stage of development (note)	Completion deadline
Lake City 湖城大境	North of Shanhuai Road, Aviation New City, Jinwan District, Zhuhai, China	Residential	50%	93,523	310,725	3	2021
Acesite Mansion 玖龍臺	West of Huandao East Road, Hengqin New District, Zhuhai, China	Residential	23%	51,000	172,631	3	2021
Logan City 龍光城	No. 88 Southwest Avenue, West of Daya Bay District, Huizhou, PRC	Residential	100%	1,707,115	5,278,755	3	2021
Logan City 龍光城	Yuancheng District, Heyuan City, PRC	Residential	91%	812,000	2,414,090	3	2027
Prestige Sunshine Garden 譽境陽光花園	Zhongyang Avenue, Longhu District, Shantou, PRC	Residential	100%	63,169	332,043	2	2022
Sunny Coast 熙海岸	Beishan Bay Tourist Resort, Haojiang District, Shantou	Residential	100%	216,624	600,585	3	2024
Sea & Sunshine 碧海陽光	By the side of Yingbin Garden, Beishan Bay, Shantou, PRC	Residential	100%	93,649	200,735	4	2020
Royal Castle 君禦華府翰林	Changhu Road, Qingxiang District, Nanning, PRC	Residential	100%	24,550	145,978	3	2023
TianYing 天瀛	West of Pingle Avenue, Liangqing District, Nanning, PRC	Residential	50%	107,870	439,366	3	2022
Glory Lake 玖譽湖	South of Liangqing Bridge, Wuxiang New District, Nanning, PRC	Residential	100%	119,935	700,198	3	2021
Glory City 玖譽城	No. 6 Jinkai Road, Nanning, PRC	Residential	50%	188,916	814,401	3	2022
Acesite Park 玖龍台	South of Jiangwan Road, Nanning, China	Residential	100%	156,218	540,083	3	2021
Glory Lake 玖譽湖	No. 16 Yangfeng Road, Liangqing District, Nanning, China	Residential	100%	39,461	190,243	1	2022
Grand Riverside Bay 水悅龍灣御江	North of Jiangbei Avenue, Nanning, China	Residential	100%	31,491	181,304	3	2021

notes: 1. Site formation or upfront set up works

2. Foundation works

3. Superstructure construction

4. Completed for sale

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