



景瑞控股有限公司*

JINGRUI HOLDINGS LIMITED

(於開曼群島註冊成立的有限公司)
(Incorporated in the Cayman Islands with limited liability)

股份代號 Stock code : 01862

2020

ANNUAL REPORT 年報





CONTENTS

Corporate Profile	2	Consolidated Financial Statements	
Corporate Information	4	• Consolidated Balance Sheet	76
Financial Highlights	5	• Consolidated Income Statement	78
Chairman's Statement	6	• Consolidated Statement of	79
Breakdown of Major Properties	12	Comprehensive Income	
Management Discussion and Analysis	16	• Consolidated Statement of	80
Directors and Senior Management	34	Changes in Equity	
Corporate Governance Report	37	• Consolidated Cash Flow Statement	82
Report of the Directors	50	• Notes to the Consolidated	84
Independent Auditor's Report	68	Financial Statements	
		Five-Year Financial Information	227

..... CORPORATE PROFILE



Jingrui Holdings Limited (stock code: 01862.HK) (“**Jingrui**” or the “**Company**”) is a leading residential property developer, an asset management operator and a professional service provider in the PRC. Its business segments range from real estate development, decoration, urban renewal, asset management, commercial operation and property management. The Company was established in Shanghai in 1993, with the mission of “Dedicated to Building a Wonderful Life” (用心建築精彩生活), after years of development and accumulation, it was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in October 2013.

Jingrui has five major business platforms of Yan Capital Management (優鉞資管), Jingrui Properties (景瑞地產), Jingrui Capital (景瑞不動產), Jingrui Service (景瑞

服務) and Co-Fortune Capital (合福資本) under it. With real estate asset management as the core business, Jingrui focuses on residential development, apartment and offices in first- and second-tier core cities and metropolitan areas, contributing to an urban beautiful life and providing end-to-end value-added services to investors.

As of the end of 2020, the Company has made deploy in 22 cities across China and built and operated 109 projects. With outstanding performance, it has been presented awards including the “Top 50 Strong Real Estate Listed Companies in China”, “Top 5 Performance of Real Estate Listed Companies in China”, “Top 10 Investment Value of Mainland Real Estate Companies Listed in Hong Kong” and “Top 10 Wealth Creation Ability of Mainland Real Estate Companies Listed in Hong Kong”.



Jingrui is determined to build a dual-drivers powered business model with “customers’ value orientation”. By adhering to the transformation direction of “light-asset, refinement and operation-prioritization” and on the basis of the original real estate development, Jingrui linked up upstream and downstream industrial chains and integrated resources in the real estate ecosystem. Through the light-asset operation and the DTV (Design to Value), Jingrui exerted a keen insight on customers’ demands and empowered its business with technology to consistently promote real estate development, the operation of properties held and the levels of property management services, creating a colorful life for customers and injecting development vigor into cities. It strived to be a large-scale asset management platform

of “fund raising, investment in projects, post-investment project management and capital withdrawal” and transform from a traditional developer into an asset management service provider.

In the future, we will always stick to the mission of “Dedicated to Building a Wonderful Life”, actively follow the trend of times with high-quality development and continue to deeply penetrate into the real estate industry. We will share the same development trend with customers, progress with cities, seek excellence and achieve the goal of “pioneer in asset management with the best knowledge in both architecture and lifestyle”.

••••• CORPORATE INFORMATION

COMPANY NAME

Jingrui Holdings Limited

EXECUTIVE DIRECTORS

Mr. Yan Hao (*Co-chairman and Chief Executive Officer*)

Mr. Chen Xin Ge (*Co-chairman*)

Mr. Xu Hai Feng (*Vice President*)

Mr. Chen Chao (*Vice President and Chief Financial Officer, appointed on 30 March 2020*)

Mr. Xu Chao Hui (*Vice President, resigned on 18 January 2020*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Han Jiong

Mr. Qian Shi Zheng

Dr. Lo Wing Yan William

AUDIT COMMITTEE

Mr. Qian Shi Zheng (*Chairman*)

Dr. Lo Wing Yan William

Mr. Han Jiong

REMUNERATION COMMITTEE

Mr. Han Jiong (*Chairman*)

Dr. Lo Wing Yan William

Mr. Chen Xin Ge

NOMINATION COMMITTEE

Mr. Yan Hao (*Chairman*)

Mr. Han Jiong

Dr. Lo Wing Yan William

RISK MANAGEMENT COMMITTEE

Mr. Qian Shi Zheng (*Chairman*)

Mr. Han Jiong

Dr. Lo Wing Yan William

JOINT COMPANY SECRETARIES

Ms. Jiang Bing Xian

Ms. So Lai Shan

AUTHORISED REPRESENTATIVES

Mr. Yan Hao (*appointed on 18 January 2020*)

Ms. Jiang Bing Xian

Mr. Xu Chao Hui (*resigned on 18 January 2020*)

COMPANY'S WEBSITE

www.jingruis.com

REGISTERED OFFICE

190 Elgin Avenue

George Town

Grand Cayman KY1-9005

Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

8/F, Building B, BenQ Plaza,

207 Songhong Road

Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 09, 43/F

China Resources Building

26 Harbour Road

Wanchai, Hong Kong

LEGAL ADVISERS

As to Hong Kong Law:

Sidley Austin

39/F, Two International Finance Centre

8 Finance Street

Central, Hong Kong

As to PRC Law:

Grandall Law Firm

23-25/F, Garden Square

968 Beijing West Road, Shanghai, China

As to Cayman Islands law:

Walkers

Suite 1501-1507, Alexandra House

18 Chater Road

Central, Hong Kong

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

22/F, Prince's Building

Central, Hong Kong

STOCK CODE

01862

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL BANKS

Hong Kong

Industrial and Commercial Bank of China (Asia) Limited

Bank of China (Hong Kong) Limited

PRC

Agricultural Bank of China, Shanghai Branch

China Construction Bank, Shanghai Branch

Bank of China, Shanghai Branch

Bank of Shanghai, Shanghai Branch

FINANCIAL HIGHLIGHTS

KEY FINANCIAL INDICATORS:

	Year ended 31 December				Change %
	2020		2019		
	RMB million	Percentage to revenue %	RMB million	Percentage to revenue %	
Revenue	12,782.4	100.0	13,285.1	100.0	(3.8)
Gross profit	2,504.0	19.6	2,685.2	20.2	(6.7)
Profit for the year					
– Including non-controlling interests	1,273.5	10.0	1,285.0	9.7	(0.9)
– Attributable to equity holders	958.1	7.5	903.6	6.8	6.0
Core net profit					
– Including non-controlling interests	1,286.3	10.1	1,283.9	9.7	0.2
– Attributable to equity holders	965.2	7.6	902.5	6.8	6.9

KEY OPERATION INDICATORS:

	Year ended 31 December		Change %
	2020	2019	
Contracted sales value (RMB million)	25,507.0	25,159.3	1.4
Contracted sales area (sq.m.)	1,157,657.9	1,208,503.6	(4.2)
Average contracted selling price (RMB/sq.m.)	22,033.3	20,818.6	5.8

KEY RATIO INDICATORS:

	2020 %	2019 %
Gross profit margin (%)	19.6	20.2
Total assets turnover (%) ⁽¹⁾	21.2	26.5
Return on equity (%) ⁽²⁾	12.5	14.3
Net debt-to-capital ratio (%) ⁽³⁾	69	58

- (1) Equal to revenue for the respective year divided by the average of total assets at the beginning and the end of the year.
- (2) Equal to profit for the year divided by the average of total equity at the beginning and the end of the year and multiplied by 100%.
- (3) Equal to net debt (which represents total borrowings minus cash and cash equivalents and restricted cash), divided by total equity as at the end of the respective period and multiplied by 100%.

..... CHAIRMAN'S STATEMENT



Those who recognize the trend are wise and those who ride the trend will win. Jingrui will follow the development trend of the times, grasp the characteristics and laws of the development of the real estate industry in the new era, focus on creating real value for customers and investors, and enhance its comprehensive capabilities of “fund raising, investment in projects, post-investment project management and capital withdrawal”, based on the business model of large-scale management, continue to focus on the real estate industry, adhere to the strategic layout of first- and second-tier core cities and metropolitan areas to make its most efforts in core city groups, keenly identify customer needs to provide them with good houses and good services; enhance the value of stock assets through urban renewal and refined operations to renew a better life in the city.

Yan Hao
Chen Xin Ge
Co-chairmen

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Jingrui Holdings Limited (“**Jingrui**” or the “**Company**”), we are pleased to present the business review and outlook of the Company and its subsidiaries (the “**Group**”, “**we**” or “**us**”) for the year ended 31 December 2020 (the “**Year**”).

Market Review

2020 was an extraordinary year. Facing the outbreak of the coronavirus pandemic (“**COVID-19**”), the government of the People’s Republic of China (the “**PRC**” or “**China**”) responded in a scientific and decisive manner. The Chinese people have written an epic in fighting against the pandemic with solidarity and perseverance. China is the only one with positive growth among major economies in the world, recording an economic growth of 2.3%. Despite the scattered reoccurrence of the pandemic in certain areas in early 2021, the government responded quickly in a timely manner and the pandemic is still under control. The general economic situation in China is stable and positive.

Even at the most difficult time in 2020, the government did not turn to the real estate as a stimulus to the short-term economic growth and firmly implemented the long-term regulation mechanism of “housing is for accommodation, not for speculation”. At the supply end, local governments adopted “differential measures in light of different situations in different cities”, controlled land auction and the sales price of commodity houses and explored the implementation of “equal rights for house buyers and tenants” and other policies. Meanwhile, they increased the land supply for lease and affordable houses. In terms of financing policies, China has issued “Three Red Lines” on restricting the liabilities of real estate enterprises and “Two Red Lines” on house-related loans of banks to further comprehensively regulate the development of the real estate industry. In 2020, the sales of commodity houses reached a new high of RMB17.36 trillion, but the general growth slowed down. As China’s economy entered the new time of high-quality development, the real estate market also entered a brand new development stage.

Looking ahead, China will focus on city clusters in advancing the new urbanization with people as the center and further enhance the economic and population carrying capacities of leading cities, city clusters and areas with advantages in economic development. The core logic of real estate development has been focusing on “industry”, “population” and “transportation”. As first-tier cities gradually enter the stock time, leading cities and city clusters with sound industrial foundation, expected convenient rail transit and population agglomeration potential will provide new opportunities for real estate development.

Operational Performance

In 2020, Jingrui focused on development and excellent operation, firmly implemented its large-scale asset management strategy and maintained strong development resilience despite the effect of the pandemic. For the Year, the Group’s accumulated contracted sales was approximately RMB25.507 billion, which represents an increase of 1.4% from last year (2019: RMB25.159 billion). The contracted sales area was approximately 1,157,658 square meters (“**sq.m.**”), with an average contracted sales price of approximately RMB22,033 per sq.m..

Firmly adhering to its development strategy of “focusing on the first- and second-tier core cities and metropolitan areas”, Jingrui concentrated resources on continuous regional penetration. During the Year, the Company secured a total of 15 new projects in Shanghai, Hangzhou, Chongqing and other cities, with a total investment of RMB11.75 billion and a total product value of RMB29.55 billion, of which first-hand projects accounted for 57.8% and second-hand projects accounted for 42.2%. As of 31 December 2020, the Company had a land bank of about 4.958 million sq.m., which is able to meet the needs of sustainable development for the next two to three years. It also guaranteed the steady development of the Company and consolidated the basis for continuous performance growth.

CHAIRMAN'S STATEMENT

In 2020, Jingrui issued three batches of senior notes of US\$190 million, US\$150 million and US\$240 million, which will be due in March 2022, September 2022 and February 2023 with an interest rate of 12.75%, 12% and 14.5%, respectively. The Company actively carried out debt management. Among the senior notes due in February 2023, approximately US\$143 million were exchanged with the senior notes due in 2021 with an interest rate of 9.45%. The prudent financial management and steady performance growth of the Company were recognized in the capital market and by international rating agencies. Moody's assigned a "B2" long-term corporate credit rating to Jingrui. S&P also affirmed the long-term issuer rating of the Company at "B" and revised the outlook on Jingrui to "stable".

Following the public placement in July 2018, Jingrui further expanded its share capital by raising HK\$303 million through a public placement of 138,619,000 shares to the market at HK\$2.20 per share in December 2020.

In order to further optimize resources allocation and enhance the comprehensive competitiveness of the Company, the business platforms were updated to five segments, namely Yan Capital Management (優鉞資管), Jingrui Properties (景瑞地產), Jingrui Capital (景瑞不動產), Jingrui Service (景瑞服務) and Co-Fortune Capital (合福資本) in March 2020. Yan Capital Management

has developed mature fund management capabilities covering the whole cycle of "fund raising, investment in projects, post-investment project management and capital withdrawal" with highlighted advantages and further enhanced its product design capabilities. While continuing regional penetration, Jingrui Properties vigorously expanded urban layouts and consistently improved the development pace and the operation and turnover efficiency, achieving growth in size and benefits. Jingrui Capital carried out more refined operation and management and achieved preliminary results in the development of the digital operation system. Jingrui Service successfully completed mergers and acquisitions and expanded rapidly in business size. It also weathered the test of the pandemic with significant improvement in customer satisfaction. Co-Fortune Capital has been focusing on the real estate ecosystem, kept a keen insight on market, actively captured industry opportunities and strived to achieve investment expectations.

In 2020, Jingrui followed the leading of the large-scale asset management strategy, updated the five major platforms and achieved new leapfrog development. In the future, we will remain true to our original aspirations, forge ahead with courage and perseverance, accumulate more beautiful products and create a more colorful life.





Concentrating resources to promote development and firmly advancing the strategy of large-scale asset management

China's economic growth slowed down in 2020 due to the effect of the pandemic. Regulatory policies on the real estate industry were tightened later after being loose at first. Under the new financing regulations with "Three Red Lines", real estate enterprises are experiencing an industrial reshuffle. Jingrui has given the answer to how to follow the trends and progress with the industry early in 2017. It firmly implemented the strategy of large-scale asset management, achieved the operation of funds under the light-asset operation model and adhered to high-quality, healthy and sustainable expansions and development paths.

As one of the five platforms under the strategic layout of Jingrui in the new time, Yan Capital Management, with the operation of funds covering "fund raising, investment in projects, post-investment project management and capital withdrawal" as the core, concentrated resources in exploring assets management and linked the ends of real estate and finance to facilitate the strategic transformation of Jingrui. Up to 31 December 2020, Yan Capital Management has

issued a total of 19 real estate equity funds with an aggregate size of the funds of approximately RMB7.67 billion, and completed the withdrawal of 2 funds for the Year, with an investment return of 12.4%. Yan Capital Management is devoted to the value investment under the new cycle of the real estate market in China and joined hands with outstanding investors to fully integrate and display the advantages of all parties. In 2020, Yan Capital Management and Century Bridge Capital successfully cooperated and invested in Taicang Yueting, Taicang Luminaries Park and Wuxi Lot Xiguotu (Jing) 2020-42, Binhu District, laying a solid foundation for deeper cooperation to a greater dimension in the future. Leveraging on its professional and standard operation and management, Yan Capital Management was awarded the "Top 10 Outstanding Brand Enterprise of China Real Estate Fund in 2020", the "Top 10 Annual Influential Private Equity Investment Agency of China Real Estate in 2020" and other awards and recognitions.

The sudden pandemic in 2020 resulted in more prudent investment in the real estate ecosystem. Facing uncertainties in policies and the market, Co-Fortune Capital focused on the functional positioning of "facilitating the large-scale asset management mode", actively explored external financing resources and linked up business resources in the industry. Firmly focusing on

CHAIRMAN'S STATEMENT



the demand for performance growth, Co-Fortune Capital consistently improved post-investment management and exit mechanisms to achieve the expected investment targets and maximize shareholders' value. As of 31 December 2020, Co-Fortune Capital invested in a total of 15 existing projects with an investment amount of nearly RMB1.06 billion, it successfully withdrew from a total of 4 projects and achieved an investment return of 18.1%.

Insisting on value creation and driving future development with products and services

From the "time of land dividend" to the "time of customer value" and from "meeting the rigid demand" to the upgraded "beautiful living", Jingrui has been always adhering to the "customer-oriented" value. Facing the increasingly intensified competition in the industry, Jingrui Properties raised new requirements on itself in 2020. On the one hand, based on customer insights and the portrayal of KOL typical customers, it distinguished the demands of first-home buyers and upgraders and developed four product lines, namely the "Yue" series, the "Yu" series, the "Tianfu" series and the "Wushuang" series. On the other hand, with customers

as the center and based on the differentiated demands in different stages of life from multiple dimensions, it released the value system of Jingrui's "WAVE" products: Warm – a warm journey to home; Artistic – a lifestyle of artists; Various – DTV customized life; Enjoyable – enjoy whole-age communities. From space to every detail of life, Jingrui Properties provides customers with customized life solutions and consistently develops the differentiated core competitiveness of Jingrui. The "Space^{me}" customized brand introduced after more than three years of exploration further received more market recognition. As of 31 December 2020, the number of residential customization projects of Jingrui has reached 25. It offered more than 50 categories of customized products, which can combine thousands of products and achieved a visiting-installation rate of 70%.

Jingrui Capital, as a platform under Jingrui Holdings designed for investment, development, renovation and operation of rental apartments and office buildings, focuses on urban renewal and land matching with long-term rented apartments as strategic business and office buildings as opportunity-based business. Through the holding, management and operation of stock properties, Jingrui Capital deeply explores asset value, develops quality space for customers, provides

investors with “end-to-end” services and pursues the mission of “Dedicated to Developing Assets Value” (用心共築資產價值). Facing the effect of the pandemic in 2020, Jingrui Capital followed the guidance of achieving high-quality asset management scale and implemented the policy of steady development and striving ahead, achieving performance growth against the trend. As of 31 December 2020, Jingrui Capital had 13 apartment projects and 3 commercial and office projects in “Beijing, Shanghai, Suzhou and Hangzhou” and the asset management scale was nearly RMB8.8 billion. It successfully withdrew from 2 assets. During the Year, a total of RMB232 million of rental income was realized from apartment and office projects, representing the same basically as the previous year. As at 31 December 2020, the time-point occupancy rate of apartment projects was 94.1% and the time-point occupancy rate of office projects was 86.4%. For Beijing Jingrui Shangyuan Project obtained in 2018 and through the deep exploitation of its own value, it conducted operation and management with the orientation of exit. It exited in March 2020 at a consideration of RMB476 million, with a profit of RMB53.687 million after holding for two years.

The “small property services” concerns the “big people’s livelihood”. Property services are closely related to the daily life of the public. The pandemic in 2020 tested the management services of the property industry and also unleashed new development potentials in the property industry. In March 2020, Jingrui established the platform of Jingrui Service. With Jingrui property management as the brand carrier, it boosts the development of services. Jingrui Service maintains the customer-oriented model, constantly improves the service quality and diversifies the varieties of services. It highlights the integrated full service model from “houses” to “people” and “life”, embraces the Internet and leverages on technology to build “360° multi-dimensional space and services for properties”. It has established “e-Housekeeper” (e管家), “Friendly Neighborhood” (友鄰社), “Jingrui Cloud” (景瑞雲) and other service platforms to build a harmonious and happy Jingrui community. As of 31 December 2020, Jingrui Service has deployed in 325 projects in 50 cities across the country. The cumulative contracted management area exceeded 46.80 million sq.m. and a total of RMB526 million of revenue from property services was achieved for the Year.

Prospect

2021 is the first year of China’s 14th Five-year Plan and the historic crossroad of the “Two Centenary Goals”. A new development stage has come. The long-term regulation mechanism with the main keynote of “housing is for accommodation, not for speculation” will be further consolidated and improved. The real estate industry will speed up in entering the new stage of steady development with challenges as well as opportunities.

Those who recognize the trend are wise and those who follow the trend will win. Jingrui will follow the trend of the times, capture the characteristics and laws of the development of the real estate industry in new times, center on creating authentic value for customers and investors and comprehensively improve its overall capability of “fund raising, investment in projects, post-investment project management and capital withdrawal”. Based on large-scale asset management commercial model, it will continue to focus on the real estate industry and maintain the strategic layout in the first- and second-tier core cities and metropolises. It will focus on core city clusters, exert a keen insight on customers’ demands so as to render better property and service to them. It will enhance the stock asset value by virtue of urban renewal and refined operation and bring a new and better urban life.

At last, on behalf of the Board, we express our sincere gratitude to all investors, partners, customers and staff of the Group. In the face of the new situation and new challenges, Jingrui will stay true to the original aspiration of “Dedicated to Building a Wonderful Life”, share the same development trend with customers, progress with cities, create authentic value for all investors, partners, customers and staff to be a “pioneer in asset management with the best knowledge in both architecture and lifestyle”.

Jingrui Holdings Limited

Yan Hao

Chen Xin Ge

Co-chairmen

· · · · · BREAKDOWN OF MAJOR PROPERTIES

Completed and Partially Completed Projects

Project Name	Project Type	Gross Floor Area ("GFA") Available for Sale, Lease or Use by the Group (sq.m.)	Percentage of Interest in the Project attributable to the Group (%)	Attributable GFA (sq.m.)
Shanghai Jingrui Life Square	Commercial	6,848	100	6,848
Shanghai Jingrui City Park	Composite	6,007	100	6,007
Phase 1		1,675		
Phase 3		4,332		
Shanghai Jingrui The French Lakeside Villa	Residential	2,373	100	2,373
Shanghai Jingrui Xuhui New City	Residential	1,918	100	1,918
Shanghai Jingrui Upper Riverside	Commercial	2,798	100	2,798
Shanghai Jingrui Shenxin Tower	Commercial	3,361	100	3,361
Shanghai Jingrui Keyuan Tower	Composite	10,061	100	10,061
Shanghai Jingrui Elite Residences	Residential	9,916	100	9,916
Shanghai Jingrui Xinmei Mansion Project	Commercial	7,118	100	7,118
Shanghai Jingrui North Zhongshan Road Project in Jing'An District	Composite	3,207	100	3,207
Shanghai Jingrui Zhongshan Building Project in Huangpu District	Composite	3,013	100	3,013
Shanghai Jingrui Yinqiao Apartment Project	Commercial	8,883	100	8,883
Shanghai Maglink	Commercial	112,013	46.17	51,716
Shanghai Jingrui Xingfulai Project	Commercial	4,910	100	4,910
Chongqing Jingrui Online Family	Residential	1,574	100	1,574
Tianjin The Great Habitat Mansion House	Composite	8,537	20	1,707
Tianjin Jingrui Sunny City	Residential	1,316	100	1,316
Tianjin Jingrui No.1 Tang Gu Bay	Residential & commercial	27,239	100	27,239
Tianjin Jingrui Hanlin	Residential & commercial	12,477	100	12,477

BREAKDOWN OF MAJOR PROPERTIES

Project Name	Project Type	GFA Available for Sale, Lease or Use by the Group (sq.m.)	Percentage of Interest in the Project attributable to the Group (%)	Attributable GFA (sq.m.)
Tianjin No.6 Tang Gu Bay	Residential & commercial	1,682	50	841
Beijing Jingrui San Quan Apartments Project	Residential	24,300	100	24,300
Beijing Jingrui Foresea Zhongjin Project in Zhongguancun	Office	5,369	100	5,369
Beijing Xinhua Cultural Building Project	Commercial	4,262	50	2,131
Hangzhou Jingrui Yangming Valley	Residential	358	100	358
Shaoxing Jingrui Dignity Mansion	Residential	11,572	100	11,572
Hangzhou Jingrui Changxing Dignity Mansion	Residential	641	100	641
Ningbo Jingrui Harbour City	Commercial	42,026	50	21,013
Ningbo Xinghai Land	Residential	7,628	50	3,814
Ningbo Jingrui In Times	Commercial	205	100	205
Ningbo Jingrui Xingning Mansion	Residential & commercial	1,060	44	466
Zhoushan Jingrui Peninsula Bay	Residential	1,997	100	1,997
Suzhou Jingrui Guangyun Gusu Building	Commercial	12,081	100	12,081
Changzhou Jingrui Dawn City/England County	Residential	9,814	100	9,814
Changzhou Jingrui Tianxi Phase 3	Residential	713 713	100	713
Suzhou Jingrui Changshu Jiangnan Mansion	Residential	38,430	34	13,066
Wuhan Jingrui Tianfu Peninsula	Composite	17,453	54	9,425
Others	Residential	8,115	39.85	3,234
Total		421,275		287,482

· · · · · BREAKDOWN OF MAJOR PROPERTIES

Projects under Development and under Planning

Project	Project Type	Expected Completion Date	GFA under Development (sq.m.)	GFA under Planning (sq.m.)	Percentage of Interest in the Project attributable to the Group (%)	Attributable GFA (sq.m.)
Shanghai Jingrui City Park Phase 2	Composite	31/12/2023	0	39,628 39,628	100	39,628
Shanghai Jingrui Jiangshanyue (No. 37-01, Unit SJC10010, Zhongshan Street, Songjiang District)	Residential	22/5/2022	36,067		36	12,984
Jiaxing Jingrui Puyue Lake	Residential	30/12/2021	130,387		40	52,155
Tianjin The Great Habitat Mansion House	Composite	25/9/2021	244,703		20	48,940
Tianjin Sea Blue City	Residential	16/8/2021	247,820		49	121,432
Tianjin Jingrui Yuexitai	Residential & commercial	31/12/2021	86,686		51	44,210
Tianjin Jingrui Lot Huayuan, Binhai New Area	Residential & commercial	25/6/2023	200,871		90	180,784
Hangzhou Jingrui Qinghai (Lot XSCQ1402-08, Ningwei Unit, Xiaoshan)	Residential & commercial	30/9/2022	84,945		100	84,945
Hangzhou Jingrui Haiyi Cuiting (Lot 4, Chongxian Xiangyang)	Residential & commercial	17/12/2021	114,119		51	58,201
Ningbo Jingrui Shuiyin Jiangshan	Residential	25/8/2021	136,531		100	136,531
Suzhou Jingrui Changshu Jiangnan Mansion	Residential	30/9/2022	157,776		34	53,644
Suzhou Jingrui Taicang Yueting (Xinhu Project)	Residential	30/7/2021	93,305		78.9	73,618
Suzhou Taicang Luminaries Park (Lot 15-2, Chengxiang)	Residential	20/6/2022	74,383		16	11,900
Changzhou Jingrui North Lot of Juhu Road, Wujin District	Residential	30/11/2022	188,108		51	95,935
Wuxi Jingrui Lot Xiguotu (Jing) 2020-42, Binhu District	Residential	20/12/2022	57,199		42.13	24,098
Yangzhou Jingrui Lot Tangwang Middle School, Guangling District	Residential	30/5/2022	53,696		100	53,696

BREAKDOWN OF MAJOR PROPERTIES

Project	Project Type	Expected Completion Date	GFA under Development (sq.m.)	GFA under Planning (sq.m.)	Percentage of Interest in the Project attributable to the Group (%)	Attributable GFA (sq.m.)
Yangzhou Jingrui Lot West Lake Suzhuang, New City of West District	Residential	30/11/2022	199,085		30	59,725
Nanjing Xitang Mansion	Composite	20/4/2021	131,269		50	65,635
Nanjing Xijiang Ruifu	Residential	30/5/2022	278,840		30	83,652
Chengdu Jingrui Yaqing Project, Wenjiang Guanghua New City	Residential & commercial	30/12/2022	76,266		80	61,013
Chengdu Jingrui Shijichunqiu Project, Wenjiang Guanghua New City	Residential & commercial	30/4/2023	71,512		90	64,361
Chongqing Jingrui Jiangshan Yufu (Lot District C, Jiulongyuan, Jiulongpo District)	Residential	30/7/2022	147,032		54	79,397
Chongqing Jingrui Bocui Chenzhang (Lot L66 sub-district L, Xiyong Group, Shapingba District)	Residential	30/8/2022	94,998		60	56,999
Hefei Jingrui Haomen Jindi Project	Residential	31/12/2021	122,424		50	61,212
Nanchang Jingrui Hongxing Plaza	Residential	30/11/2022	251,298		51	128,162
Wuhan Jingrui Tianfu Binjiang	Composite	28/5/2021 30/11/2022	238,183	347,034	40 40	95,273 138,814
Wuhan Jingrui Jiangnanyue (Lot 079, Caidian)	Residential	17/6/2022	261,176		30	78,353
Wuhan Jingrui Jiangshanyue (Caidian Sino-French P (2019) 080 Project)	Residential & commercial	15/11/2022	106,137		60	63,682
Others	Residential		222,755	42,033	78.81	208,682
Total			4,107,571	428,695		2,337,661

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

2020 is a special year for all of us. In this year, the COVID-19 swept across the whole world, bringing material impacts on the global economy and leaving all countries struggling with economic difficulties. In the face of the COVID-19, with the prompt and scientific measures taken by the Chinese government, the pandemic was effectively brought under control and the domestic economic and social activities recovered rapidly. The GDP of the PRC achieved a new high reaching RMB101.6 trillion, and the PRC became the only major economy in the world that achieved positive growth in 2020.

In 2020, the state continued to implement the long-term mechanism of “housing is for accommodation, not for speculation” and did not use the real estate market as tool of short-term economic stimulus. Local governments adopted “differential measures in light of different situations in different cities” to control the land premium and price of housing and improve the supply of land for rental housing and government-subsidized housing development; the state issued the “Three Red Lines” policy regarding debt size of property companies and the “Two Red Lines” policy limiting the portion of property related loans granted by banks, for the purpose of comprehensively regulating and controlling the development of the property industry. During the Year, the property market remained generally stable with the sales rising steadily and moderately, reaching over RMB17 trillion and the overall growth rate has slowed down. Going forward, the state will continue to implement the people-centered new urbanization strategy and promote the central cities and city clusters to play their role as comprehensive development driver of the region. The percentage of permanent urban residents of the PRC has just passed 60%. With the further implementation of new urbanization, people will continue to flow into central cities and the surrounding areas of city clusters, and more property development opportunities will arise in first- and second-tier core cities and metropolitan areas.

In terms of self-owned assets business, office building assets in first-tier cities were impacted materially by the COVID-19 in early 2020 and the vacancy rates increased continuously. With the pandemic being brought under effective control, since the second quarter of 2020, the impacts of the pandemic on the market started to decline and the market started to gradually recover. The year of 2020 marked a turning point of long-term rental

department market, in which companies with unhealthy development model and poor operation started to be eliminated from the market. It has been expressly stated that the “housing purchase and renting” system will continue to be implemented. With the continuous flow of people into core cities and city clusters, renting has become an important channel to satisfy the demand for housing of the moving-in people indicating a huge development potential in the housing rental market.

In 2020, the pandemic has brought significant challenges to the capabilities in respect of management and service of the property industry but has also demonstrated the unique value of property industry in the social and economic activities, and the value of the industry has been identified and recognized by the market. The state actively encourages property service companies to utilize Internet of Things, cloud computing and other technologies to improve the standard of smart property management services and encourages these companies to expand to elderly care, child nursing, express delivery and other sectors. Throughout the whole year of 2020, a total of 17 property service companies were listed in Hong Kong. There were more merger and acquisition cases in the property industry and the competition will become fiercer in the property service industry.

In 2021, which marks the first year of the PRC’s 14th Five-year Plan, the state will promote the people-centered new urbanization focusing on city clusters and enhance the economic and population carrying capacities of central cities, city clusters and other advantageous regions in respect of economic development. The core logic of the development of property industry has always been focusing on “industry”, “population” and “transportation”. With first-tier cities gradually entering an era of stock market, central cities and city clusters with proper industrial foundation, expected convenient rail transportation and potential of population building up will present good opportunities for the development of property industry. Jingrui will follow the market trend and the guidance of national policies and will continue to focus on the market of first- and second-tier cities and metropolitan areas, develop property projects with relatively high margin of safety and stable investment return, and develop our self-owned property business in a healthy and prudent manner. In addition, the Company will continue to devote more efforts to accelerating the development of property service segment to provide more and better services to more property owners.

Business Overview

In 2020, the Group achieved (including those of joint ventures and associates on a 100% basis) contracted sales of approximately RMB25,507.0 million and total contracted GFA sold was approximately 1,157,658 sq.m.. For the Year, the Group achieved revenue of RMB12,782.4 million (2019: RMB13,285.1 million). The Group achieved a net profit attributable to equity holders of the Company of RMB958.1 million (2019: RMB903.6 million) throughout the Year, representing an increase of 6.0% as compared to last year.

During the Year, revenue from property sales recognized by the Group amounted to RMB11,972.5 million (2019: RMB12,366.1 million), representing a decrease of 3.2% as compared to last year. It was mainly due to the decrease in GFA of properties delivered by the Group during the Year. Revenue from property sales of the Group accounted for approximately 93.7% of our total revenue for the Year (2019: 93.1%), and property sales maintained to the core operating business of the Group. The Group's apartment and office business, which has been deployed since the end of 2017, has gradually generated revenue, and property management service has made significant progress in non-group businesses. The above development of businesses has further enhanced the Group's diversified competitiveness, and the Group has won a good reputation and brand image, while improving customer loyalty and satisfaction.

The Group continues to uphold the development strategy of its cultivation in the Yangtze River Delta region, and actively expand high-quality projects in key cities around the Yangtze River Delta and Chengdu-Chongqing region. In 2020, we obtained 15 projects in Chongqing, Shanghai, Wuhan, Hangzhou, Suzhou, Wuxi, Changzhou, Yangzhou, Chengdu, Tianjin, Hefei and Nanchang, with approximately 2,159,706 sq.m. increase in GFA of land reserve and approximately RMB11,745 million in total project investment. The land cost per sq.m. (based on the estimated GFA) was approximately RMB5,438. In 2020, the Group obtained 4 projects in Chengdu, Hefei and Nanchang and successfully expanded its real estate business to 22 cities across the country. As at 31 December 2020, the total GFA for land reserves owned by the Group was approximately 4,957,541 sq.m., which was increased by 5.3% from the end of the previous year. We expect the land reserves

to be sufficient to meet the Group's development needs for the next two to three years. We believe that most of our land reserves are located in the first- and second-tier core cities in the Yangtze River Delta region of the PRC, which is more conducive to the development strategy of its cultivation in the Yangtze River Delta region.

The Group has consistently applied the principle of steady financial management, focusing on maintaining healthy cash flow and guaranteeing capital safety. In March, June and November 2020, the Company issued three batches of senior notes of US\$190 million, US\$150 million and US\$240 million, which will be due in March 2022, September 2022 and February 2023 with an interest rate of 12.75%, 12% and 14.5%, respectively. Combined with the bonds issued in November 2020, the Company achieved the exchange of senior notes of approximately US\$143 million, which will be due in 2021 with an interest rate of 9.45%. The issuance and exchange of such senior notes further optimized our debt structure. Meanwhile, Jingrui further expanded its share capital by raising HK\$303 million through a public placement of 138,619,000 shares to the market at HK\$2.20 per share in December 2020.

The strong performance in contracted property sales further strengthened our financial position during the Year. As of 31 December 2020, our cash at bank and on hand (including restricted cash) reached RMB13,646.5 million. At the same time, unutilized bank facilities amounted to approximately RMB26,545.9 million. As of 31 December 2020, our net debt-to-equity ratio was approximately 69%. We believe the current liability level is within a reasonable range based on the current development stage of the Group and also matches our operations. The Group will continue to improve its liability level and structure, control the asset-liability ratio and other key indicators within the scope of the "Three Red Lines" policy requirements, ensuring that risks well under control, laying a solid foundation for the Group's sustained operations and steady future growth.

We started our business as a customer driven residential property developer, focusing on developing properties accommodating the demand of our target customers. Our products are designed to meet the need of first-time home purchasers and those who intend to upgrade their existing living conditions. These kinds of customers currently constitute a significant portion of

MANAGEMENT DISCUSSION AND ANALYSIS

all property purchasers in the PRC. As a result, our products have been positioned in accordance with current market trends and government policies. We believe our strategic product positioning and the continuous expansion of our potential customer base as a result of rapid economic growth and accelerating urbanization in the Yangtze River Delta region, together with our rapid-asset-turnover model, have contributed and will continue to contribute to our growth and scalability.

At the same time, in order to better allocate resources, achieve professional management, and promote the achievement of the Group's overall strategic goals, the Group, focusing on the main real estate business, further adjusted and optimized its original five major business platforms in early March 2020 to the five major business platforms, namely, Yan Capital Management (優鉞資管), Jingrui Properties (景瑞地產), Jingrui Capital (景瑞不動產), Jingrui Service (景瑞服務) and Co-Fortune Capital (合福資本), among which, Yan Capital Management is engaged in real estate fund raising and asset management, realizing the conversion of real estate debt funds to real equity funds; Jingrui Properties focuses on real estate development in the four major urban agglomerations in the PRC and commits to customizing life products and services based on "customer insights"; Jingrui Capital focuses on the urban renewal of first-tier and strong second-tier cities such as Shanghai and Beijing, as well as the developing, holding and lease operation management of apartment and office building; Jingrui Service takes "the promoter of ideal life in Chinese cities" as its development goal, provides high-quality property services to various properties such as commercial plazas and high-end apartments; and Co-Fortune Capital is committed to the investment in the real estate ecosystem, using capital as a link to build product and service capabilities that facilitate the main real estate business.

Business Review

Jingrui Properties (景瑞地產)

Property Development

In 2020, the Group achieved contracted sales of approximately RMB25,507.0 million (including those of joint ventures and associates on a 100% basis) and total contracted GFA sold was approximately 1,157,658 sq.m.. Our contracted sales were primarily generated from Zhejiang Province, Jiangsu Province and the municipalities, which were approximately RMB9,316.8 million, RMB5,615.3 million and RMB5,607.9 million (excluding car parks) respectively, representing 36.5%, 22.0% and 22.0% of the total contracted sales, respectively.

Details of the Group's contracted sales in 2020

The following table sets out the geographic breakdown of the Group's contracted sales in 2020:

Project Name	Contracted GFA Sold sq.m.	Contracted Sales RMB'000	Contracted Average Selling Price ("ASP") RMB/sq.m.
Shanghai			
Shanghai Jingrui City Park	16,463	557,539	33,866
Shanghai Jingrui Upper Riverside	3,633	475,206	130,803
Shanghai Jingrui Xinmei Mansion Project	7,118	178,000	25,007
Shanghai Sheshan Yuehu Villa	2,210	278,780	126,145

MANAGEMENT DISCUSSION AND ANALYSIS

Project Name	Contracted GFA Sold sq.m.	Contracted Sales RMB'000	Contracted Average Selling Price ("ASP") RMB/sq.m.
Tianjin			
Tianjin The Great Habitat Mansion House	58,573	1,042,423	17,797
Tianjin Sea Blue City	54,399	782,888	14,392
Tianjin No. 6, Tang Gu Bay	43,882	589,075	13,424
Tianjin Jingrui Hanlin	27,969	563,460	20,146
Tianjin Liuhe Mingzhu	25,154	290,925	11,566
Tianjin Jingrui No. 1, Tang Gu Bay	11,909	162,263	13,625
Tianjin Yuetiandi	9,576	123,524	12,899
Tianjin Jingrui Yuexitai	4,682	59,091	12,621
Beijing			
Beijing Jingrui Shangyuan Project	5,768	476,000	82,524
Chongqing			
Chongqing Jingrui Jiangshan Yufu (Lot District C, Jiulongyuan, Jiulongpo District)	3,507	28,741	8,195
Sub-total of centrally direct-controlled municipalities	274,843	5,607,915	20,404
Hangzhou			
Hangzhou Jingrui Haiyi Cuiting (Lot 4, Chongxian Xiangyang)	69,521	1,602,929	23,057
Hangzhou Greentown Xixi Yunlu	12,620	1,198,900	95,000
Hangzhou Jingrui Vital House	16,277	773,196	47,502
Hangzhou Jingrui Yuan Villa	10,477	354,490	33,835
Hangzhou Jingrui Qinghai (Lot XSCQ1402-08, Ningwei Unit, Xiaoshan)	9,957	333,706	33,515
Hangzhou Jingrui Yangming Valley	731	36,513	49,949
Ningbo			
Ningbo Jingrui Shuiyin Jiangshan	93,070	2,270,669	24,397
Ningbo Xinghai Land	50,312	617,105	12,266
Ningbo Jingrui In Times	2,547	56,007	21,989
Ningbo Jingrui Headream Mansion	323	13,240	40,991
Ningbo Jingrui Dignity Mansion	666	9,567	14,365
Ningbo Jingrui Xingning Mansion	200	4,986	24,930
Jiaxing			
Jiaxing Jingrui Puyue Lake	105,939	2,042,791	19,283

MANAGEMENT DISCUSSION AND ANALYSIS

Project Name	Contracted GFA Sold sq.m.	Contracted Sales RMB'000	Contracted Average Selling Price ("ASP") RMB/sq.m.
Zhoushan			
Zhoushan Jingrui Titian Garden	480	2,735	5,698
Sub-total of Zhejiang Province	373,120	9,316,834	24,970
Suzhou			
Suzhou Jingrui Changshu Jiangnan Mansion	44,863	836,129	18,637
Suzhou Junyue Tower	18,733	221,366	11,817
Suzhou Taicang Luminaries Park (Lot 15-2, Chengxiang)	12,167	205,498	16,890
Suzhou Jingrui Taicang Yueting (Xinhu Project)	3,377	44,291	13,115
Nanjing			
Nanjing Xijiang Ruifu	134,610	3,548,534	26,362
Nanjing Hefeng Nan'an	21,343	531,435	24,900
Nanjing Xitang Mansion	3,600	206,474	57,354
Nanjing Golden East	786	21,555	27,424
Sub-total of Jiangsu Province	239,479	5,615,282	23,448
Wuhan			
Wuhan Jingrui Tianfu Binjiang	62,828	931,635	14,828
Wuhan Jingrui Jiangnanyue (Lot 079, Caidian)	33,721	312,553	9,269
Wuhan Jingrui Tianfu Peninsula	8,130	239,977	29,517
Wuhan Jingrui Jiangshanyue (Caidian Sino-French P (2019) 080 Project)	19,363	220,161	11,370
Hefei			
Hefei Jingrui Haomen Jindi	77,025	1,519,353	19,725
Nanchang			
Nanchang Jingrui Hongxing Plaza	69,149	809,254	11,703
Sub-total of other provinces	270,216	4,032,933	14,925
Car park (lots)	9,255	934,009	
Total	1,157,658⁽¹⁾	25,506,973	22,033

Note:

(1) Excluding the area of car parks.

Land Bank

As at 31 December 2020, the total land bank of the Group was 4,957,541 sq.m. or 2,625,143 sq.m. on an attributable basis.

Breakdown of the Group's land bank by cities for the year ended 31 December 2020

City	Total GFA sq.m.	Percentage of the Group's Total GFA %	GFA Attributable to the Group's Interests sq.m.	Percentage of GFA Attributable to the Group's Interests %
Municipalities directly under the central government				
Shanghai	258,120	5.2	174,740	6.7
Beijing	33,931	0.7	31,800	1.2
Tianjin	927,813	18.7	486,096	18.5
Chongqing	243,604	4.9	137,970	5.2
Sub-total	1,463,468	29.5	830,606	31.6
Zhejiang Province				
Hangzhou	204,940	4.1	146,942	5.6
Ningbo	187,450	3.8	162,030	6.2
Shaoxing	53,605	1.1	53,605	2.0
Zhoushan	1,997	–	1,997	0.1
Jiaxing	130,387	2.6	52,155	2.0
Sub-total	578,379	11.6	416,729	15.9
Jiangsu Province				
Suzhou	503,039	10.1	283,686	10.8
Nanjing	412,556	8.3	149,846	5.7
Wuxi	57,199	1.2	24,098	0.9
Changzhou	198,635	4.0	106,462	4.1
Yangzhou	252,782	5.1	113,422	4.3
Sub-total	1,424,211	28.7	677,514	25.8
Other Provinces				
Hefei	122,424	2.5	61,212	2.3
Nanchang	251,298	5.1	128,162	4.9
Chengdu	147,778	3.0	125,373	4.8
Wuhan	969,983	19.6	385,547	14.7
Sub-total	1,491,483	30.2	700,294	26.7
Total	4,957,541	100.0	2,625,143	100.0

In 2020, we acquired 15 projects in cities such as Chongqing, Shanghai, Wuhan, Hangzhou, Suzhou, Wuxi, Changzhou, Yangzhou, Chengdu, Tianjin, Hefei and Nanchang with the total investment amount of these projects being approximately RMB11,745 million, increasing our total GFA of land bank by 2,159,706 sq.m..

MANAGEMENT DISCUSSION AND ANALYSIS

Details of land and property acquisition for the year ended 31 December 2020

City	Project/Land Parcel	Land Use	Attributable Interest %	Site Area sq.m.	Expected Total GFA sq.m.	Expected Total GFA Above Ground sq.m.	Total Investment RMB million	Average Land/	Average Property Cost
								(based on the expected total GFA)	(based on the expected total GFA)
								RMB/sq.m.	RMB/sq.m.
Chongqing	Lot District C, Jiulongyuan, Jiulongpo District	Residential	54	57,359	144,235	103,244	218	1,511	2,112
Shanghai	No. 37-01, Unit SJC10010, Zhongshan Street, Songjiang District	Residential	36	15,042	35,326	24,067	589	16,673	24,473
Wuhan	Caidian Sino-French P (2019) 080 Project	Residential & commercial	60	39,266	106,653	79,492	313	2,935	3,938
Hangzhou	Lot XSCQ1402-08, Ningwei Unit, Xiaoshan	Residential & commercial	100	23,089	80,522	57,722	1,054	13,090	18,260
Suzhou	Lot 15-2, Taicang Chengxiang	Residential	16	32,399	74,383	53,320	356	4,786	6,677
Wuxi	Lot Xiguotu (Jing) 2020-42, Binhu District	Residential	42	17,664	57,490	42,393	763	13,272	17,998
Changzhou	North Lot of Juhu Road, Wujin District	Residential	51	68,809	179,226	137,618	2,212	12,342	16,073
Chongqing	Lot L66 sub-district L, Xiyong Group, Shapingba District	Residential	60	44,932	107,308	67,398	522	4,865	7,745
Yangzhou	Lot Tangwang Middle School, Guangling District	Residential	100	23,838	53,675	38,827	348	6,483	8,963
Chengdu	Yaqing Project, Wenjiang Guanghua New City	Residential & commercial	80	21,709	75,058	54,272	354	4,716	6,523
Chengdu	Shijichunqiu Project, Wenjiang Guanghua New City	Residential & commercial	90	20,378	71,717	50,944	333	4,643	6,537
Yangzhou	Lot West Lake Suzhuang, New City of West District	Residential	30	79,149	198,106	145,318	1,639	8,273	11,279
Tianjin	Lot Huayuan, Binhai New Area	Residential & commercial	90	78,600	207,259	150,300	1,405	6,779	9,348
Hefei	Haomen Jindi Project, Baohe District	Residential	50	120,152	413,932	306,902	980	2,368	3,193
Nanchang	Hongxing Plaza	Residential & commercial	51	110,780	354,816	261,927	659	1,857	2,516
Total				753,166	2,159,706	1,573,744	11,745	5,438	7,463

Revenue from Sales of Properties

The revenue from sales of properties for the Year was approximately RMB11,972.5 million, representing a decrease of 3.2% as compared to last year, and its distribution is mainly as follows:

	Revenue RMB'000	Percentage of Total Revenue %	GFA sq.m.	ASP RMB/sq.m.
Shanghai				
Shanghai Jingrui City Park	1,241,562	10.4	36,676	33,852
Shanghai Jingrui Upper Riverside	163,682	1.4	1,447	113,118
Jiangsu Province				
Suzhou Jingrui Jade Bay	53,796	0.4	4,697	11,453
Suzhou Jingrui Dignity Mansion	2,220	–	146	15,205
Suzhou Jingrui Majestic Mansion	112,638	0.9	3,862	29,166
Suzhou Jingrui Sino Park	746,484	6.2	41,724	17,891
Suzhou Jingrui Huyu Shangyuan	765,135	6.4	42,259	18,106
Zhejiang Province				
Hangzhou Jingrui Shenhua County	8,721	0.1	135	64,600
Hangzhou Jingrui Flange Park	1,316	–	89	14,787
Hangzhou Jingrui Vital House	2,200,042	18.4	52,285	42,078
Hangzhou Jingrui Yangming Valley	58,825	0.5	2,910	20,215
Hangzhou Jingrui Yuan Villa	51,265	0.4	4,645	11,037
Ningbo Jingrui In Times	163,904	1.4	11,196	14,640
Ningbo Jingrui Nobility Mansion	1,207	–	47	25,681
Ningbo Jingrui Xingning Mansion	899,145	7.5	36,911	24,360
Ningbo Jingrui Headream Mansion	6,073	0.1	162	37,488
Ningbo Jingrui Titian Garden	14,825	0.1	1,100	13,477
Ningbo Jingrui Tianfu Yaojiang	19,743	0.2	1,228	16,077
Zhoushan Jingrui Titian Garden	536,722	4.5	47,665	11,260
Hangzhou Jingrui Flange Park	213,670	1.8		
Chongqing				
Chongqing Jingrui Online Family	21,696	0.2	1,574	13,784
Tianjin				
Tianjin Jingrui Sunny City	3,310	–	229	14,454
Tianjin Jingrui No. 1, Tang Gu Bay	681,659	5.7	54,490	12,510
Tianjin Jingrui Hanlin	452,743	3.8	23,214	19,503
Wuhan				
Wuhan Jingrui Tianfu Peninsula	225,289	1.9	8,059	27,955
Hefei				
Hefei Jingrui Haomen Jindi	2,216,575	18.5	126,159	17,570
Nanchang				
Nanchang Jingrui Hongxing Plaza	742,435	6.2	69,149	10,737
Other projects	5,199	–	1,397	3,722
Sub-total	11,609,881	97.0	573,455	20,245
Car park (lots)	362,647	3.0	4,427	
Total	11,972,528	100.0		

Yan Capital Management (優鉞資管)

Yan Capital Management, as a real estate fund platform of the Group, is an important asset management vehicle of the Group and is principally engaged in real estate fund raising and asset management business. Since its establishment, Yan Capital Management has firmly cultivated fund raising, fund design and investor protection capability, extensively expanded its presence in the capital market and established a cooperative network to access to investors' resources for real estate development and optimize the capital structure.

Up to 31 December 2020, Yan Capital Management has established and promoted 19 funds, with an aggregate size of the funds of approximately RMB7.67 billion and the total size of the existing funds is RMB3.67 billion. The proceeds from fund raising externally in 2020 amounted to approximately RMB940 million, of which RMB85 million is raised from offshore fund, further expanding the fund-raising channels. In addition, Youbang Fund of Funds (優邦母基金) has completed investments valued RMB1.06 billion and RMB120 million in Wujin Project in Changzhou and Jiangshan Yufu Project in Chongqing, respectively. During the Year, Yan Capital Management completed the withdrawal of 2 funds, with an annual investment return of approximately 12.4%.

Jingrui Capital (景瑞不動產)

In March 2020, based on the development strategy of "large-scale asset management", Jingrui Capital platform was established by combining and upgrading Joyride Apartment (悅樅公寓) and Carry Capital (錯瑞辦公) under Jingrui, which are designed for investment, development, renovation and operation of rental apartments and office buildings. Jingrui Capital is committed to the holding, management and operation of long-term rental apartments and office properties, and providing end-to-end services to investors with the guidance of achieving high-quality asset management scale and concentrating on urban renewal and land matching.

During the Year, Jingrui Capital overcame the impact of the COVID-19. Except for the Shanghai Maglink Project, which is still under renovation, all projects are in normal operation. As at 31 December 2020, the time-point occupancy rate of apartment projects was 94.1% and the time-point occupancy rate of office projects was 86.4%. At the same time, in late March 2020, Jingrui Capital completed the exit from the Beijing Jingrui Shangyuan Project through disposal of the entire equity interest of Shanghai Hao Pei Properties Limited (上海浩沛置業有限公司), realizing gains of RMB53.7 million.

Jingrui Service (景瑞服務)

With economic development and consumption upgrading, value of services has been highly recognized in the capital market in recent years. In March 2020, Jingrui established the "Jingrui Service" platform with Jingrui Properties as its carrier. By adhering to the management concept of "focusing on ideal life" and taking the "promoter of ideal life in Chinese cities" as its development objective, Jingrui Service has built high-quality communities with quality consciousness to pursue continuous improvement of management services and provides high-standard and customized property management services for customers by meeting customers' increasing demands with positive and enthusiastic attitudes.

During the Year, with the rapid process of marketization, the business scale of Jingrui Service has gradually expanded. With the guidance of "relying on Shanghai, deeply developing in the Yangtze River Delta and then covering the whole China", it has established property service companies in 50 cities in Tianjin, Chongqing, Zhejiang, Jiangsu, Anhui, Henan and other regions to undertake various property services, including villas, high-end apartments, commercial squares, government office buildings, etc. The contracted GFA has exceeded 46.8 million sq.m..

Co-Fortune Capital (合福資本)

Co-Fortune Capital, as an asset-light investment platform of the Group, aims to equip the other four major segments with asset operation capability. Through “Jingrui”, the brand name of the Company, which is a listed company, Co-Fortune Capital strives to cultivate its investment management capability in the area of “Real Estate Industrial Chain + Post-Life Service”.

As of 31 December 2020, the total number of investment projects of Co-Fortune Capital reached 15 with an aggregate investment amount of RMB1,060 million. Co-Fortune Capital completed the withdrawal of its investments in four projects, with an investment return of 18.1%.

Employees and Remuneration Policies

As at 31 December 2020, we had a total of 3,017 fulltime employees (31 December 2019: 3,035). 1,006 of our employees worked in property development operations, 1,817 of our employees were engaged in property management and 194 of our employees worked in customer service and other related operations.

The remuneration package of our employees includes salaries and bonuses. In general, we determine employee salaries based on each employee’s qualifications, experience, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis for us to determine salary raises, bonuses and promotion. We also review and adjust our remuneration package by referring to the relevant salary survey in the real estate industry published by renowned consulting firms. We believe the salaries and benefits that our employees receive are competitive compared with market standards in each geographic location where we conduct business. We adopted a pre-IPO share award scheme on 6 October 2013 (cancelled on 29 November 2017) and a share award scheme (the “**Share Award Scheme**”) on 29 November 2017, respectively, pursuant to which share awards were granted to selected employees of the Group. In addition, we have also adopted the share option scheme (the “**Share Option Scheme**”) at the annual general meeting held on 7 May 2019. By doing so, share options were granted to selected senior

executives of the Group and employees are encouraged to grow together with the Company. Details of the Share Award Scheme and Share Option Scheme are set out in the sections headed “Share Award Scheme” and “Share Option Scheme” of this annual report.

The Group’s staff costs for the year ended 31 December 2020 amounted to RMB486.3 million (for the year ended 31 December 2019: RMB448.1 million). Staff costs include a remuneration expenses in relation to the share-based payments of RMB1.8 million recognized for the Year (for the year ended 31 December 2019: RMB13.5 million).

We have also established systematic training programs for our employees based on their positions and expertise. For example, the training programs for members of our management teams focus on improving their management and leadership skills. We have also customized trainings for our marketing and sales personnel to improve their sales capabilities. In addition to the internal trainings, we have also engaged external experts or sponsored continuing educations for our employees from time to time.

Financial Review

Revenue

For the year ended 31 December 2020, the revenue of the Group reached RMB12,782.4 million, representing a decrease of 3.8% as compared to RMB13,285.1 million in last year. Our revenue consists of revenue from (i) sales of properties, (ii) property management service, (iii) decoration of properties, (iv) rental income and (v) others. The table below sets forth our revenue for each of the businesses described above and the percentage of total revenue represented for the respective periods indicated:

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by business segments

	2020		2019		Year-on-year change %
	RMB'000	Percentage of Total Revenue %	RMB'000	Percentage of Total Revenue %	
Revenue from contracts with customers recognised at a point in time					
– Sales of properties	11,972,528	93.7	12,366,104	93.1	(3.2)
– Others	51,644	0.4	59,016	0.4	(12.5)
	12,024,172	94.1	12,425,120	93.5	(3.2)
Revenue from contracts with customers recognized over time					
– Property management service	526,368	4.1	441,123	3.3	19.3
– Decoration of properties	–	–	180,264	1.4	(100.0)
	526,368	4.1	621,387	4.7	(15.3)
Rental income	231,889	1.8	238,620	1.8	(2.8)
Total	12,782,429	100.0	13,285,127	100.0	(3.8)

Revenue from sales of properties has constituted, and is expected to continue to constitute, a substantial majority of our total revenue, representing approximately 93.7% of our total revenue for the Year.

Our operating results for any given period are dependent upon the GFA and the selling prices of the properties we deliver during such period and the market demand for those properties. Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for presales in accordance with the PRC laws and regulations. In general, there is typically at least one year between the time we commence the pre-sales of properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of the properties until such properties are completed and the possession of such properties has been delivered to the customers.

During the Year, the properties delivered by the Group mainly included Hefei Jingrui Haomen Jindi, Hangzhou Jingrui Vital House and Shanghai Jingrui City Park. Revenue from sales of properties decreased by approximately 3.2% to approximately RMB11,972.5 million in 2020 from approximately RMB12,366.1 million in 2019, mainly due to the decrease in the GFA of projects delivered during the Year.

Our property management service revenue represents revenue generated from property management services we provide through our subsidiary, Shanghai Jingrui Property Management Co., Ltd., to owners of all our properties and certain properties developed by third parties. Property management revenue is recognized over the period when our property management services are rendered. In 2020, property management revenue of the Group was approximately RMB526.4 million, representing an increase of approximately 19.3% as compared to that of last year. Our property management revenue increased significantly, primarily due to the significant increase in the contracted GFA and the increase in the third-party property management fee.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from decoration of properties represents realised revenue generated from decoration works we provided. In 2020, the Group did not have such revenue.

Rental income mainly includes operating revenue from leasing our investment properties and certain other completed properties and is recognized on a straight line basis over the relevant lease terms. In 2020, rental income of the Group was approximately RMB231.9 million, keeping basically flat as compared to last year.

Cost of Sales

Our cost of sales primarily represents the cost we incur directly in property development activities as well as our property management and leasing operations. The principal components of cost of sales for our property development include cost of properties sold, which represents direct construction cost, land use right cost and capitalized interest cost on related borrowings for the purpose of property development during the period of construction.

Our cost of sales decreased by 3.0% from RMB10,599.9 million in 2019 to RMB10,278.4 million in 2020, which was in line with the decrease of revenue.

The table below sets forth information relating to our cost of sales and as a percentage of total cost of sales:

	2020		2019	
	RMB'000	%	RMB'000	%
Construction costs	3,376,806	32.8	4,135,389	39.0
Land use right costs	4,814,235	46.8	4,695,809	44.3
Capitalized interest	1,625,147	15.8	1,238,036	11.7
Sub-total: Total cost of properties	9,816,188	95.4	10,069,234	95.0
Surcharges	58,481	0.6	42,335	0.4
Provision for impairment of properties held or under development for sale, net	7,126	0.1	11,747	0.1
Other costs ⁽¹⁾	396,587	3.9	476,633	4.5
Total	10,278,382	100.0	10,599,949	100.0

Note:

(1) Includes costs associated with property management, leasing and other operations.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 6.7% from RMB2,685.2 million in 2019 to RMB2,504.0 million in 2020. The Group recorded a gross profit margin of approximately 19.6% for the year ended 31 December 2020, compared to approximately 20.2% for the year ended 31 December 2019.

Appreciation/(Depreciation) of Investment Properties under Capital Platform

For the year ended 31 December 2020, the appreciation of investment properties under capital platform was RMB56.7 million (2019: depreciation of RMB21.5 million). The appreciation of investment properties in 2020 was mainly due to price premium of Shanghai Jingrui Life Square and Shanghai Jingrui Xingfulai.

Fair Value (Losses)/Gains on Investment Properties under Other Platforms

For the year ended 31 December 2020, the fair value losses on investment properties under other platforms were RMB17.0 million (2019: gains of RMB96.0 million). The fair value losses on investment properties in 2020 were mainly attributable to the depreciation of Ningbo Jingrui Harbour City Project.

Selling and Marketing Costs

Our selling and marketing costs increased by 35.5% from RMB385.6 million in 2019 to RMB522.3 million in 2020, the reason for the increase is that the Company has been actively expanding various sales channels and increasing its marketing and promotion efforts against the backdrop of the COVID-19 in order to ensure the achievement of its sales target.

Administrative Expenses

Our administrative expenses increased by 9.6% from RMB606.6 million in 2019 to RMB664.6 million in 2020. The increase was mainly due to increased management costs for newly entered cities.

Other Income and Other Gains, Net

We recorded other income of RMB223.1 million in 2020, compared to other income of RMB158.5 million in 2019. Other income recorded in 2020 mainly included the compensation income for demolition costs and the income on the government grants.

We recorded other gains of RMB327.4 million in 2020, compared to other gains of RMB146.7 million in 2019. Other gains recorded in 2020 were primarily due to the gains on the disposal and acquisition of projects.

Finance Income/(Costs), Net

Our finance income increased by 287.6% from RMB261.5 million in 2019 to RMB1,013.6 million in 2020, primarily as a result of the increase in interest income on bank deposits and the increase in exchange gains on overseas debts arising from the decline of US dollar exchange rates. Our finance costs increased by 42.8% from RMB527.0 million in 2019 to RMB752.5 million in 2020, mainly due to the increase in the amount of borrowings and interest rate on borrowings.

Share of Results of Joint Ventures/Associates

For the year ended 31 December 2020, our share of results of joint ventures/associates was a gain of RMB170.6 million (2019: RMB342.6 million), which mainly represented the profit carried forward from the income of joint ventures/associates during the Year. The fair value of investment properties of joint ventures did not fluctuate significantly.

Income Tax Expense

Our income tax expense increased by 23.2% from RMB864.9 million in 2019 to RMB1,065.5 million in 2020, primarily due to the increase in land value-added tax and corporate income tax as a result of the carry-over of certain high-margin projects.

Profit for the Year

Profit for the Year reached RMB1,273.5 million, of which profit attributable to our equity holders was RMB958.1 million in 2020.

Liquidity and Capital Resources

The industry in which the Group operates is a capital intensive industry. The Group has been and is expected to continue satisfying its needs of operating capital, capital expenditure and other capital needs with proceeds from pre-sale and sale of properties, loans from commercial banks and other individuals, capital injections from shareholders and issuance of new shares. The Group's need for short-term liquid capital is associated with loan repayment and capital need for operation, and the Group's short-term liquid capital comes from cash balance, proceeds from pre-sale and sale of properties and new loans. The Group's need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of long-term loan, and the Group's sources of long-term liquid capital include loans, capital injections from shareholders and issuance of new shares.

Cash Positions

As at 31 December 2020, our cash at bank and on hand (including restricted cash) was RMB13,646.5 million. Our cash at bank and on hand is mainly denominated in RMB and US dollars. Restricted cash of the Group mainly comprised deposits pledged for borrowings and guarantees in respect of mortgage facilities for certain purchasers of the Group's properties.

Borrowings

Our total outstanding borrowings increased from RMB19,005.3 million as at 31 December 2019 to RMB21,444.8 million as at 31 December 2020. As at 31 December 2020, we had unutilized banking facilities of approximately RMB26,545.9 million. All of the Group's secured borrowings were secured by one or a combination of the following methods: land use rights, properties under development, investment properties, properties, shares of the Company's subsidiaries, bank deposits and/or guarantees by the Company's subsidiaries. As at 31 December 2020, the assets used as collaterals for the borrowings amounted to RMB14,383.5 million (31 December 2019: RMB13,196.4 million). Our borrowings are mainly denominated in RMB and US dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of our borrowings by categories

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000	Change %
Current Borrowings:			
Bank loans, secured	1,908,565	2,050,250	(6.9)
Other loans, secured	322,000	–	–
Trust financing arrangements, secured	–	124,700	(100.0)
Add: current portion of long-term borrowings	6,909,305	7,223,063	(4.3)
Total Current Borrowings	9,139,870	9,398,013	(2.7)
Non-Current Borrowings:			
Bank loans, secured	6,418,178	4,742,601	35.3
Other loans, secured	2,190,498	1,459,000	50.1
Trust financing arrangements, secured	1,046,500	251,700	315.8
Senior notes due 2020, issued in January 2019, secured	–	1,042,469	(100.0)
Senior notes due 2020, issued in April 2017, secured	–	2,750,975	(100.0)
Senior notes due 2021, issued in April 2018, secured	1,348,822	2,429,874	(44.5)
Senior notes due 2021, issued in April 2019, secured	1,260,924	1,355,493	(7.0)
Senior notes due 2022, issued in July 2019, secured	1,688,076	1,805,273	(6.5)
Senior notes due 2022, issued in March 2020, secured	1,234,231	–	–
Senior notes due 2022, issued in June 2020, secured	972,150	–	–
Senior notes due 2023, issued in November 2020, secured	1,551,964	–	–
Corporate bonds due 2021	1,221,712	992,976	23.0
Corporate bonds due 2022	281,188	–	–
Less: current portion of long-term borrowings	(6,909,305)	(7,223,063)	(4.3)
Total Non-Current Borrowings	12,304,938	9,607,298	28.1
Total	21,444,808	19,005,311	12.8

Breakdown of our borrowings by maturity profiles

	As at 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Within 1 year	9,139,870	42.6	9,398,013	49.5
Between 1 and 2 years	7,056,245	32.9	5,916,425	31.1
Between 2 and 5 years	4,841,365	22.6	3,168,298	16.7
Over 5 years	407,328	1.9	522,575	2.7
Total	21,444,808	100.0	19,005,311	100.0

The proportion of the Group's long-term borrowings in the total borrowings was 57.4% for the year ended 31 December 2020, ensuring the healthy and stable cash flow of the Group in the future.

Interest and net foreign exchange losses generated from bank loans, senior notes, corporate bonds and trust financing arrangements and other loans

	Year ended 31 December		Year-on-year change
	2020	2019	
	RMB'000	RMB'000	
Finance costs			
– Interest expensed	739,303	454,587	62.6
– Net foreign exchange losses on financing activities	–	57,731	(100.0)
– Interest on lease liabilities	13,216	14,549	(9.2)
– Amounts capitalised	1,290,629	1,550,206	(16.7)
Total	2,043,148	2,077,073	(1.6)

Net Debt-to-Capital Ratio

As at 31 December 2020, our net debt-to-capital ratio was 69% (31 December 2019: 58%). Net debt-to-capital ratio is calculated as net debt at the end of the period divided by total equity, and multiplied by 100%. Net debt is calculated as total borrowings minus cash and cash equivalents and restricted cash.

Contingent Liabilities

We provide mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificate to the customer; or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on a mortgage loan, we may be required to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgage bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans.

As at 31 December 2020, the material contingent liabilities incurred for our provision of guarantees to financial institutions in respect of the mortgage loans they provided to our property purchasers were approximately RMB5,416.5 million (2019: RMB4,363.1 million). In addition, we provided guarantee for certain bank loans amounting to RMB872.2 million (2019: RMB1,484.0 million) for our joint ventures and associates.

Our Directors confirm that we have not encountered defaults by purchasers in which we provided mortgage guarantees that, in aggregate, had a material adverse effect on our financial condition and results of operations.

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities disclosed above, as of 31 December 2020, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings and other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits bearing stable interest rates, we have no other significant interest-bearing assets.

Our exposure to changes in interest rates is mainly attributable to our borrowings from bank, trust financing providers and senior notes. Borrowings at floating rates expose us to cash flow interest rate risk, while borrowings at fixed rates expose us to fair value interest rate risk. We have not hedged our cash flow or fair value interest rate risk. Our Directors do not anticipate significant impacts on interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Foreign Exchange Risk

The Group is engaged in the development, sale and management of properties solely in the PRC with almost all transactions denominated in RMB. In addition, the majority of the Group's assets and liabilities are denominated in RMB. Accordingly, the Group is not exposed to significant foreign currency risks, except for bank deposits and our senior notes issued in 2018, 2019 and 2020, which were denominated in US dollars.

Nonetheless, as we expand our operations, we may incur a certain portion of our cash flows in currencies other than RMB and thereby, may increase our exposure to fluctuations on exchange rates. We currently do not have foreign currency hedging policies, but our Directors will manage our exposure through constant monitoring to limit as much as possible the amount of our foreign currency exposures.

Financial Assets at Fair Value through Profit or Loss/Other Comprehensive Income

As of 31 December 2020, the balance of the Group's financial assets at fair value through profit or loss mainly represented the investments in liquid opportunity fund, purchase of wealth management products, and other investments in private funds. The balance of the Group's financial assets at fair value through other comprehensive income mainly represented the investment in unlisted equity securities.

Material Acquisitions and Disposals

The Group had no material acquisitions and disposals in 2020.

Future Plans for Material Investment

The Directors confirmed that as at the date of this annual report, there is no current plan for any material investment other than that in the Group's ordinary business of property development and the identification of potential independent third party investors for respective project companies.

Prospect

2021 is the first year of China's 14th Five-year Plan and the historic crossroad of the "Two Centenary Goals". A new development stage has come. The long-term regulation mechanism with the main keynote of "housing is for accommodation, not for speculation" will be further consolidated and improved. The real estate industry will speed up in entering the new stage of steady development with challenges as well as opportunities.

Those who recognize the trend are wise and those who follow the trend will win. Jingrui will follow the trend of the times, capture the characteristics and laws of the development of the real estate industry in new times, center on creating authentic value for customers and investors and comprehensively improve its overall capability of "fund raising, investment in projects, post-investment project management and capital withdrawal". Based on large-scale asset management commercial model, it will continue to focus on the real estate industry and maintain the strategic layout in the first- and second-tier core cities and metropolises. It will focus on core city clusters, exert a keen insight on customers' demands so as to render better property and service to them. It will enhance the stock asset value by virtue of urban renewal and refined operation and bring a new and better urban life.

..... DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yan Hao (閔浩), aged 52, is one of the founders and the co-chairman and chief executive officer of the Group. He was appointed as an executive Director on 6 October 2013 and appointed as an authorised representative of the Company on 18 January 2020. Mr. Yan is responsible for the overall strategic planning and business direction and the day to day business and management of the Group. Mr. Yan also serves as the Chairman of our Nomination Committee. Mr. Yan obtained an EMBA degree from Fudan University (復旦大學) in June 2004. He has more than 20 years of experience in the PRC real estate industry. Mr. Yan cofounded Jingrui Properties (Group) Co., Ltd. (formerly known as Shanghai Jingrui Property Development Company) in 1993 with Mr. Chen Xin Ge, and has since served as the deputy general manager, building our business to its current scale from 1993 to 1999 and the chief executive officer since 1999, being responsible for overseeing our day to day operations, strategic directions and business growth.

Mr. Chen Xin Ge (陳新戈), aged 52, is one of the founders and the co-chairman of the Group. He was appointed as an executive Director on 6 October 2013. Mr. Chen is responsible for determining the overall strategic planning and business direction of the Group together with Mr. Yan. Mr. Chen also serves as a member of our Remuneration Committee. Mr. Chen graduated from Capital University of Economics and Business (首都經濟貿易大學) in March 2001. He also completed the EMBA Program at Cheung Kong Graduate School of Business in September 2007 and obtained a diploma of Executive Master of Business Administration. Mr. Chen has more than 20 years of experience in the PRC real estate industry. Mr. Chen co-founded Jingrui Properties (Group) Co., Ltd. (formerly known as Shanghai Jingrui Property Development Company) in 1993 with Mr. Yan, and has since served as the general manager, building our business to its current scale from 1993 to 1999 and the chairman of board of directors since 1999, being responsible, along with Mr. Yan, for the strategic directions and business growth of the Group.

Mr. Xu Hai Feng (徐海峰), aged 47, is the vice-president of the Group. He was appointed as an executive Director on 15 March 2018. Mr. Xu graduated from Tongji University in June 1998 with an engineering degree.

He obtained the EMBA degree from CEIBS in September 2013. After graduation, Mr. Xu joined Shanghai Pu Nan Public Transport Co., Ltd. (上海浦南大眾公共交通有限公司), from which he left in April 2001 to join the Group as a senior manager of HR department, and is primarily in charge of formulating and implementing the human resources strategy of the Group. From June 2009 to July 2017, Mr. Xu served successively as the deputy general manager of Jingrui Properties' company in Chongqing, the human resources administrative director of Jingrui Properties, assistant to the president of Jingrui Properties and the executive vice president of Jingrui Properties. He has been in charge of human resources matters and real-estate business of the Group. Mr. Xu served as the executive president of Jingrui Properties from August 2017 to June 2018, being responsible for the overall operation and management of the Group's real estate business. Mr. Xu was appointed by the Company as the vice-president of the Company on 22 June 2018 and concurrently served as the chairman and president of Jingrui Properties.

Mr. Chen Chao (陳超), aged 42, is the vice-president and the chief financial officer of the Group, and the chairman of Yan Capital Management. He was appointed as an executive Director on 30 March 2020. Upon joining the Company in July 2018, Mr. Chen is responsible for financial matters, financing, capital markets and fund business. Mr. Chen joined Xiamen Tianjian Certified Public Accountants Co., Ltd. (廈門天健有限責任會計師事務所) as the audit project manager in June 2001. In November 2006, he joined Xiamen ITG Group Corp., Ltd. (廈門國貿集團股份有限公司) (stock code: 600755) as the deputy general manager of the finance department and concurrently the financial controller of Xiamen Guomao Real Estate Group (廈門國貿地產集團). From July 2012 to June 2018, he served as the vice president of Yuzhou Properties Company Limited (禹洲地產股份有限公司) (stock code: 01628), in charge of the finance, capital, legal affairs, risk control and other businesses. He also acted as the vice president of Yuzhou Financial Holdings Group (禹洲金控集團), the leader of the South China region and the chairman of Yuzhou Property Group (禹洲物業集團). He has nearly 20 years of experience in financial management. Mr. Chen obtained a bachelor's degree in accounting from Xiamen University and an MBA degree from Xiamen University in June 2001 and June 2011, respectively with the qualification of Chinese Certified Public Accountant.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Mr. Han Jiong (韓炯), aged 52, was appointed as an independent non-executive Director on 6 October 2013. Mr. Han has been appointed as a member of our Audit Committee, the chairman of our Remuneration Committee, a member of our Nomination Committee and a member of our Risk Management Committee and is responsible for supervising and providing independent judgment to the Board, and in particular, as the chairman of the Remuneration Committee, he is responsible for overseeing the policy and structure of the remuneration for the Directors and senior management and making recommendations on employee benefit arrangement. Mr. Han graduated from East China University of Political Science and Law (華東政法大學) in July 1992, and qualified as a lawyer in the PRC in February 1993. He joined Shanghai Jinmao Law Firm (上海金茂律師事務所) in July 1992, and was an associate when he left in December 1998. He was a founding partner of Llinks Law Offices (通力律師事務所) which was opened in November 1998, and he is currently a director of management committee, executive partner. Mr. Han was a member of the Seventh and the Eighth CSRC Public Offering Review Committee from January 2005 to April 2007, and was appointed by the Ministry of Human Resources and Social Security of the PRC (中國人力資源和社會保障部) as a member of the First and the Second Review Committee for the Enterprise Annuity Fund Management Association (企業年金基金管理機構評審委員會) from June 2005 to August 2009. He was a council member of the Shanghai Bar Association (上海市律師協會) from April 2008 to April 2015.

Mr. Qian Shizheng (錢世政), aged 69, was appointed as an independent non-executive Director on 6 October 2013. Mr. Qian has been appointed as the chairman of our Audit Committee and Risk Management Committee. He is responsible for reviewing and supervising the financial reporting process and internal control system as well as overseeing the audit process of the Group. Mr. Qian received a bachelor's degree in Accounting from Shanghai University of Finance and Economics in 1983, and obtained a Doctorate in Management Science from Fudan University (復旦大學) in July 2001. Mr. Qian has been an associate professor at Fudan University (復旦大學) specialized in accounting since

1995. Mr. Qian joined Shanghai Industrial Investment (Holdings) Co., Ltd. in January 1998 and has served as its vice president from September 2005 to 2012. Mr. Qian currently serves as an independent non-executive director of Lonking Holdings Limited (stock code: 3339), Hanhua Financial Holding Co., Ltd. (stock code: 3903) and Red Star Macalline Group Corporation Ltd. (stock code: 1528), all are listed on the Stock Exchange. Mr. Qian is currently teaching in Fudan University (復旦大學) and has over 20 years of teaching and work experience in the finance and accounting fields.

Dr. Lo Wing Yan William (盧永仁), JP, aged 60, was appointed as an independent non-executive Director on 6 October 2013. Dr. Lo has been appointed as a member of our Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee and is responsible for supervising and providing independent judgment to the Board and performing other duties and responsibilities as assigned by the Board. Dr. Lo holds a master's degree and a Doctorate from the University of Cambridge in England in March 1986 and March 1988 respectively. Dr. Lo was also a Bye-Fellow of Downing College, the University of Cambridge. In 1999, he was appointed as a Justice of Peace (JP) by the government of Hong Kong. In 2003, he was appointed as a Member of Shantou Committee of the Chinese People's Political Consultative Conference.

Dr. Lo is the chairman of Captcha Media Limited (a digital media company), OtoO Academy Limited (a new retail consultant platform) and Strategenes Limited (a corporate strategy company), and a governor of The Charles K. Kao Foundation for Alzheimer's Disease Limited, a member of the Cyberport Advisory Panel, a Member of the Hospital Governing Committee of HK Red Cross Blood Transfusion Service and a Member of the Advisory Committee of the School of Chinese Medicine of the Hong Kong Baptist University. In 2019, Dr. Lo was appointed to participate in and guide the research project of finance and technology by the banking and finance sector of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council, and also as an expert member of the GP Research Institution of GP Capital. Dr. Lo is also a governor of an independent school in Hong Kong, the ISF Academy, as well as a chairman of Junior Achievement Hong Kong. Dr. Lo is

••••• DIRECTORS AND SENIOR MANAGEMENT

currently the independent non-executive director of the Stock Exchange listed companies, including Television Broadcasts Limited (stock code: 511), CSI Properties Limited (stock code: 497), South Shore Holdings Limited (stock code: 577) and a New York Stock Exchange listed company, Nam Tai Property, Inc. (ticker: NTP). Dr. Lo also served as an independent non-executive director of BOE Varitronix Limited (formerly known as Varitronix International Limited), a company listed on the Stock Exchange (stock code: 710) from July 2004 to June 2016, an executive director and vice chairman of Kidsland International Holdings Limited, a company listed on the Stock Exchange (stock code: 2122) from April 2017 to December 2018, an executive director and chairman of SMI Holdings Group Limited, a company listed on the Stock Exchange (stock code: 0198, and was delisted on 14 December 2020) from January 2019 to April 2019, an independent non-executive director of Ronshine China Holdings Limited, a company listed on the Stock Exchange (stock code: 3301) from January 2016 to June 2019, an independent non-executive director of Hsin Chong Group Holdings Limited, a company listed on the Stock Exchange (stock code: 404, and was delisted on 31 December 2019) from June 2018 to September 2019, an independent non-executive director of Brightoil Petroleum (Holdings) Limited, a company listed on the Stock Exchange (stock code: 0933, and was delisted on 20 October 2020) from June 2019 to December 2020, and an independent non-executive director of SITC International Holdings Company Limited, a company listed on the Stock Exchange (stock code: 1308) from September 2010 to October 2020.

Senior Management

Ms. Jiang Bing Xian (蔣冰弦), aged 40, is our joint company secretary and general manager of central capital market of the Company. Ms. Jiang joined the Company in November 2004. She was appointed as the joint company secretary in June 2017 and also responsible for investor relations and capital market activities. Ms. Jiang obtained a bachelor's degree in Laws from East China University of Political Science and Law in July 2004 and a master's degree in Laws from China University of Political Science and Law in January 2015.

Joint Company Secretaries

Ms. Jiang Bing Xian (蔣冰弦), has been appointed as one of the joint company secretaries and authorized representative of the Company since 23 June 2017. For Ms. Jiang's profile, please refer to the section headed "Senior Management" above.

Ms. So Lai Shan (蘇麗珊), another joint company secretary of the Company appointed since 11 October 2018, is the assistant manager of the listing services department of TMF Hong Kong Limited, responsible for providing company secretarial and compliance services to clients of listed companies. She has over 10 years of professional and in-house experience in the company secretarial field. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.

The Board is pleased to present this corporate governance report as set out in the annual report of the Company for the year ended 31 December 2020.

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. The Company has been in compliance with the code provisions set out in the CG Code during the year ended 31 December 2020 except for the deviation from code provision A.2.1 as set out below. However, the Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Code Provision A.2.1

Under code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Notwithstanding that Mr. Chen Xin Ge was appointed as co-chairman of the Company and Mr. Yan Hao currently holds both positions of co-chairman and chief executive officer of the Company.

Since the listing of the Company, Mr. Yan Hao (“**Mr. Yan**”) has acted as the co-chairman and the chief executive officer of the Company. Notwithstanding the corporate governance measures adopted by the Company and the appointment of Mr. Chen Xin Ge (“**Mr. Chen**”) as the other co-chairman with an aim to balance the power and authority of Mr. Yan, this is a deviation from the code provision set out in paragraph A.2.1 of the CG Code. Mr. Yan, as one of the founders of the Group, is instrumental to the Company’s growth and business expansion since 1999. The Board considered that vesting the roles of co-chairman and chief executive officer of the Company in Mr. Yan facilitates and maximizes the effectiveness of the execution of the Group’s business strategies. The executive functions and day-to-day management of the business are carried out by Mr. Yan as the chief executive officer of the Company. In addition, the Board believes that the powers and

authorities of the co-chairmen of the Company have not been concentrated as the responsibilities have been shared between the co-chairmen of the Company. The Board also believes that the balance of power and authority is adequately ensured by the operations of senior management of the Company and the Board, which comprises experienced and high calibre individuals. For the year ended 31 December 2020, except for the period from 18 January 2020 to 30 March 2020 when the Board had three executive Directors and three independent non-executive Directors, the Board comprises four executive Directors (including Mr. Yan) and three independent non-executive Directors and therefore has a strong independence element in its composition.

(A) The Board

The Board shall be liable to the shareholders, responsible for the general strategy, risk management and internal control of the Group. In order to supervise the specific affairs of the Company, the Board has established four board committees, including the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee (together, the “**Board Committees**”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Composition of the Board

As at the date of this annual report, the Board consists of four executive Directors (namely Mr. Yan Hao, Mr. Chen Xin Ge, Mr. Xu Hai Feng and Mr. Chen Chao) and three independent non-executive Directors (namely Mr. Han Jiong, Mr. Qian Shi Zheng and Dr. Lo Wing Yan William). The biographies of the Directors are set out under the section headed “Directors and Senior Management” of this annual report.

During the year ended 31 December 2020 and up to the date of this annual report, the Board has been in compliance with the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

••••• CORPORATE GOVERNANCE REPORT

Under Rule 3.10A of the Listing Rules, independent non-executive directors shall account for at least one-third of the board members. The Company has three independent non-executive Directors currently representing more than one third of the Board members and therefore the Company has complied with the Rule 3.10A of the Listing Rules.

The Company has received written annual confirmation of independence from each independent non-executive Director as required by the Listing Rules. The Company considers all the independent non-executive Directors to be independent for the purpose of the independence guidelines set out in the Rule 3.13 of the Listing Rules.

None of the Directors has any personal relationship (including financial, business, family or other material/ relevant relationship) with any other Directors.

All Directors, including 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. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee.

As regards the code provision of the CG Code requiring directors to disclose to the issuer the number and nature of offices held in public companies or organizations and other significant commitments as well as the names of such companies or organizations and the time involved in such offices, each Director has agreed to disclose their commitments to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statute, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest development and changes in the Listing Rules and other relevant laws and regulations from time to time.

The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

During the year ended 31 December 2020 and up to the date of this annual report, all Directors namely, Mr. Yan Hao, Mr. Chen Xin Ge, Mr. Xu Hai Feng, Mr. Chen Chao (appointed on 30 March 2020), Mr. Xu Chao Hui (resigned on 18 January 2020), Mr. Han Jiong, Mr. Qian Shi Zheng and Dr. Lo Wing Yan William participated in continuous professional development. They developed and updated their knowledge and skills in respect of the Listing Rules and other statutory and regulatory requirements through participation in training programs or external seminars, thus to make contributions to the Board.

Board Diversity and Diversity Policy

As required by Rule 13.92 of the Listing Rules, the nomination committee (or the board) shall develop a policy concerning board diversity. The Company has adopted a board diversity policy (the "**Board Diversity Policy**") on 18 March 2014, and amended it on 19 December 2018. The existing Directors, who are different from each other in terms of cultural and educational background, professional experience, skills, knowledge, independence and diversity in length of service, can deliver corporate governance on a supplement basis and promise a relatively complete corporate governance system. Details are set out under the section headed "Directors and Senior Management" of this annual report.

The Nomination Committee is mainly responsible for identifying talent with adequate qualification to serve as a board member, and will take into account the Board Diversity Policy. The Board Diversity Policy would be reviewed by the Board on a regular basis to ensure continuous efficiency. Pursuant to the Board Diversity Policy, in relation to reviewing and assessing the Board composition, the Nomination Committee is committed to 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.

Duties of the Board

The functions and duties of the Board include convening general meetings, reporting on the Board's work at these meetings, implementing the resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the articles of association of the Company (the "**Articles of Association**").

Name	Position and role
Mr. Yan Hao	Executive Director, co-chairman and chief executive officer (overall strategic planning and business direction and day to day business and management)
Mr. Chen Xin Ge	Executive Director and co-chairman (overall strategic planning and business direction)
Mr. Xu Hai Feng	Executive Director and vice president (assisting the co-chairmen and chief executive officer and responsible for the day to day business and management of Jingrui Properties)
Mr. Chen Chao (appointed on 30 March 2020)	Executive Director, vice president and chief financial officer (assisting the co-chairmen and chief executive officer and responsible for the finance, financing, capital markets and fund business)
Mr. Xu Chao Hui (resigned on 18 January 2020)	Executive Director and vice president (assisting the co-chairmen and chief executive officer and responsible for the day to day business and management of Co-Fortune Capital)
Mr. Han Jiong	Independent non-executive Director and member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee, responsible for supervising and providing independent judgment to the Board
Mr. Qian Shi Zheng	Independent non-executive Director and member of the Audit Committee and Risk Management Committee, responsible for supervising and providing independent judgment to the Board
Dr. Lo Wing Yan William	Independent non-executive Director and member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee, responsible for supervising and providing independent judgment to the Board

Appointment and Re-election of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company with specified terms, and is subject to retirement and re-election at the forthcoming annual general meeting of the Company.

Each of the executive Directors has entered into a service agreement with us for an initial fixed period of three years commencing from 31 October 2013. In October 2016, the Company renewed the service agreement with each of the executive Directors for a further period of three years. In August 2019, the Company entered into a renewed service agreement with each of the executive Directors for a further fixed period of three years commencing from 31 October 2019 unless terminated earlier. On 15 March 2018, the Company entered into a service agreement with Mr. Xu Hai Feng for a fixed period of three years commencing

from 15 March 2018. On 30 March 2020, the Company entered into a service agreement with Mr. Chen Chao for a fixed period of three years commencing from 30 March 2020. In March 2021, the Company has renewed the service contract with Mr. Xu Hai Feng for a further term of three years commencing from 15 March 2021 unless terminated earlier.

Each of Mr. Qian Shi Zheng, Dr. Lo Wing Yan William and Mr. Han Jiong, the independent non-executive Directors, has entered into a letter of appointment with the Company, for an initial term of three years commencing from 31 October 2013. In October 2016, the Company renewed the letter of appointment with each of the independent non-executive Directors for a further period of three years. In August 2019, the Company entered into a renewed letter of appointment with each of our independent non-executive Directors for a further term of three years commencing from 31 October 2019.

••••• CORPORATE GOVERNANCE REPORT

Save as disclosed above, none of the Directors has entered into a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall offer himself/herself for election by shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall offer himself/herself for re-election by shareholders at the next following general meeting of the Company after appointment.

As at the date of this annual report, the Nomination Committee has assessed the independence of the independent non-executive Directors and has reviewed the proposed appointment of the Directors. In addition, the Nomination Committee has approved the retirement and re-election of three Directors of the Company, namely Mr. Yan Hao, Mr. Han Jiong and Dr. Lo Wing Yan William at the annual general meeting to be held on 8 June 2021.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, re-election and succession planning of Directors.

Board Meetings

The Company will adopt the practice of holding Board meetings regularly, at least four times a year, and at

approximately quarterly intervals. Notices of not less than fourteen days for all regular board meetings are given to all Directors to attend the meetings and the relevant subjects would be included in the agenda for such regular meeting. For other Board and committee meetings, reasonable notice is generally given by the Company. The agenda and related board and committee papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by the Directors.

During the year ended 31 December 2020, four Board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Role	Name	Attendance/ No. of meetings held	Attendance rate
Executive Director	Mr. Yan Hao	4/4	100%
Executive Director	Mr. Chen Xin Ge	4/4	100%
Executive Director	Mr. Xu Hai Feng	4/4	100%
Executive Director	Mr. Chen Chao <i>(appointed on 30 March 2020)</i>	4/4	100%
Executive Director	Mr. Xu Chao Hui <i>(resigned on 18 January 2020)</i>	N/A	N/A
Independent non-executive Director	Mr. Han Jiong	4/4	100%
Independent non-executive Director	Mr. Qian Shi Zheng	4/4	100%
Independent non-executive Director	Dr. Lo Wing Yan William	4/4	100%

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 as its own code of conduct regarding Directors’ securities transactions. Specific enquiries to the Directors have been made and each of the Directors has confirmed that he has complied with the Model Code during the year ended 31 December 2020.

Delegation by the Board

The Board reserves its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have resources to seek independent professional advice in performing their duties at the Company’s expense and are encouraged to consult with the Company’s senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The corporate governance functions to be performed by the Board include:

- (1) to develop and review the corporate governance policies and practices and to make recommendations to the Board;
- (2) to review and monitor the training and continuous professional development of the Directors and senior management;
- (3) to review and monitor the policies and practices on compliance with legal and regulatory requirements;

- (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and Directors; and
- (5) to review the compliance with the CG Code and disclosure in the corporate governance report.

Committees of the Board

Audit Committee

The Audit Committee comprises three independent non-executive Directors, being Mr. Qian Shi Zheng (Chairman), Dr. Lo Wing Yan William and Mr. Han Jiong. The main duties of the Audit Committee are:

- (1) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of their resignation or dismissal;
- (2) to review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (3) to develop and implement policy on engaging external auditors to supply non-audit services. For this purpose, “external auditor” includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

••••• CORPORATE GOVERNANCE REPORT

- (4) to monitor integrity of the Company's financial statements and annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
 - (4.1) any changes in accounting policies and practices;
 - (4.2) major judgmental areas;
 - (4.3) significant adjustments resulting from audit;
 - (4.4) the going concern assumptions and any qualifications;
 - (4.5) compliance with accounting standards; and
 - (4.6) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (5) regarding paragraph (4) above:
 - (5.1) members of the Audit Committee should liaise with the Board and the Company's senior management and the Audit Committee must meet, at least twice a year, with the Company's external auditors; and
 - (5.2) the Audit Committee should consider any significant or unusual items that are or may need to be, reflected in the report and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (6) to review the Company's financial reporting system and internal control procedure;
- (7) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to establish and maintain effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (8) to consider major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and management's response to these findings;
- (9) to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (10) to review the Group's financial and accounting policies and practices;
- (11) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- (12) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (13) to report to the Board on the matters included under the heading "Audit Committee" in Appendix 14 to the Listing Rules;
- (14) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (15) to act as the key representative body for overseeing the Company's relations with the external auditors;

- (16) the Audit Committee shall establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company; and
- (17) to consider other matters as referred to the Audit Committee by the Board.

As at the date of this annual report, the Audit Committee has reviewed the audit plan, audit scope and major audit issues of the external auditor for the year ended 31 December 2020. In addition, the Audit Committee has held meetings to discuss and review the annual results and annual report of the Group for the year ended 31 December 2019, the interim results and interim report of the Group for the six months ended 30 June 2020, the annual results and annual report of the Group for the year ended 31 December 2020, and also reviewed the auditors' remuneration and made recommendation to the Board on the re-appointment of auditors, which is subject to approval by the shareholders at the annual general meeting.

During the year ended 31 December 2020, three meetings were held by the Audit Committee and the attendance of each respective member at the meetings of the Audit Committee held in 2020 is set out in the following table:

Name	Attendance/number of meetings held
Mr. Qian Shi Zheng	3/3
Dr. Lo Wing Yan William	3/3
Mr. Han Jiong	3/3

Remuneration Committee

The Remuneration Committee comprises three members, being independent non-executive Directors, Mr. Han Jiong (Chairman) and Dr. Lo Wing Yan William and executive Director, Mr. Chen Xin Ge. A majority of the members of the Remuneration Committee are

independent non-executive Directors. The main duties of the Remuneration Committee are:

- (1) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (2) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (3) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (4) to make recommendations to the Board on the remuneration of the non-executive Directors;
- (5) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (6) to review and approve compensation payable to executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (7) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (8) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;

••••• CORPORATE GOVERNANCE REPORT

- (9) to consult with the Company's chairman and/or the president/managing director/chief executive officer about their remuneration proposals for other executive Directors; and
- (10) to consider all other matters as referred to the Remuneration Committee by the Board.

The Remuneration Committee has adopted the model described in code provision B.1.2 (c)(ii) of the CG Code.

As at the date of this annual report, the Remuneration Committee has reviewed the performance appraisals of the Directors and senior management of the Company in 2020, and at the same time, made recommendations on performance appraisal standards in 2021. In addition, the Remuneration Committee has reviewed the Group's current remuneration policies for the Directors and the implementation of employment contracts.

For the year ended 31 December 2020, the remuneration payable to members of senior management of the Company by band are set out in Note 30 to the Financial Statements.

During the year ended 31 December 2020, one meeting was held by the Remuneration Committee and the attendance of each respective member at the meetings of the Remuneration Committee held in 2020 is set out in the following table:

Name	Attendance/number of meetings held
Mr. Han Jiong	1/1
Dr. Lo Wing Yan William	1/1
Mr. Chen Xin Ge	1/1

Nomination Committee

The Nomination Committee comprises three members, being executive Director Mr. Yan Hao (Chairman), and independent non-executive Directors Mr. Han Jiong and Dr. Lo Wing Yan William. A majority of the members of the Nomination Committee are independent

nonexecutive Directors. The main duties of the Nomination Committee are:

- (1) to review the structure, size and composition (including cultural and educational background, professional experience, skills, knowledge, independence, gender and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (2) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (3) to assess the independence of independent non-executive Directors; and
- (4) to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The main policy and procedures for nomination of Directors are:

- (1) The nomination of new Directors shall be first deliberated by the Nomination Committee and then considered and approved by the Board;
- (2) When nominating a Director, the Nomination Committee shall assess whether the nominee has the integrity, skills, experience and diverse perspectives required by the business of the Company, and can devote time and energy to fulfilling the duties and responsibilities;
- (3) When nominating a Director, the Nomination Committee shall take into account of the contributions the nominee can bring to the Board in terms of culture and education background, professional experience, skills, knowledge, independence, gender and length of service diversity; and

- (4) The responsibility of the selection and appointment of Directors shall be taken by all Directors.

On 18 January 2020, Mr. Xu Chao Hui, resigned as an executive Director. On 30 March 2020, the Nomination Committee discussed and proposed to appoint Mr. Chen Chao, the vice president and chief financial officer of the Group and the chairman of Yan Capital Management, as an executive Director of the Company, to supplement the vacancy of the Director due to the resignation of Mr. Xu Chao Hui. Mr. Chen Chao joined the Group in July 2018, responsible for the finance, financing, capital markets and fund business. Mr. Chen has many years of financial management related experience. The Nomination Committee believes that the appointment of Mr. Chen will complement the executive Director's experience and capabilities in financial management, and will be beneficial to the diversification of the board composition of the Company, fulfilling its functions on a continuous and efficient basis. The nomination of Mr. Chen to be appointed as a Director was approved upon discussion by the Board on 30 March 2020.

As at the date of this annual report, the Nomination Committee has assessed the independence of the independent non-executive Directors and has reviewed the proposed appointment of the Directors during the Year. In addition, the Nomination Committee has approved the retirement and re-election of three Directors, namely Mr. Yan Hao, Mr. Han Jiong and Dr. Lo Wing Yan William at the annual general meeting to be held on 8 June 2021.

During the year ended 31 December 2020, one meeting was held by the Nomination Committee and the attendance of each respective member at the meeting of the Nomination Committee held in 2020 is set out in the following table:

Name	Attendance/number of meeting held
Mr. Yan Hao	1/1
Mr. Han Jiong	1/1
Dr. Lo Wing Yan William	1/1

Risk Management Committee

The Risk Management Committee was established on 23 October 2015 and comprises three independent non-executive Directors, being Mr. Qian Shi Zheng (Chairman), Mr. Han Jiong and Dr. Lo Wing Yan William. The main duties of the Risk Management Committee are:

- (1) to review the risk management and internal controls policy and standard of the Company, as well as the fundamental concepts and scope of compliance management;
- (2) to review and make recommendation to the Board on the overall target and basic policy of the compliance and risk management;
- (3) to supervise, monitor and make recommendation to the Board on the establishment of risk and compliance management system of the Company and its development;
- (4) to supervise and monitor the Company's exposure to sanctions law and implementation of the related internal control policies and procedures adopted by the Company;
- (5) to review the compliance reports and risk assessment reports that need to be reviewed by the Board, and to make recommendation to the Board on improvement of the Company's compliance and risk management;
- (6) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- (7) to monitor the effective implementation of the risk and compliance management by the management of the Company, and to evaluate the performance of the senior management of the Company responsible for risk and compliance management;
- (8) to evaluate and advise on the risks involved in major decisions that need to be reviewed by the Board and solutions to the major risks; and

••••• CORPORATE GOVERNANCE REPORT

- (9) to review and evaluate the effectiveness of the risk management and internal control policies and procedures with respect to sanctions law matters from time to time.

The Risk Management Committee has completed an annual review of the risk management and internal control systems of the Group for the year ended 31 December 2020, including amongst others, sufficiency of resources, qualification and experiences of staff, and their training plans and budgets.

During the year ended 31 December 2020, two meetings were held by the Risk Management Committee and the attendance of each respective member at the meetings of the Risk Management Committee held in 2020 is set out in the following table:

Name	Attendance/number of meetings held
Mr. Qian Shi Zheng	2/2
Mr. Han Jiong	2/2
Dr. Lo Wing Yan William	2/2

(B) Financial Reporting, Risk Management and Internal Control

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 December 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

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

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the section headed "Independent Auditor's Report" of this annual report.

Risk Management and Internal Control

The Risk Management Committee was established by the Board on 23 October 2015. The Board, through the Risk Management Committee, has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

The Board takes full responsibilities for maintaining sound and effective risk management and internal controls to safeguard the Company's assets and shareholders' interests. The Directors confirm that the Company, through the Risk Management Committee, conducts regular review at least annually on office procedures, practices and systems to prevent assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. The regular reviews also cover all major controls, including financial, operational and compliance supervision and risk management functions of the Company.

In addition to the Risk Management Committee, the Company has an internal audit function. The risk management and internal control systems of the Group are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor and the Risk Management Committee review and evaluate the control process, monitor any risk factors on a regular basis, and reports to the Board on any findings and measures to address the variances and identified risks. However, the mechanism under the risk management and internal control systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has established sound risk management and internal control systems, and formulated internal guidance covering a full range of businesses including investment, operation, marketing, finance and human resources management, with a complete organizational structure and clear responsibilities and authorizations.

The day-to-day operation of various departments is conducted in accordance with the abovementioned internal guidance with cross checks and balances between different departments. In addition, the status of risk management and internal control is further supervised by the departments at a higher level through daily inspection, process assessment and special guidance, and by the independent internal audit department through the review of amendments to internal control procedures, special audit and risk interview, which facilitates the Company to find, identify, assess and manage risks on a timely basis, and to take effective measures to control and mitigate risks.

The Risk Management Committee also conducts regular review and assessment of inside information, discusses with the management or authorized persons of the Company about disclosure of inside information, and reports to the Board once it has identified any for dissemination. Inside information disclosure policies are formulated to provide employees with guidelines on report and disseminating inside information, confidentiality and compliance with restrictions on trading.

Procedures to Identify, Evaluate and Manage Significant Risks

- (1) Establishment of the risk context: evaluating and reviewing the effectiveness of the risk management and internal control systems of the Group to reduce the costs of operational risk and ensure compliant operation of the Company.
- (2) Formulation of the risk management policies: ensuring that the Group carries out consistent procedures and criteria for risk identification, measurement and reporting.
- (3) Identification of the risks: identifying any potential risks of various business segments and key procedures.

- (4) Evaluation on the risks: evaluating and rating the impact on business and its likelihood of the risks identified.
- (5) Response to the risks: evaluating the risk management solutions and the effectiveness of risk management.
- (6) Report and monitor: monitoring and reviewing the policies and evaluating procedures for risk management, and the measures for managing and effectiveness of controlling significant risks, and report the findings to the Board.

Summary of Major Risk Management and Internal Control Initiatives during the Year

- (1) The nature of and changes in key risk items identified during the year ended 31 December 2019 were reviewed and the likelihood of such risks and their impact on business were reevaluated.
- (2) Potential risks of those key business initiatives and management procedures newly introduced in 2020 were identified and evaluated.
- (3) The appropriateness and effectiveness of the measures and actions to control and reduce key risks were reviewed.

The Directors consider that the Group's existing risk management and internal control systems and the internal audit function of the Company are effective.

External Auditor

The remuneration paid/payable to the Company's auditor, PricewaterhouseCoopers, in connection with the interim review and the annual audit of the Group's consolidated financial statements for the Year, amounted to a total of approximately RMB4,038,000. In addition, approximately RMB2,298,000 was incurred for other non-audit services. The non-audit services conducted were mainly non-audit assurance and tax consultancy services provided to the Company.

••••• CORPORATE GOVERNANCE REPORT

(C) Joint Company Secretaries and Shareholders' Rights

Joint Company Secretaries

Ms. Jiang Bing Xian ("**Ms. Jiang**"), one of our joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has engaged Ms. So Lai Shan ("**Ms. So**"), an assistant manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate service provider), as its joint company secretary with a view to assisting Ms. Jiang in performing her duties as the company secretary of the Company. The primary corporate contact person at the Company is Ms. Jiang, the joint company secretary of the Company.

Ms. Jiang and Ms. So have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules for the year ended 31 December 2020.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

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 the Stock Exchange in a timely manner after each general meeting. The annual general meeting for the year ended 31 December 2020 will be held on 8 June 2021.

Convening of extraordinary general meeting and putting forward proposals

Pursuant to Article 66 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 company secretary to require an extraordinary general meeting to be called by the Board, with the transaction of any business specified in such requisition. The written requisition can be lodged at the Company's principal place of business in Hong Kong for the attention of the joint company secretaries of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business for the Company in Hong Kong at Unit 09, 43F, China Resources Building, 26 Harbour Road, Hong Kong.

(D) Investor Relations and Communication with Shareholders

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and nonselective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its shareholders and maintains a website (www.jingrui.com), where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

During the year ended 31 December 2020, an annual general meeting was held by the Company on 26 May 2020 and the attendance of the individual Directors at this general meeting is set out in the table below:

Name	Attendance/number of meeting held
Mr. Yan Hao	1/1
Mr. Chen Xin Ge	0/1
Mr. Xu Hai Feng	1/1
Mr. Chen Chao	1/1
<i>(appointed on 30 March 2020)</i>	
Mr. Xu Chao Hui	N/A
<i>(resigned on 18 January 2020)</i>	
Mr. Han Jiong	1/1
Mr. Qian Shi Zheng	1/1
Dr. Lo Wing Yan William	1/1

In accordance with code provision E.1.2 of the CG Code, the co-chairman, Mr. Yan Hao, Mr. Xu Hai Feng and Mr. Chen Chao, both executive Directors, were present at the annual general meeting held on 26 May 2020, and had invited the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee and the external auditor to attend the meeting. Dr. Lo Wing Yan William, as a member of each Board Committee, was also invited to and attended the annual general meeting.

Dividend Policy

The Company established its dividend policy in October 2013. The Articles of Association provides that dividends may be declared and paid out of profit of the Company, realized or unrealized, or from any reserve set aside from profits in our Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law and the Articles of Association.

The Directors will declare dividends, if any, in Hong Kong dollars with respect to shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our shareholders' approval. The amount of dividends actually distributed to the shareholders of the Company will depend upon earnings and financial condition, operating requirements, capital requirements of the Company and any other conditions that our Directors may deem relevant.

The Directors currently intend to distribute to our shareholders no less than 20% of any net distributable profits from our PRC operating entities derived during the relevant period, excluding net fair value gains or losses on investment properties, for each fiscal year. However, the Company will re-evaluate our dividend policy annually and there is no assurance that dividends of any amount will be declared or distributed in any given year. At the same time, the declaration and/or payment of dividends may be limited by legal restrictions and/or by contracts or agreements that the Company may enter into in the future.

Information Disclosure

The Company discloses information in compliance with the Listing Rules, and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

Constitutional Documents

There have been no changes in the Company's constitutional documents during the year ended 31 December 2020.

REPORT OF THE DIRECTORS

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

Global Offering

The Company was incorporated in the Cayman Islands under the Companies Law, Cap.22 (“**Companies Law**”) of the Cayman Islands as an exempted company with limited liability on 7 March 2013. The shares of the Company were listed on the Stock Exchange on 31 October 2013.

Principal Activities

The Company is an investment holding company, and the principal activities of its subsidiaries are development of and investment in real estate projects as well as management of properties. Details of the principal subsidiaries of the Company are set out in Note 41 to the consolidated financial statements.

An analysis of revenue of the Group for the year ended 31 December 2020 by principal activities is set out in Note 24 to the consolidated financial statements.

Business Review

Environmental Policies and Performance

The Group is subject to a number of environmental laws and regulations in the PRC concerning overall environmental protection, impact to the environment, noise pollution and environmental protection for construction projects.

We place high emphasis on complying with relevant environmental laws and regulations. We require our staff and construction contractors to comply with the PRC laws and regulations relating to the quality of construction including environmental, labour, social and safety regulations, as well as our own standards and specifications.

We believe that during the Year we have been in compliance in all material respects with applicable laws and regulations in the PRC.

Relationships with Employees, Customers and Suppliers

During the Year, the Group ensured that its employees were offered competitive remuneration packages, as well as benefits such as social insurance, housing fund and physical examination, so as to maintain its competitiveness. As such, the Group has maintained good relationships with its employees with low outflow of key talents.

The Group focused on taking customers’ views and positioned the establishment of our transformation towards a “customized lifestyle service provider”. We will strive to become a customized lifestyle service provider with remarkable regional influence, gaining respect from our customers and even suppliers.

During the Year, the Group’s procurement from its five largest suppliers accounted for 38.8% (2019: 25.3%) of its procurement while the Group’s sales to its five largest customers accounted for 0.9% (2019: 0.9%) of its sales.

The Group maintains a high standard in selecting reputable and reliable suppliers and contractors, in order to meet our own quality, safety, environmental and product criteria. During the year ended 31 December 2020 and up to the date of this annual report, the Group has maintained good relationships with its suppliers and contractors.

The sustainable development of the Group depends on the supports and efforts of all parties concerned including our customers, suppliers and contractors, particularly the efforts and contributions of all our staff.

Compliance with Related Laws and Regulations

The Company was incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. The subsidiaries of the Group were incorporated in British Virgin Islands, Hong Kong and the PRC. The operations of the Group were mainly engaged by the subsidiaries of the Group incorporated in the PRC. The Group has an administrative place of business in Hong Kong.

Our business and operations are subject to related laws and regulations of the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC. During the year ended 31 December 2020 and up to the date of this annual report, we have complied with all related laws and regulations of the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC, which would have significant impact on the Group.

Business Review and Prospect

Review on the business of the Group during the Year and the description of its future business development are set out under the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report.

Financial Results

The key financial indicators set out on page 5 of this annual report under sub-section headed “Key Financial Indicators” were adopted to analyze the Group’s performance during the Year. The financial risk management objectives and policy of the Group are set out in Note 3 to the consolidated financial statements.

Risks and Uncertainties

The financial conditions and operating results of the Group may be subject to various potential risk and uncertainties. Other than the risks disclosed below, the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report also set out certain other risks to which the Group may be exposed.

Policy Risk

The real estate industry, as an important pillar of the overall national economic development, is relatively susceptible to macroeconomic and industrial policies as a whole.

The central government has followed the same general principle in real estate regulation and control, and strengthened financial supervision. As far as the real estate market is concerned, the central government has hardened its resolve in regulating the market development, even in the first quarter of 2020, the most severe period of the epidemic, based on the unchanged position that “housing is for accommodation, not for speculation”. The China Banking Regulatory Commission, Central Bank, the Ministry of Housing and Urban-Rural Development and other central ministries and commissions have held a number of meetings to emphasize the continuity and stability of the property market regulation policies. Since July 2020, affected by the increased expectations of unstable housing prices and land prices in some widely-concerned cities, the central government has held several meetings to emphasize that real estate industry should not be utilized as a short-term economic stimulus, and land prices, house prices, and expectations should be stabilized to ensure the sound and healthy development of the real estate market. At the same time, the central government has maintained the continuity, consistency and stability of the real estate financial policy to accelerate the establishment of a long-term management system for real estate finance. In the second half of 2020, the overall financial supervision over real estate has gradually tightened.

In November 2020, the Central Committee issued the Recommendations of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and the Long-Term Goals for 2035 (the “**Recommendations**”), which put forward “Insistence that housing is for accommodation, not for speculation”, and the “adoption of both rental and purchase policies” and “adopting differential measures in light of different situations in different cities” to promote the stable and healthy development of the real estate market. Recommendations also states that the general principle of property market regulation

REPORT OF THE DIRECTORS

and control would remain the same as in recent years. In the next five years, the overall regulation and control policies for the Chinese real estate market would remain continuous and stable, following that “Housing is for accommodation, not speculating”, and “adopting differential measures in light of different situations in different cities” to ensure the smooth operation of the market. Under the “three stability” goal, it is difficult for the government to noticeably relax policies such as purchase restrictions, loan restrictions, and sales restrictions in the short term, and price restrictions may have room for improvement. In addition, the Recommendations propose to “promote the healthy development of housing consumption”, and the reasonable housing consumption would still be encouraged and supported, to do which regulatory policies may be supplemented and optimized in related aspects. The goal of “promoting the balanced development of finance and real estate with the real economy” also indicates that real estate and finance industry will pay more attention to coordinated development and play a more important role in boosting the real economy.

Meanwhile, the real estate industry is often affected by cyclical fluctuations, and there will still be uncertainties in the direction of future policies. If the Company is unable to actively adapt to changes in regulatory policies, to improve its risk control, and to formulate business management standards and reasonable business strategies, the Company’s operations and performance may be adversely affected.

Business Risk

Property project development comprises multiple phases which include site selection, land acquisition, planning, design, construction, sales and after-sales service. Project development typically requires long turnover periods, significant financial investments and interaction with numerous parties. It is also subject to approval and supervision by a number of government authorities, such as authorities for the administration of land and resources, housing and urban-rural development, fire prevention and environmental protection, and will also be affected by factors such as market conditions.

In recent years, the government has announced policies containing more stringent approval requirements for land transactions, housing layout planning, and application for construction permits and sales permits. This may result in longer turnover periods for the Company’s property development and sales, and increase our development costs and development risks.

At present, the transfer of land sites for development and construction in the PRC is conducted through the “tender, auction and listing” system of transfer in the public market. Property development companies face intense competition in land acquisition. If the Company is unable to acquire land sites required for project development in a timely manner and maintain a dynamic land bank required for ongoing development, the Company’s development will be restrained and the continuous growth in the Company’s revenue and operating results will be affected as a result.

On the other hand, the proportion of projects for holding in the past two years has increased significantly compared with the previous years. The operating and profit model of projects for holding is substantially different from the property development projects, and the external environment is more complicated. In the event that the Company fails to identify the operating characteristics of the projects for holding and is unable to make adjustments in time to cope with changes in the market situation, the contribution of the projects for holding to the Company’s revenue growth will be subject to limitations.

Significant Subsequent Events

Details of significant subsequent events of the Group are set out in Note 43 to the consolidated financial statements.

Results

Details of the Group’s results for the year ended 31 December 2020 are set out in the consolidated income statement on page 78 of this annual report.

REPORT OF THE DIRECTORS

Subsidiaries

Details of the Company's principal subsidiaries as at 31 December 2020 are set out in Note 41 to the consolidated financial statements.

Final Dividend

At the Board meeting held on 23 March 2021, the Board has resolved to recommend the payment of a final dividend HK\$0.25 per share for the year ended 31 December 2020 to shareholders whose names appear on the register of members of the Company on 30 June 2021 (2019: HK\$0.24).

Previous Equity Fund Raising Activities

Date	Fund raising activity	Net proceeds raised (approximately)	Intended use of the net proceeds	Actual use of net proceeds
December 2020	Allotment of 138,619,000 shares of the Company	HK\$303 million	Repayment of overseas debts by the Company	Used as intended

Major Customers and Suppliers

For the year ended 31 December 2020, the Group's procurement from its five largest suppliers accounted for 38.8% (2019: 25.3%) of the Group's total procurement, while the procurement from the largest supplier accounted for 11.4% (2019: 9.1%). For the year ended 31 December 2020, the Group's sales to its five largest customers accounted for 0.9% (2019: 0.9%) of the Group's total sales.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2020 are set out in Note 6 to the consolidated financial statements.

Investment Properties

Details of movements in the investment properties of the Company and the Group during the year ended 31 December 2020 are set out in Note 7 to the consolidated financial statements.

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

Financial Summary/Financial Review

Financial summary of results, assets and liabilities and financial review of the Group for the past five financial years are set out on pages 227 to 228 of this annual report. The summary does not constitute a part of the audited consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the Year are set out in Note 17 to the consolidated financial statements.

Share Issuance

On 3 December 2020, the Company and the placing agent entered into a placing agreement. Pursuant to the placing agreement, the Company has conditionally agreed to allot and issue, and the placing agent has conditionally agreed to place up to 138,619,000 placing shares to not less than six places at a price of HK\$2.20 per placing share, on a best effort basis, to broaden the shareholders' base and the capital base of the Company. The placing shares represent (i) approximately 9.9% of the total existing issued shares of the Company immediately prior to completion of the placing; and (ii) approximately 9.01% of the total issued shares as enlarged by the issuance of the placing shares. The aggregate nominal value and net price of the placing shares is US\$1,386,190 and HK\$2.19, respectively. The placing price was negotiated on an arm's length basis between the Company and the placing agent after taking into account the current trading price of the shares. The placing price is HK\$2.20 and represents (i) a premium of approximately 5.26% to the closing price of HK\$2.09 per share as quoted on the Stock Exchange

REPORT OF THE DIRECTORS

on the date of the placing agreement; (ii) a premium of approximately 5.06% to the average closing price of HK\$2.094 per share as quoted on the Stock Exchange for the last five consecutive trading days prior to 2 December 2020 (the last trading day immediately prior to the date of the placing agreement and including the day); and (iii) a premium of approximately 5.41% to the average closing price of HK\$2.087 per share as quoted on the Stock Exchange for the last ten consecutive trading days prior to 2 December 2020 (the last trading day immediately prior to the date of the placing agreement and including the day). The Directors consider that the placing price is fair and reasonable based on the current market conditions.

The placing was completed on 15 December 2020 and based on the terms of conditions of the placing agreement, a total of 138,619,000 placing shares have been successfully placed to not less than six placees at a price of HK\$2.20 per placing share by the placing agent. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the placees are parties independent of, and not connected with, the Company and connected persons of the Company; and none of the placees has become a substantial shareholder (as defined under the Listing Rules) of the Company as a result of the placing. The aggregate gross proceeds from the placing were approximately HK\$305 million while the net proceeds from the placing was approximately HK\$303 million. As disclosed in the announcements dated 3 December 2020 and 15 December 2020 (the "**Placing Announcements**"), the Company intends to use the net proceeds to repay the Company's offshore debts.

As at the date of this annual report, the net proceeds have been utilized in full based on the above intention and all have been used to repay the offshore current debts.

Further details of the issuance and the subscription are disclosed in the Placing Announcements.

Reserves

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 80 of this annual report and in Note 18 to the consolidated financial statements respectively.

In addition, details of movements in the reserves of the Company during the Year are set out in Note 42(a) to the consolidated financial statements.

Distributable Reserves

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of Cayman Islands, amounted to approximately RMB1,955.6 million.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2020 are set out in Note 19 to the consolidated financial statements.

Directors

The Directors during the year ended 31 December 2020 and up to the date of this annual report were:

Executive Directors:

Mr. Yan Hao
Mr. Chen Xin Ge
Mr. Xu Hai Feng
Mr. Chen Chao (*appointed on 30 March 2020*)
Mr. Xu Chao Hui (*resigned on 18 January 2020*)

Independent Non-executive Directors:

Mr. Han Jiong
Mr. Qian Shi Zheng
Dr. Lo Wing Yan William

REPORT OF THE DIRECTORS

Board of Directors and Senior Management

Biographies of the Directors and senior management of the Company are set out on pages 34 to 36 of this annual report.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers these Directors to be independent for the year ended 31 December 2020.

Directors' Service Contracts and Letter of Appointments

Each of the executive Directors has entered into a service contract with the Company on 6 October 2013 for an initial term of three years commencing from 31 October 2013 and such service contracts may be terminated in accordance with the respective terms thereof.

Each of the independent non-executive Directors has signed a letter of appointment with the Company on 6 October 2013 for an initial term of three years commencing from 31 October 2013 unless terminated earlier.

In October 2016 and August 2019, the Company has renewed the service contract with each of the executive Directors and the letter of appointment with each of the independent non-executive Directors for a further term of three years commencing from 31 October 2016 and 31 October 2019 unless terminated earlier. On 15 March 2018, the Company entered into a service agreement with Mr. Xu Hai Feng for a fixed period of three years commencing from 15 March 2018. On 30 March 2020, the Company entered into a service agreement with Mr. Chen Chao for a fixed period of three years commencing from 30 March 2020. In March 2021, the Company has renewed the service contract with Mr. Xu Hai Feng for a further term of three years commencing from 15 March 2021 unless terminated earlier.

Directors' Remuneration

The Directors' remuneration is determined by reference to each Director's duties and responsibilities, individual performance and the results of the Group.

Details of the remuneration of the Directors and five highest paid individuals of the Group for the year ended 31 December 2020 are set out in Note 30 to the consolidated financial statements. For the year ended 31 December 2020, there was no agreement under which a Director waived or agreed to waive any emoluments.

Directors' Rights to Acquire Shares or Debentures

At no time during the year ended 31 December 2020 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisitions of shares in the Company or in any other body corporate.

Director's Interests in Competing Business

As at 31 December 2020, none of the Directors had any interest in business which competes or may compete directly or indirectly with the business of the Group.

Compliance with Non-Competition Undertaking

Each of Mr. Yan Hao, Mr. Chen Xin Ge, Beyond Wisdom Limited and Sunny King International Limited (the "**Covenantors**") has entered into a deed of non-competition (the "**Deed of Non-Competition**") with and in favor of the Company on 15 October 2013 and 27 December 2018, respectively, pursuant to which the Covenantors have unconditionally, irrevocably, jointly and severally undertaken with the Group that they shall not (except through the Group), and shall procure that all their respective associates (excluding any member of the Group), shall not directly or indirectly, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of the Group (the "**Restricted Business**").

REPORT OF THE DIRECTORS

The independent non-executive Directors have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such noncompetition undertaking has been complied with during the year ended 31 December 2020. Each of the Covenantors has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-Competition.

Directors' and Controlling Shareholders' Interests in Transactions, Arrangement and Contracts

Save as disclosed in this annual report, no transaction, arrangement and contract of significance to which the Company or any of its subsidiaries was a party and in which a Director and/or any of its connected entity had a material interest, whether directly or indirectly, subsisted as at 31 December 2020 or at any time during the Year. The Company did not provide any loans to the Directors or the management personnel of the Company during the Year; in addition, no transaction, arrangement or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of their respective subsidiaries, subsisted as at 31 December 2020 or at the any time during the Year.

Employees and Remuneration Policies

For details regarding the employees and remuneration policies of the Group during the Year, please refer to the sections headed "Directors' Remuneration" on page 55 and "Employees and Remuneration Policies" on page 25 of this annual report.

The Company has adopted the Share Award Scheme and the Share Option Scheme on 29 November 2017 and 7 May 2019, respectively. Details of the Share Award Scheme and Share Option Scheme are set out in the sections headed "Share Award Scheme" and "Share Option Scheme" below.

Management Contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

Pre-emptive rights

There is no provision regarding pre-emptive rights under the Articles of Association and the laws of the Cayman Islands.

Equity-Linked Agreements

Save for the Share Award Scheme and Share Option Scheme as disclosed in the sections headed "Share Award Scheme" and "Share Option Scheme" of this Report of the Directors, the Company has not entered into any equity-linked agreement for the year ended 31 December 2020.

Senior Notes and Corporate Bonds

With an aim to improve the Company's debt position, the Company has issued senior notes during the Year. In March 2020, the Company issued a 12.75% senior notes due March 2022 in the aggregate principal amount of USD190,000,000. In June 2020, the Company issued a 12% senior notes due September 2022 in the aggregate principal amount of USD150,000,000. In November 2020, the Company issued a 14.5% senior notes due February 2023 in the aggregate principal amount of USD240,000,000 (among which, USD142,815,000 was issued pursuant to exchange offer of the outstanding 9.45% senior notes due April 2021). Further details are set out in the announcements of the Company dated 4 March, 5 March, 12 March, 26 June, 5 November, 9 November, 16 November, 17 November, 19 November and 20 November 2020. The proceeds from the issuance of the above senior notes have been utilized to refinance the Company's existing indebtedness.

Details of senior notes and corporate bonds of the Group outstanding during the Year are set out in Note 19 to the consolidated financial statements.

Share Award Scheme

On 29 November 2017, the Company adopted the Share Award Scheme, details of which are set out below:

1. Objectives

Among other things, the purposes and objectives of the Share Award Scheme are (i) to recognise and reward the contribution of employees to the growth and development of the Group, to retain such employees to work towards the Company's continuous operation and development, and to attract talented individuals to join the Company to further promote its development; (ii) to establish a benefit sharing and restrictive mechanism to align the interests of senior management and core employees directly to the shareholders of the Company and provide a platform to enhance management cohesion through sharing of the growth of the Company; (iii) to enhance the corporate culture of joint sustainable development to promote the sustainable growth of the Company; and (iv) to effectively deploy the motivation and the creativity of the senior management and the core employees of the Company to ensure that the Company's strategic and business objectives are realized.

2. Participants

The Board may, from time to time, in its absolute discretion, select the selected person(s) after taking into various factors as they deem appropriate and determine the number of awarded shares to be awarded to each of the

selected persons. The selected persons shall cover (i) newly recruited senior management of the Company, Yan Capital Management, Jingrui Properties and Co-Fortune Capital; (ii) existing senior management of certain subsidiaries of the Group at provincial/city level; and (iii) existing senior management and core employees of the Company, Yan Capital Management, Jingrui Properties and Co-Fortune Capital.

3. Maximum Limit

The Board shall not make any further award of awarded shares (excluding awarded shares that have lapsed or been cancelled in accordance with the scheme rules) which will result in the aggregate number of awarded shares awarded by the Board throughout the duration of the scheme to exceed 10% of the total number of issued shares of the Company as at the adoption date (being 129,130,221 shares). In the event of any consolidation or sub-division of the share capital of the Company, such maximum limit shall be adjusted accordingly.

4. Duration and Termination

The scheme was effective from 29 November 2017 and shall continue in full force and effect for a term of 5 years or such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected person. In particular, awarded shares being granted but unvested before the termination of the scheme shall remain effective and shall continue to vest in accordance with the provisions of the scheme and/or the vesting schedule and conditions as set out in the grant letter.

REPORT OF THE DIRECTORS

5. Grant and Vesting of Awarded Shares

Pursuant to the scheme rules, the Board may, at its absolute discretion select any eligible participant(s) for participation in the scheme as a selected person and determine the number of shares to be awarded at nil consideration. The Remuneration Committee shall first formulate the grant plan which shall then be recommended to the Board for consideration and approval.

Upon the grant of the awarded shares, a grant letter should be provided to the selected person and such grant letter shall address, among other things, the number of awarded shares granted and the number of underlying shares represented by the awarded shares, the vesting criteria and conditions, the vesting schedule, the exercise price (where applicable) and such other terms and conditions as the Board shall determine and consider necessary and are not consistent with the scheme. A selected person may accept an offer of the grant of awarded shares in such manner as set out in the grant letter. Once accepted, the awarded shares are deemed granted from the date of the grant letter. Upon acceptance, the selected person becomes a participant in this scheme.

Selected persons shall be entitled to receive the awarded shares held by the trustee in accordance with the vesting schedule and conditions as determined by the Board in its sole discretion. Details of the vesting schedule and conditions will be provided in the grant letter to be issued by the Company to the selected persons.

6. Events Triggering Lapse or Immediate Vesting of Awarded Shares

The unvested awarded shares shall automatically lapse in the event of (i) in relation to Type 1 participant(s), any changes in the Type 1 participant's position due to his/her incapability for the position or non-qualifying appraisal and evaluation; and (ii) in relation to all type of participants, (a) the participant resigns voluntarily; (b) the participant resigns due to the staff cut undertaken by the Company or the Company is unwilling to renew the employment contract; (c) the participant becomes incapable and resigns for reasons other than any injury arising out of and in the course of his/her employment; or (d) the participant deceases not for a reason arising out of and in the course of his/her employment. If a participant violates the laws and professional ethics, leaks confidential information of the Company, or is negligent or conduct gross misconduct in performance of duties, which may result in material damage to the interests or reputation of the Company, the unvested awarded shares of such participant shall not be vested, as the Board may direct as it thinks fit.

If a general offer to acquire the shares (whether by offer, merger, or otherwise in a like manner) is made to all of the shareholders of the Company (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the shares is approved and the offer becomes or is declared unconditional in all respects, the awarded shares granted to the participants will be vested immediately, even if the vesting period has not yet commenced.

If there occurs any special circumstance which may affect the eligibility of the selected person or the vesting of awarded shares, the awarded shares shall be dealt with in accordance with the scheme rules. However, for those which are not currently covered therein, the Board shall, from time to time, have sole discretion to determine how such awarded shares should be handled.

REPORT OF THE DIRECTORS

7. Details of the Movement in the Awarded Shares under the Share Award Scheme during the year ended 31 December 2020

Movements in the number of awarded shares during the Year are set out below:

Name of grantee	Number of awarded shares as at 1 January 2020	Date of grant	Granted during the Year	Vested and exercised during the Year	Cancelled during the Year	Lapsed during the Year	Number of awarded shares as at 31 December 2020
Executive Directors							
Mr. Xu Hai Feng	361,627	20 March 2019 ⁽³⁾	-	180,813	-	-	180,814
	-	11 May 2020 ⁽⁵⁾	302,278	-	-	-	302,278
Mr. Chen Chao (<i>appointed on 30 March 2020</i>)	1,072,000	20 March 2019 ⁽⁴⁾	-	528,000	-	-	544,000
Mr. Xu Chao Hui (<i>resigned on 18 January 2020</i>)	13,115	1 January 2018 ⁽¹⁾	-	13,115	-	-	-
	18,554	15 March 2018 ⁽²⁾	-	18,554	-	-	-
Other senior management							
Other senior management	273,774	1 January 2018 ⁽¹⁾	-	273,774	-	-	-
	2,537,281	15 March 2018 ⁽²⁾	-	2,537,281	-	-	-
	3,060,727	20 March 2019 ⁽³⁾	-	1,530,361	1,160,976	-	369,390
	252,518	9 September 2019 ⁽³⁾	-	126,259	-	-	126,259
	-	11 May 2020 ⁽⁵⁾	686,360	-	16,977	-	669,383
合計	7,589,596		988,638	5,208,157	1,177,953	-	2,192,124

- (1) The awarded shares granted on 1 January 2018 shall (unless the Company shall otherwise determine and so notify the selected person in writing) be vested as to 1/3 in each of 2018, 2019 and 2020.
- (2) The awarded shares granted on 15 March 2018 shall (unless the Company shall otherwise determine and so notify the selected person in writing) be vested as to 1/2 in each of 2019 and 2020.
- (3) The awarded shares granted on 20 March and 9 September 2019 shall (unless the Company shall otherwise determine and so notify the selected person in writing) be vested as to 1/2 in each of 2020 and 2021.
- (4) The awarded shares granted on 20 March 2019 shall (unless the Company shall otherwise determine and so notify the selected person in writing) be vested as to 528,000 shares, 528,000 shares and 544,000 shares in each of 2019, 2020 and 2021, respectively.
- (5) The awarded shares granted on 11 May 2020 shall (unless the Company shall otherwise determine and so notify the selected person in writing) be vested as to 1/2 in each of 2021 and 2022.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 7 May 2019, the Company adopted the Share Option Scheme, details of which are set out below:

1. Objectives

The purpose of the Share Option Scheme is to recognize and acknowledge the contributions made or may have made by the eligible participants to the Group. The Share Option Scheme will provide eligible participants with an opportunity to hold personal interests in the Company, thereby stimulating eligible participants to enhance performance efficiency for the benefit of the Group and to attract and retain eligible participants or otherwise maintain a continuous business relationship with eligible participants and the contributions of such eligible participants will benefit the Group's long-term development.

2. Eligible participants

The Board may, at its discretion, grant a share option to the following persons to subscribe for the relevant number of new shares as may be determined by the Board as follows: (i) any senior executive or director of the Group (including non-executive directors and independent non-executive directors); and (ii) any senior management staff of the Group.

In accepting the relevant share options, the grantee is required to pay HK\$1.00 to the Company as the consideration for the grant of the share options.

3. Maximum Limit

The maximum number of shares in the share options that may be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of issued shares on the date of adoption. If the Company has issued a circular and approved by the shareholders at the general meeting and/or complies with such other requirements as may be prescribed by the Listing Rules from time to time, the Board may: re-determine the cap at any time at 10% of the shares in issue on the date of approval of the general meeting; and/or granting more than 10% of the options to eligible participants selected by the Board. The maximum number of shares that may be issued at any time after the exercise of all the outstanding share options granted but not yet exercised under the Share Option Scheme and any other share option scheme of the Company shall not exceed 30% of the shares in issue from time to time. On 7 May 2019, the Company received a plan authorization limit of 10% of the total number of issued shares of the Company on that date, which was a total of 140,019,421 shares, representing 10% of the number of shares issued by the Company as at the date of this report.

As at 31 December 2020, the maximum number of the shares available for issue upon exercise of all share options which may be granted under the Share Option Scheme is 113,019,421 shares, representing approximately 7.34% of the issued share capital of the Company as at the date of the report. During the year ended 31 December 2020, except that the 9,000,000 options were cancelled, no options were granted, exercised or lapsed under the Share Option Scheme.

4. Duration and Termination

The scheme is effective as of 7 May 2019. The share options may be exercised at any time during the period prior to the expiration of 10 years from the date on which the options are deemed to have been granted and accepted, in accordance with the terms of the Share Option Scheme. The exercise period of the share options will be determined by the Board at its sole discretion, but not more than 10 years after the grant of the share options.

No share options may be granted after 10 years from the date of approval of the Share Option Scheme. Unless the Company terminates early through the general meeting or the Board, the Share Option Scheme will become effective and valid for a period of 10 years from the date of adoption, up to 6 May 2029.

5. The maximum number of shares that each participant can be authorized to benefit from

Shares issued or to be issued to each of the participants during the course of any 12-month period in which all share options (including exercised and outstanding share options) granted under the Share Option Scheme or any other share option scheme of the Company must not exceed 1% of the total number of issued shares. If the number of share options further granted exceed maximum of 1%, the granted share options shall be approved by the shareholders by voting at the general meeting.

Having been or will be granted under the Share Option Scheme or any other share option scheme of the Company during the 12-month period up to and including the date of the grant of the shareholders, shares issued or to be issued upon the exercise of the entire share options (including the exercised, cancelled and outstanding share options) (1) totaling more than 0.1% of the total number of issued shares; and (2) calculated on the date of grant if the total value of the closing price of the shares exceeds HK\$5,000,000, the proposed share options must be approved by the shareholders at the general meeting by way of poll.

6. Share subscription price

The subscription price of the shares of any particular share options granted under the Share Option Scheme shall be the price determined by the Board at its sole discretion, provided that the price is not lower than the following highest:

- (i) The official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant (which is the date on which the Stock Exchange is opened for securities trading business);
- (ii) The average of the official closing prices of the shares stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant; and
- (iii) The nominal value of a share.

REPORT OF THE DIRECTORS

7. Details of the Movement in the Share Options under the Share Option Scheme during the year ended 31 December 2020

During the Year, the Company has not granted any options to any Eligible Participants to the Share Option Scheme.

Movements in the number of share options during the Year are set out below:

Name of grantee	Date of grant	Exercise period	Closing price prior to the date of grant (HK\$ per share)	Exercise price (HK\$ per share)	Outstanding as at 1 January 2020	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding
										as at 31 December 2020
Executive Directors										
Mr. Xu Hai Feng	9 September 2019	From 9 September 2019 to 8 September 2029	2.53	2.53	4,500,000	-	-	-	-	4,500,000
Mr. Xu Chao Hui <i>(resigned on 18 January 2020)</i>	9 September 2019	From 9 September 2019 to 8 September 2029	2.53	2.53	4,500,000	-	-	4,500,000	-	-
Other senior management										
Other senior management	9 September 2019	From 9 September 2019 to 8 September 2029	2.53	2.53	18,000,000	-	-	4,500,000	-	13,500,000
Total					<u>27,000,000</u>	<u>-</u>	<u>-</u>	<u>9,000,000</u>	<u>-</u>	<u>18,000,000</u>

Notes:

- (1) Share options granted by the Company on 9 September 2019 will be vested by batches from 2019 to 2022. The vesting of the share options is conditional upon the achievement of certain targets related to the Group including but not limited to contracted sales of the Group and net profits attributable to equity holders per financial year during the period from 2019 to 2021.

Charitable Donations

No charitable or other donations were made by the Group for the year ended 31 December 2020.

REPORT OF THE DIRECTORS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2020, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in relevant provision, or which will be required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, are as follows:

Name of Director	Nature of interest	Number of shares held ⁽⁵⁾	Approximate percentage of shareholding interest ⁽⁶⁾
Mr. Yan Hao	Founder of a discretionary trust ⁽¹⁾	623,690,613 (L)	40.53%
	Beneficial owner	200,000 (L)	0.01%
Mr. Chen Xin Ge	Founder of a discretionary trust ⁽²⁾	409,805,918 (L)	26.63%
	Beneficial owner	782,000 (L)	0.05%
Mr. Xu Hai Feng	Beneficial owner ⁽³⁾	5,344,738 (L)	0.35%
Mr. Chen Chao (<i>appointed on 30 March 2020</i>)	Beneficial owner ⁽⁴⁾	1,072,000 (L)	0.07%

Notes:

- (1) Yan Trust, as a trustee, is deemed to be interested in 623,690,613 shares through its control over Beyond Wisdom Limited. The details are as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage of shareholding (%)	Interest held directly	Number of shares
Beyond Wisdom Limited	Yan Trust	100	Y	623,690,613 (L)

- (3) Cantrust (Far East) Limited, as a trustee, is deemed to be interested in 409,805,918 shares through its control over New Decent King Investment Limited and Sunny King International Limited. The details are as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage of shareholding (%)	Interest held directly	Number of shares
New Decent King Investment Limited	Cantrust (Far East) Limited	100	N	409,805,918 (L)
Sunny King International Limited	New Decent King Investment Limited	100	Y	409,805,918 (L)

- (3) Mr. Xu Hai Feng is interested in 4,500,000 share options of the Company and a total of 483,092 unvested awarded shares. Details of the share options and awarded shares were disclosed in the sections headed "Share Option Scheme" and "Share Award Scheme" respectively.
- (4) Mr. Chen Chao is interested in 544,000 unvested awarded shares. Details of the awarded shares were disclosed in the section headed "Share Award Scheme".
- (5) (L) represents long positions in these securities.
- (6) There were 1,538,813,213 shares in issue as at 31 December 2020.

REPORT OF THE DIRECTORS

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2020, none of the Directors or the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be entered in the register referred to in relevant provision under the Section 352 of the SFO, or which will be required to be notified to the Company and the Stock Exchange under the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2020, so far as the Directors were aware, the following persons (other than the Directors or the chief executive of the Company) have interests and/or short positions in the shares or underlying shares of the Company as required to be kept under section 336 of the SFO:

Name	Nature of interest	Number of shares ⁽³⁾	Percentage of shareholding interest ⁽⁴⁾
Beyond Wisdom Limited	Beneficial owner ⁽¹⁾	623,690,613 (L)	40.53%
Yan Trust	Trustee ⁽¹⁾	623,690,613 (L)	40.53%
Sunny King International Limited	Beneficial owner ⁽²⁾	409,805,918 (L)	26.63%
New Decent King Investment Limited	Interest of a controlled Corporation ⁽²⁾	409,805,918 (L)	26.63%
Cantrust (Far East) Limited	Trustee ⁽²⁾	409,805,918 (L)	26.63%

Notes:

- (1) Yan Trust, as a trustee, is deemed to be interested in 623,690,613 shares through its control over Beyond Wisdom Limited and Mr. Yan Hao (as a founder of the discretionary trust) is deemed to be interested in 623,690,613 shares.
- (2) New Decent King Investment Limited is deemed to be interested in 409,805,918 shares through its control over Sunny King International Limited and Cantrust (Far East) Limited, as a trustee, is deemed to be interested in 409,805,918 shares through its control over New Decent King Investment Limited while Mr. Chen Xin Ge (as a founder of the discretionary trust) is deemed to be interested in 409,805,918 shares.
- (3) (L) represents long positions in these securities.
- (4) There were 1,538,813,213 shares in issue as at 31 December 2020.

Save as disclosed above and to the knowledge of the Directors, as at 31 December 2020, no other person had an interest or short position in the shares or underlying shares of the Company required to be entered in the register referred to in relevant provision under the Section 336 of the SFO.

REPORT OF THE DIRECTORS

Directors' Indemnities

Pursuant to Article 181 of the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise.

Related Party Transactions

Details of the related party transactions of the Group during the year ended 31 December 2020 are set out in Note 40(b) to the consolidated financial statements

Pursuant to Rule 14A.90 of the Listing Rules, the loans to the Company from Beyond Wisdom Limited and Yangpu Scien-Tech Industry Co., Ltd., as set out in note 40(b)(iii) to the consolidated financial statements, is a fully exempted connected transaction. Pursuant to Chapter 14A of the Listing Rules, all the remaining related party transactions listed in Note 40(b) to the consolidated financial statements are not regarded as connected transactions under Chapter 14A of the Listing Rules as the counterparties are joint ventures and associates of the Company which do not fall under the definition of connected persons under Chapter 14A of the Listing Rules. The Board confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

Repurchase, Sale or Redemption of Listed Securities of the Company

During the Year, the Company has issued, purchased and redeemed the following listed securities of the Group:

The Company purchased an aggregate principal amount of US\$123,120,000 of the Company's 7.75% senior notes due April 2020 listed on the Stock Exchange (the "**Notes Due April 2020**") with a total consideration of US\$127,198,000 (including unpaid interests accrued). The abovementioned notes were subsequently cancelled in March and April 2020 (together with the aggregate principal amount of US\$5,000,000 of Notes Due April 2020 which were purchased in 2019).

The Company purchased an aggregate principal amount of US\$6,800,000 of the Company's 10.875% senior notes due October 2021 listed on the Stock Exchange (the "**Notes Due October 2021**") with a total consideration of US\$6,875,000 (including unpaid interests accrued). Among the abovementioned notes, a principal amount of US\$1,600,000 of the Notes Due October 2021 were subsequently cancelled in March 2020 (together with the aggregate principal amount of US\$3,400,000 of Notes Due October 2021 which were purchased in 2019).

The Company purchased an aggregate principal amount of US\$200,000 of the Company's 9.45% senior notes due April 2021 listed on the Stock Exchange (the "**Notes Due April 2021**") with a total consideration of US\$201,000 (including unpaid interests accrued). The abovementioned notes were subsequently cancelled in March 2020.

The Company purchased an aggregate principal amount of US\$1,000,000 of the Company's 12.0% senior notes due July 2022 listed on the Stock Exchange (the "**Notes Due July 2022**") with a total consideration of US\$989,000 (including unpaid interests accrued).

On 11 March 2020, the Company issued US\$190,000,000 12.75% senior notes due March 2022 (the "**Notes Due March 2022**"). The Notes Due March 2022 are listed on the Singapore Exchange Securities Trading Limited. Details of the issuance of the Notes Due March 2022 were disclosed in the announcements of the Company dated 4, 5 and 12 March 2020.

REPORT OF THE DIRECTORS

On 13 April 2020, the Company redeemed the aggregate principal amount of US\$271,880,000 of the Notes Due April 2020 with a total consideration of US\$282,415,000 (including unpaid interests accrued) upon maturity of the Notes Due April 2020 in accordance with the terms of the Notes Due April 2020. The abovementioned notes were subsequently cancelled after the redemption.

On 26 June 2020, the Company issued US\$150,000,000 12.00% senior notes due September 2022 (the “**Notes Due September 2022**”). The Notes Due September 2022 are listed on the Stock Exchange. Details of the issuance of the Notes Due September 2022 were disclosed in the announcement of the Company dated 26 June 2020.

The Company purchased an aggregate principal amount of US\$35,000,000 of the Company’s 13% senior notes due July 2020 listed on the Stock Exchange (the “**Notes Due July 2020**”) with a total consideration of US\$37,054,000 (including unpaid interests accrued). The abovementioned notes were subsequently cancelled in July 2020.

On 30 July 2020, the Company redeemed the aggregate principal amount of US\$115,000,000 of the Notes Due April 2020 with a total consideration of US\$122,475,000 (including unpaid interests accrued) upon maturity of the Notes Due July 2020 in accordance with the terms of the Notes Due July 2020. The abovementioned notes were subsequently cancelled after the redemption.

On 19 November 2020, the Company issued US\$240,000,000 14.5% senior notes due February 2023 (the “**Notes Due February 2023**”), US\$142,815,000 of which are senior notes issued pursuant to the exchange offer with respect to the Notes Due April 2021. After the new issuance, US\$142,815,000 of the Notes Due April 2021 were cancelled after the redemption. The Notes Due February 2023 are listed on the Stock Exchange. Details of the issuance of the Notes Due February 2023 and the exchange of the Notes Due April 2021 were disclosed in the announcements of the Company dated 5, 9, 16, 17, 19 and 20 November 2020.

On 15 December 2020, the Company placed up to 138,619,000 shares to not less than six placees at a placing price of HK\$2.20 per placing share through the placing agent. The aggregate gross proceeds from the placing was approximately HK\$304,962,000 and the net proceeds from the placing was approximately HK\$303,414,000. Details of the placing of shares were disclosed in the announcements of the Company dated 3 and 15 December 2020.

Save as disclosed above, the Company or any of its subsidiaries (other than the trust of the Share Award Scheme) did not purchase, sell or redeem any of the Company’s listed securities during the year ended 31 December 2020. For details of the purchase, sale or redemption of the listed securities of the Company or any of its subsidiaries for the year ended 31 December 2020, please refer to the Note 17 and Note 19 to the consolidated financial statements in this report.

Changes of Information of Directors

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes in the information in respect of the Directors are set out below:

On 27 October 2020, Dr. Lo Wing Yan William, an independent non-executive Director, resigned as an independent non-executive director of SITC International Holdings Company Limited (stock code: 1308).

On 31 December 2020, Dr. Lo Wing Yan William, an independent non-executive Director, resigned as an independent non-executive director of Brightoil Petroleum (Holdings) Limited (stock code: 0933, and was delisted on 20 October 2020).

Save as disclosed above, there was no other change in the information of the Directors which is required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

REPORT OF THE DIRECTORS ·····

Review by Audit Committee

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed with them the audit, internal control and financial reporting matters of the Group, including review of the annual results and financial statements for the Year.

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 31 December 2020.

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. The Company has complied with the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2020, save for the deviation from code provision A.2.1 as explained in page 37 of this annual report. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 37 to 49 of this annual report.

Auditor

The financial statements of the Group have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting and being eligible, will offer itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Yan Hao

Chen Xin Ge

Co-chairmen

· · · INDEPENDENT AUDITOR'S REPORT



To the Shareholders of Jingrui Holdings Limited

(incorporated in the Cayman Islands with limited liability)

羅兵咸永道

Opinion

What we have audited

The consolidated financial statements of Jingrui Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 226, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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



羅兵咸永道

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Classification of subsidiary, joint venture and associate
- Provision for properties held or under development for sale
- Valuation of the investment properties

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

Key Audit Matters (continued)

Key Audit Matter 1

Classification of subsidiary, joint venture and associate

Refer to Note 4 (Critical accounting estimates and judgements), Note 9 (Investments in joint ventures), Note 10 (Investments in associates) and Note 41 (Particulars of principal subsidiaries) to the consolidated financial statements.

The Group holds investments in a number of property development companies. During the year ended 31 December 2020, the Group had 14 new non-wholly owned subsidiaries and 9 new joint ventures, some of which were acquired through equity purchase.

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence (respectively), which involves judgements in some cases.

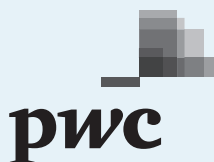
We focused on this area because significant judgement is involved in determining whether those newly invested companies are a subsidiary, a joint venture or an associate of the Group. Subsidiaries are consolidated, which means each asset, liability and transactions are shown in the Group's financial statements, whereas joint ventures and associates are shown as single investments with a single item of profit or loss for their results. As a result, the inappropriate classification, either on acquisition and disposal or in subsequent reporting periods, can have a material impact on the consolidated financial statements.

How our audit addressed the Key Audit Matter

In assessing the classification of the new investments of the Group during the year ended 31 December 2020, we performed audit procedures as follows:

- (1) We conducted interviews with the Group's management to obtain an understanding of the background of the investments and obtained management's assessment and judgement of the classification of those investments.
- (2) We examined the legal documents associated with these investments, to determine the key terms, including rights of the investors, terms of shareholders' agreements and supplemental agreements, dispute resolution provisions, termination provisions, written concerted party agreements, governance structures and the articles of association, and then assessed these against accounting standards based on our own expertise and experience of applying them in similar situations.
- (3) In case where there have been subsequent changes to the shareholders' agreements or governance structures, we critically assessed whether the changes had impact on the initial analysis.
- (4) We sought for confirmation or alternatively inquired the joint controlling shareholders, the non-controlling shareholders or controlling shareholders to confirm the completeness of contracts and agreements we obtained, and no subsequent supplementary or amendments, to confirm their intention to act in concert with the Group if applicable, and to obtain an understanding of their assessment of the rights and obligations in those investments.
- (5) We examined the board resolutions and shareholders resolutions of the investments, to corroborate the explanations of the Group's management.
- (6) We considered the adequacy of the Group's disclosures in respect of the classification and carrying values of subsidiaries, joint ventures and associates.

Based on our audit procedures performed, we consider the classification of subsidiaries, joint ventures and associates made by the Group is supported by the evidence we obtained.



羅兵咸永道

Key Audit Matters (continued)

Key Audit Matter 2

Provision for properties held or under development for sale

Refer to Note 4 (Critical accounting estimates and judgements) and Note 14 (Properties held or under development for sale) to the consolidated financial statements.

As at 31 December 2020, the Group's properties held or under development for sale amounted to approximately RMB28,763,599,000 (31 December 2019: approximately RMB17,865,726,000), against which a provision of approximately RMB8,425,000 (31 December 2019: approximately RMB14,527,000) was provided. During the year ended 31 December 2020, an additional provision of approximately RMB7,126,000 (year ended 31 December 2019: RMB11,747,000) was made.

Properties held or under development for sale are stated at the lower of cost and net realisable value. The determination of the estimated net realisable value of these properties is highly dependent on the Group's expectation of future selling prices and the estimated costs to complete the development projects.

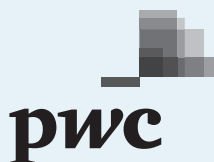
We focused on this area mainly because significant judgement is required to make estimates of future selling prices and the estimated costs to complete the development projects.

How our audit addressed the Key Audit Matter

Regarding the management's assessment of provision of properties held or under development for sale, we conducted the following audit procedures:

- (1) We obtained the calculation schedules for provision for properties held or under development for sale, and tested the completeness of development projects and the mathematical accuracy of the schedules.
- (2) We interviewed the management to understand the reasons for the provision for those projects.
- (3) We corroborated the Group's forecast selling prices by comparing them to, where available, recently transacted prices and prices of comparable properties located in the same vicinity as the properties held or under development for sale.
- (4) We compared the management's budgeted total development costs against underlying contracts with vendors and supporting documents. We discussed with the project managers to assess the reasonableness of estimated costs to complete and corroborated the underlying assumptions made with our understanding of past completed similar projects.
- (5) We challenged the management's assessment and estimation of net realisable value of properties held or under development by using our industry knowledge and external market analysis.
- (6) We compared the provision provided with the subsequent actual written-off and investigated if any significant variance exists, to assess the historical accuracy and adequacy of the provision made by the management.

Based on our audit procedures performed, we consider that the reasonableness of management's judgement and estimates applied on their assessment of provision of properties held or under development for sale is supported by the evidence we obtained.



羅兵咸永道

Key Audit Matters (continued)

Key Audit Matter 3

Valuation of the investment properties

Refer to Note 4 (Critical accounting estimates and judgements) and Note 7 (Investment properties) to the consolidated financial statements.

The Group's investment properties were carried at approximately RMB5,950,300,000 as at 31 December 2020 (31 December 2019: RMB6,348,172,000) and fair value gains of approximately RMB39,687,000 (year ended 31 December 2019: RMB74,548,000) were presented either as appreciation/(depreciation) of investment properties under capital platform, or fair value (losses)/gains on investment properties under other platforms in the consolidated income statement.

We focused on this area because the valuation of the investment properties is significant to the financial statements and the valuation of the investment properties was highly dependent on a range of estimates, such as future rental cash inflows, term yield and reversionary yield which were carried out by well-known independent professional qualified valuers.

How our audit addressed the Key Audit Matter

Regarding the valuation of the investment properties, we performed the following procedures:

- (1) We assessed the independence and competence of the external valuer which issued valuation report.
- (2) We assessed the valuation techniques adopted in the valuation.
- (3) For rental income used in the valuation, we checked the amount to rent roll and lease arrangement on a sample basis.
- (4) For yield rates, market rents and recent prices of similar properties used in the valuation, we compared them with our own expectation using evidence of market transaction. Where we identified estimates and assumptions that were outside the typical ranges used, we discussed these with the valuer to understand the rationale and then assessed, based on all the available evidence and our experience in this sector, whether the use of the estimate or assumption was justified.
- (5) We tested the calculation of the valuation.

Our testing indicated that the estimates and assumptions used are justified in the context of the Group's property portfolio.



羅兵咸永道

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement and management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate profile, corporate information, financial highlights, breakdown of major properties, directors and senior management, corporate governance report, report of the directors and five-year financial information which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the corporate profile, corporate information, financial highlights, breakdown of major properties, directors and senior management, corporate governance report, report of the directors and five-year financial information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

••• INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with HKSA's, 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.



羅兵咸永道

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2021

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	101,330	54,839
Right-of-use assets	6	129,614	–
Investment properties	7	5,950,300	6,348,172
Intangible assets	8	75,556	2,796
Investments in joint ventures	9	1,534,959	1,012,044
Investments in associates	10	1,635,556	1,834,909
Deferred income tax assets	23	295,886	274,398
Financial assets at fair value through profit or loss	12	1,144,684	1,000,587
Financial assets at fair value through other comprehensive income	12	486,650	546,939
Trade and other receivables and prepayments	15	753,652	757,298
		12,108,187	11,831,982
Current assets			
Prepayments for leasehold land	13	1,239,780	720,095
Properties held or under development for sale	14	28,755,174	17,851,199
Trade and other receivables and prepayments	15	10,795,590	7,168,200
Prepaid income taxes		444,130	323,224
Restricted cash	16	2,750,525	3,064,679
Cash and cash equivalents	16	10,895,964	10,683,523
Contract acquisition costs		152,707	122,037
Financial assets at fair value through profit or loss	12	1,161,929	598,250
Financial assets at fair value through other comprehensive income	12	15,257	–
		56,211,056	40,531,207
Total assets		68,319,243	52,363,189
OWNERS' EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	87,813	86,634
Reserves	18	6,078,734	5,220,202
		6,166,547	5,306,836
Non-controlling interests	41	5,130,319	3,799,914
Total equity		11,296,866	9,106,750

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

CONSOLIDATED BALANCE SHEET . . .

As at 31 December 2020

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	12,304,938	9,607,298
Deferred income tax liabilities	23	1,421,053	1,304,409
Lease liabilities		132,597	148,124
Derivative financial instruments	20	–	39,420
		13,858,588	11,099,251
Current liabilities			
Trade and other payables	21	18,905,889	14,369,067
Amounts due to non-controlling interests of subsidiaries	22	1,414,043	896,011
Contract liabilities		11,639,042	6,231,044
Current income tax liabilities		2,018,143	1,242,200
Borrowings	19	9,139,870	9,398,013
Lease liabilities		21,202	20,853
Derivative financial instruments	20	25,600	–
		43,163,789	32,157,188
Total liabilities		57,022,377	43,256,439
Total equity and liabilities		68,319,243	52,363,189

The consolidated financial statements on pages 76 to 226 were approved by the Board of Directors on 23 March 2021 and the consolidated balance sheet was signed on its behalf by:

Yan Hao
Director

Chen Chao
Director

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue	24	12,782,429	13,285,127
Cost of sales	27	(10,278,382)	(10,599,949)
Gross profit		2,504,047	2,685,178
Appreciation/(depreciation) of investment properties under capital platform	7	56,687	(21,474)
Fair value (losses)/gains on investment properties under other platforms	7	(17,000)	96,022
Selling and marketing costs	27	(522,334)	(385,575)
Administrative expenses	27	(664,564)	(606,562)
Other income	25	223,121	158,470
Other gains – net	26	327,373	146,740
Operating profit		1,907,330	2,072,799
Finance income	28	1,013,552	261,507
Finance costs	28	(752,519)	(526,987)
Finance income/(costs) – net		261,033	(265,480)
Share of results of joint ventures	9	40,609	170,409
Share of results of associates	10	130,034	172,148
		170,643	342,557
Profit before income tax		2,339,006	2,149,876
Income tax expense	31	(1,065,502)	(864,866)
Profit for the year		1,273,504	1,285,010
Attributable to:			
Equity holders of the Company		958,092	903,591
Non-controlling interests		315,412	381,419
		1,273,504	1,285,010
Earnings per share for profit attributable to equity holders of the Company			
– Basic earnings per share	33	RMB0.68	RMB0.65
– Diluted earnings per share	33	RMB0.68	RMB0.65

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit for the year	1,273,504	1,285,010
Other comprehensive (losses)/income that may be reclassified subsequently to profit or loss		
Changes in fair value of equity investment at fair value through other comprehensive (losses)/income, net of tax	(36,470)	73,624
Other comprehensive (losses)/income for the year, net of tax	(36,470)	73,624
Total comprehensive income for the year	1,237,034	1,358,634
Attributable to:		
Equity holders of the Company	921,622	977,215
Non-controlling interests	315,412	381,419
	1,237,034	1,358,634

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Sub-total		
	RMB'000 (Note 17)	RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000		
Balance at 1 January 2020	86,634	796,937	(10,073)	790,322	3,643,016	5,306,836	3,799,914	9,106,750
Comprehensive income/(losses)								
Profit for the year 2020	-	-	-	-	958,092	958,092	315,412	1,273,504
Other comprehensive income								
Net changes in fair value of financial assets through other comprehensive losses (Note 12)	-	-	-	(30,423)	-	(30,423)	-	(30,423)
Tax on fair value gains on financial assets through other comprehensive income (Note 23)	-	-	-	(6,047)	-	(6,047)	-	(6,047)
Total comprehensive income for the year 2020	-	-	-	(36,470)	958,092	921,622	315,412	1,237,034
Transactions with owners								
Dividends to the Company's shareholders in respect of year 2019 (Note 34)	-	(309,160)	-	-	-	(309,160)	-	(309,160)
Share award scheme (Note 32)	-	-	500	1,568	-	2,068	-	2,068
Share option scheme (Note 32)	-	-	-	(226)	-	(226)	-	(226)
Capital reduction in respect of non-controlling interests	-	-	-	-	-	-	(370,400)	(370,400)
Contribution from non-controlling interests	-	-	-	-	-	-	718,000	718,000
Changes in ownership interests in subsidiaries without change of control (Note 38)	-	-	-	(12,616)	-	(12,616)	57,004	44,388
Place of new shares (Note 17)	1,179	256,844	-	-	-	258,023	-	258,023
Non-controlling interests on acquisition of subsidiaries (Note 39)	-	-	-	-	-	-	610,389	610,389
	1,179	(52,316)	500	(11,274)	-	(61,911)	1,014,993	953,082
Balance at 31 December 2020	87,813	744,621	(9,573)	742,578	4,601,108	6,166,547	5,130,319	11,296,866

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company							
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 17)	(Note 18)	(Note 18)	(Note 18)	(Note 18)			
Balance at 1 January 2019	86,634	1,157,260	(5,848)	713,207	2,735,739	4,686,992	4,126,155	8,813,147
Change in accounting policy	-	-	-	-	3,686	3,686	-	3,686
Restated balance at 1 January 2019	86,634	1,157,260	(5,848)	713,207	2,739,425	4,690,678	4,126,155	8,816,833
Comprehensive income/(losses)								
Profit for the year 2019	-	-	-	-	903,591	903,591	381,419	1,285,010
Other comprehensive income								
Net changes in fair value of financial assets through other comprehensive income (Note 12)	-	-	-	74,835	-	74,835	-	74,835
Tax on fair value gains on financial assets through other comprehensive income (Note 23)	-	-	-	(1,211)	-	(1,211)	-	(1,211)
Total comprehensive income for the year 2019	-	-	-	73,624	903,591	977,215	381,419	1,358,634
Transactions with owners								
Dividends to the Company's shareholders in respect of year 2018 (Note 34)	-	(360,323)	-	-	-	(360,323)	-	(360,323)
Dividends of subsidiaries	-	-	-	-	-	-	(811,803)	(811,803)
Buy back of shares (Note 17)	-	-	(4,289)	-	-	(4,289)	-	(4,289)
Share award scheme (Note 32)	-	-	64	10,294	-	10,358	-	10,358
Share option scheme (Note 32)	-	-	-	3,181	-	3,181	-	3,181
Capital reduction in respect of non-controlling interests	-	-	-	-	-	-	(144,550)	(144,550)
Contribution from non-controlling interests	-	-	-	-	-	-	885,000	885,000
Changes in ownership interests in subsidiaries without change of control (Note 38)	-	-	-	(25,589)	-	(25,589)	(674,112)	(699,701)
Non-controlling interests on acquisition of subsidiaries	-	-	-	-	-	-	49,468	49,468
Non-controlling interests on deemed disposal of subsidiaries	-	-	-	-	-	-	(11,663)	(11,663)
Lapse of put option written on non-controlling interests	-	-	-	15,605	-	15,605	-	15,605
	-	(360,323)	(4,225)	3,491	-	(361,057)	(707,660)	(1,068,717)
Balance at 31 December 2019	86,634	796,937	(10,073)	790,322	3,643,016	5,306,836	3,799,914	9,106,750

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Operating activities		
Net cash generated from operations (Note 35(a))	934,530	3,614,168
Interest paid	(1,992,365)	(1,809,812)
PRC income tax paid	(314,366)	(372,481)
PRC land appreciation tax paid	(151,857)	(435,551)
Net cash (used in)/generated from operating activities	(1,524,058)	996,324
Investing activities		
Purchase of property, plant and equipment	(49,426)	(7,645)
Purchase of intangible assets	(462)	(1,619)
Acquisition cost of and capitalised expenditures incurred on investment properties	(10,213)	(113,773)
Proceeds from disposal of property, plant and equipment (Note 35(c))	497	496
Proceeds from disposal of investment properties	–	105,270
Cash receipt of leasing investment receivables	15,579	14,732
Capital injection to/acquisition of joint ventures	(395,298)	(152,313)
Capital injection to/acquisition of associates	–	(868,764)
Disposal of interests in joint ventures	–	3,500
Acquisition of financial assets at fair value through profit or loss	(1,272,655)	(1,354,011)
Cash receipt of remaining consideration in connection with the disposal of subsidiaries	39,304	26,871
Disposal of shares in subsidiaries	467,730	241,148
Disposal of financial assets at fair value through profit or loss	596,403	795,462
Disposal of financial assets at fair value through other comprehensive income	14,609	–
Dividend received from financial assets at fair value through other comprehensive income	20,503	238
Receivables from a third party	96,810	(629,253)
Repayments from related parties	36,783	766,188
Providing loans to related parties	–	(106,693)
Cash advance to non-controlling interests of subsidiaries	(1,074,975)	(1,203,658)
Cash receipt from non-controlling interests of subsidiaries	216,412	673,684
Cash advance from potential investors of a subsidiary	–	87,656
Repayment to potential investors of a subsidiary	(87,656)	–
Interest received from related parties	–	44,893
Interest received	298,212	221,835
Acquisition of subsidiaries, net of cash acquired (Note 39)	426,421	–
Net cash used in investing activities	(661,422)	(1,455,756)

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

CONSOLIDATED CASH FLOW STATEMENT . . .

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Financing activities		
Proceeds from borrowings	10,079,295	6,096,100
Proceeds from issuance of senior notes	2,361,296	4,101,614
Proceeds from corporate bonds	508,560	–
Repayments of borrowings	(8,939,005)	(8,645,962)
Repayments of senior notes	(3,247,809)	(58,600)
Repayments of corporate bonds	–	(1,089,898)
Dividends paid	(309,160)	(360,323)
Dividends paid of subsidiaries	–	(13,004)
Capital contribution from non-controlling interests of subsidiaries	718,000	885,000
Repayment of the capital to non-controlling interests of a subsidiary	(370,400)	(144,550)
Cash receipt from non-controlling interests of subsidiaries	419,180	709,450
Repayment to non-controlling interests of subsidiaries	(655,301)	(191,333)
Changes in advance from related parties	(60,825)	(84,764)
Decrease/(increase) in restricted cash relating to financing activities	147,777	(1,444,746)
Changes in ownership interests in subsidiaries without change of control (Note 38)	(23,519)	(699,701)
Payables for acquisition of equity investments	800,934	943,126
Acquisition of treasury shares	–	(4,289)
Place of new shares	258,023	–
Amounts due to third parties	736,951	(99,995)
Payables to related parties of non-controlling interests	–	(234,000)
Payables for acquisition of equity interests of Taizhou Zhenghuang Property Co., Ltd.	–	(268,930)
Principal elements of lease payments	(23,067)	(23,366)
Changes in deposits paid to secure borrowings	21,210	8,231
Net cash generated from/(used in) financing activities	2,422,140	(619,940)
Net increase/(decrease) in cash and cash equivalents	236,660	(1,079,372)
Effect of foreign exchange rate changes	(24,219)	47,517
Cash and cash equivalents at beginning of the year	10,683,523	11,715,378
Cash and cash equivalents at end of the year (Note 16)	10,895,964	10,683,523

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

· · · NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Jingrui Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 7 March 2013 as an exempted company with limited liability under the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as “the Group”) are principally engaged in property development business in the People’s Republic of China (the “PRC”).

The Company’s shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 31 October 2013.

These consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures

(a) *New standards and amended of HKFRSs effective for 2020*

The following new standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2020 and are relevant to the Group's operation.

- Definition of Material – Amendments to HKAS 1 and HKAS 8
- Definition of a Business – Amendments to HKFRS 3
- Interest Rate Benchmark Reform – Amendments to HKFRS 7, HKFRS 9 and HKAS 39
- Revised Conceptual Framework for Financial Reporting

The newly effective standards and amendments to existing standards did not have any significant impact on the Group's results of operation and financial position for the year ended 31 December 2020.

(b) *New standards, amendments and interpretations of HKFRSs not yet adopted*

Certain new accounting standards, amendments and interpretations of HKFRSs have been published that are not mandatory for the financial year beginning on 1 January 2020 and have not been early adopted by the Group. The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations, certain of which are relevant to the Group's operation. According to the preliminary assessment made by the directors, the Group does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

· · · NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity respectively.

(a) Business combinations

The Group applies the acquisition method as described below to account for business combination. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the reorganised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

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

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

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

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

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

(c) *Disposal of subsidiaries*

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

2.2.2 Separate financial statements

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

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

Impairment testing of the investments in subsidiaries is also required according to Note 2.11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.3 Joint arrangements

Joint arrangements are classified as either joint ventures or joint operations depending on the contracted rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A joint venture gives the parties rights to the net assets or outcome of the arrangement. A joint venture does not have rights to individual assets or obligations for individual liabilities of the joint venture. Instead, joint ventures share the net assets and, in turn, the outcome (profit or loss) of the activity undertaken by the joint venture. In contrast, a joint operation is a joint arrangement that gives parties to the arrangement direct rights to the assets and obligations for the liabilities. A joint operator will recognise its interest based on its involvement in the joint operation (that is, based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement.

Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

Investment in a joint venture is accounted for using the equity method of accounting and is initially recognised at cost. The consolidated income statement include the Group's share of the post-acquisition results of joint ventures, and the consolidated balance sheet include the Group's share of the net assets of the joint ventures and goodwill identified on acquisition net of any accumulated impairment losses.

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movement in other comprehensive income is recognized in other comprehensive income with a corresponding adjustments to the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interests in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. The impairment amount, as the difference between the recoverable amount of the associate and its carrying value is recognised in the consolidated income statement.

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which is the functional currency of the Company and the presentation currency of the Group.

· · · NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(b) *Transactions and balances*

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "Finance income or expenses". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other gains/(losses) – net".

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

(c) *Group companies*

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

- (i) assets and liabilities for each balance sheet are translated at the date of that balance sheet;
- (ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rate; and
- (iii) all resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment

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

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

– Self-use properties and right-of-use assets-office properties	6-29 years
– Motor vehicles	6 years
– Furniture, fittings and equipment	5 years
– Leasehold improvements and others	shorter of remaining lease term or useful life estimated 5 years

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised as "Other gains/(losses) – net" in the consolidated income statement.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement in fair value gains or losses on investment properties.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.9 Intangible assets

(a) *Goodwill*

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

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

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

(b) *Computer software*

Intangible assets of the Group mainly comprise acquired computer software which is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

2.10 Non-current assets held-for-sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere.

2.11 Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

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

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.12 Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value. The costs of properties held or under development consist of costs of leasehold land, resettlement costs (if any), construction expenditure, capitalised borrowing costs and other direct costs incurred during the development period. The costs of properties held are determined by apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2.13 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties held or under development for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights fall within investment properties are classified as investment properties (Note 2.8).

2.14 Financial assets

2.14.1 Classification

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

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

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

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

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

2.14.2 Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

2.14.3 Measurement

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

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

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidation income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidation income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

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

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

2.14.4 Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 Financial Instruments ("HKFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 15 for further details.

2.15 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement.

2.16 Offsetting financial instruments

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

2.17 Trade and other receivables

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

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

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Restricted cash is excluded from cash and cash equivalents.

2.19 Share capital

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.20 Trade and other payables

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

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

2.21 Borrowings and borrowing costs

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax

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

(a) *Current income tax*

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

(b) *Deferred income tax*

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

· · · NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

(c) *Offsetting*

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

2.23 Put option arrangements

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities as there is an obligation for the Group to deliver cash or other financial assets in exchange of its own equity shares. The amount that may become payable under the option on exercise is initially recognised at present value with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

Such options, including the transaction costs, are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

2.24 Employee benefits

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

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

The contributions are recognised as employee benefit expense when they are due.

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.25 Share-based payments

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

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

Non-market performance and service conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2.26 Provisions and contingent liabilities

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.27 Financial guarantee liabilities

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

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

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

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

2.28 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(a) Sales of properties

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

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

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

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

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition (continued)

(a) *Sales of properties (continued)*

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property, and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. If on the contract commencement date, the Group expects that the interval between the customer's obtaining control of the property and the payment of consideration by the customer will not exceed 1 year, the financing component will not be considered as significant.

(b) *Service income*

Revenue from services is recognised when services have been provided, total amount of revenue and costs can be estimated reliably and the collectability of the related receivables is reasonably assured.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling price are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(c) *Sales of goods*

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

(d) *Contract acquisition cost*

Costs did not qualify for recognition as an asset were expensed when incurred. Costs related directly to the contract, generating resources used in satisfying the contract and expected to be recovered are capitalised as contract acquisition cost.

2.29 Interest income

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

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidation income statement as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.30 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to an entity within the Group with no future related costs are recognised as income of the period in which they become receivable.

2.32 Leases

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.32 Leases (continued)

To determine the incremental borrowing rate, the Group:

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

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

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

Right-of-use assets that meet the definition of investment property are measured at fair value applying the fair value model.

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

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

Right-of-use assets which do not meet the definition of investment property are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.33 Dividend distribution

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

3 Financial risk management

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

3.1 Market risk

(a) Foreign exchange risk

The Group is engaged in the development, sale and management of properties solely in the PRC with almost all transactions denominated in RMB. The Company and all of its subsidiaries' functional currency is RMB, accordingly cash and borrowings denominated in Hong Kong Dollar ("HKD") or United States Dollar ("USD") are subject to foreign exchange risk.

Fluctuation of the exchange rates for HKD and USD against RMB will affect the Group's result of operations. The Group currently does not have a foreign currency hedging policy. However, management closely monitors the foreign exchange exposure and will take actions when necessary.

As at 31 December 2020, if HKD had weakened/strengthened by 5% against RMB, all other variables held constant, post-tax profit of the Group for the year 2020 would have been higher/lower by RMB1,217,000 (2019: post-tax profit of the Group for the year 2019 would have been higher/lower by RMB12,137,000), mainly as a result of foreign exchange gain/loss from trade and other receivables and prepayments and bank deposits net off trade and other payables and bank borrowings denominated in HKD.

As at 31 December 2020, if USD had weakened/strengthened by 5% against RMB, all other variables held constant, post-tax profit of the Group for the year 2020 would have been higher/lower by RMB336,453,000 (2019: post-tax profit of the Group for the year 2019 would have been higher/lower by RMB295,238,000), mainly as a result of foreign exchange gain/loss from borrowings net off bank deposits denominated in USD.

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates, the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings from banks and non-bank financial institutions. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow or fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Market risk (continued)

(b) Cash flow and fair value interest rate risk (continued)

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2020 and 2019, if interest rates on borrowings at floating rates had been 50 basis points higher/lower with all other variables held constant, the post-tax results and capitalised interest for the years ended 31 December 2020 and 2019 would have changed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Post-tax results better/(weaker)		
– 50 basis points higher	(1,728)	(2,477)
– 50 basis points lower	1,728	2,477
Capitalised interest increase/(decrease)		
– 50 basis points higher	8,244	10,610
– 50 basis points lower	(8,244)	(10,610)

3.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge the obligation under the terms of financial instrument and cause a financial loss to the Group. The Group considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.2 Credit risk (continued)

(a) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(b) Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward looking information.

As at 31 December 2020 and 2019, on that basis, the loss allowance was determined as follows for trade receivables:

	Current RMB'000	More than 90 days past due RMB'000	More than 180 days past due RMB'000	Within 1 year RMB'000	More than 1 year past due RMB'000	Total RMB'000
31 December 2019						
Expected loss rate	0.16%	0.87%	7.65%	3.79%	10.34%	
Gross carrying amount	506,480	5,902	3,566	106,982	29,735	652,665
Loss allowance	(788)	(52)	(273)	(4,059)	(3,074)	(8,246)
Accounts receivables – net	505,692	5,850	3,293	102,923	26,661	644,419
31 December 2020						
Expected loss rate	0.29%	3.90%	9.11%	3.79%	13.56%	
Gross carrying amount	222,551	12,934	120,838	119,590	69,666	545,579
Loss allowance	(635)	(505)	(11,009)	(4,527)	(9,448)	(26,124)
Accounts receivables – net	221,916	12,429	109,829	115,063	60,218	519,455

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for trade receivables during the year ended 31 December 2020.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.2 Credit risk (continued)

(c) Other receivables

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flow	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses	Gross carrying amount
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.2 Credit risk (continued)

(c) Other receivables (continued)

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

	Receivables from government related bodies RMB'000	Due from related parties RMB'000	Receivables from third parties other than government related bodies RMB'000	Total RMB'000
--	--	--	---	------------------

As at 31 December 2019

Carrying amount of other receivables	219,017	2,346,220	3,293,441	5,858,678
Expected credit loss rate	0.10%	0.31%	1.18%	
Loss allowance	(219)	(7,207)	(38,915)	(46,341)
Other receivables – net	218,798	2,339,013	3,254,526	5,812,337

	Receivables from government related bodies RMB'000	Due from related parties RMB'000	Receivables from third parties other than government related bodies RMB'000	Total RMB'000
--	--	--	---	------------------

As at 31 December 2020

Carrying amount of other receivables	297,453	5,596,298	4,391,920	10,285,671
Expected credit loss rate	0.10%	0.44%	1.45%	
Loss allowance	(297)	(24,789)	(63,467)	(88,553)
Other receivables – net	297,156	5,571,509	4,328,453	10,197,118

NOTES TO THE CONSOLIDATED ··· FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.2 Credit risk (continued)

(c) *Other receivables (continued)*

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for other receivables during the year ended 31 December 2020.

(d) *Financial guarantee*

The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group also provides guarantees to certain related parties of the Group to obtain borrowings after assessing the credit history of these related parties. The Group closely monitors the repayment progress of the relevant borrowings by these related parties. In the opinion of the directors of the Group, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.3 Liquidity risk

Management of the Group aims to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

The table below analyses the Group's non-derivative financial liabilities and gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivatives financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	1 and 2 years RMB'000	2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Borrowings, principal (Note 19)	9,139,870	7,056,245	4,841,365	407,328	21,444,808
Interest payments on borrowings (note)	1,536,781	804,207	333,605	243,345	2,917,938
Trade and other payables	17,959,295	–	–	–	17,959,295
Amounts due to non-controlling interests of subsidiaries (Note 22)	1,414,043	–	–	–	1,414,043
Lease liabilities	21,202	29,437	72,473	75,506	198,618
Derivative financial instruments (Note 20)	25,600	–	–	–	25,600
Financial guarantees (Note 37)	6,288,667	–	–	–	6,288,667
	36,385,458	7,889,889	5,247,443	726,179	50,248,969
As at 31 December 2019					
Borrowings, principal (Note 19)	9,398,013	5,916,425	3,168,298	522,575	19,005,311
Interest payments on borrowings (note)	1,187,501	637,430	452,342	353,908	2,631,181
Trade and other payables	14,166,938	–	–	–	14,166,938
Amounts due to non-controlling interests of subsidiaries (Note 22)	896,011	–	–	–	896,011
Lease liabilities	20,853	29,780	75,295	95,067	220,995
Derivative financial instruments (Note 20)	–	46,911	–	–	46,911
Financial guarantees (Note 37)	5,021,078	736,000	90,000	–	5,847,078
	30,690,394	7,366,546	3,785,935	971,550	42,814,425

note: The interest on borrowings is calculated based on borrowings held as at 31 December 2020 and 2019, respectively. Floating-rate interests are estimated using the current interest rate as at 31 December 2020 and 2019, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.4 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and deposits pledged for borrowings. Total capital is calculated as total equity, as shown in the consolidated balance sheets, plus net debt.

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Borrowings	21,444,808	19,005,311
Less: Cash and cash equivalents	(10,895,964)	(10,683,523)
Restricted cash deposits pledged for borrowings	(2,192,369)	(2,340,146)
Net debt	8,356,475	5,981,642
Total equity	11,296,866	9,106,750
Total capital	19,653,341	15,088,392
Gearing ratio	43%	40%

3.5 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2020 and 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.5 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2020 and 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
31 December 2019	22,347	–	1,576,490	1,598,837
Financial assets at fair value through other comprehensive income				
31 December 2019	–	–	546,939	546,939
Derivative financial instruments				
31 December 2019	–	–	39,420	39,420

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
31 December 2020	233,431	–	2,073,182	2,306,613
Financial assets at fair value through other comprehensive income				
31 December 2020	–	–	501,907	501,907
Derivative financial instruments				
31 December 2020	–	–	25,600	25,600

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The instrument is included in level 1.

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

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

Other than certain financial assets at fair value through profit or loss at 31 December 2020 and 2019 traded in the market and therefore measured at fair value by level 1, the Group's other financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as at 31 December 2020 and 2019 and derivative financial instruments as at 31 December 2020 and 2019 are measured at fair value by level 3. There were no changes in valuation techniques during the year. The changes in the value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss during the period are presented in Note 12. The changes in the value of derivative financial instruments are presented in Note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

4.1 Classification as subsidiary, joint venture and associate

In the normal course of business, the Group develops properties together with other developers or institutions, through entering into co-operation agreements with these parties. The rights and obligations of the Group and the other parties are stipulated by respective co-operation agreements, article of associations of the project companies, etc. Because of the complexity of the arrangements, significant judgement is needed in determining whether the project company is a subsidiary, joint venture or associate of the Group.

The Group makes judgement based on the substance of the arrangements and the definition of a subsidiary, joint venture and associate as disclosed in Notes 2.2, 2.3 and 2.4 respectively.

4.2 Provision for write-down of properties held or under development for sale

The management makes provision for write-down of properties held or under development for sale based on the estimate of the net realisable value of the properties. Given the volatility of the property market in the PRC, the actual net realisable value may be higher or lower than the estimate made as at the end of the reporting period. Any increase or decrease in the provision would affect the Group's operating performance in future years.

4.3 Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in Note 7.

4.4 Development costs directly attributable to property development activities

The Group allocates portions of land and development costs to properties held and under development for sale. As certain of the Group's property development projects are developed and completed by phases, the budgeted development costs of the whole project are dependent on the estimate on the outcome of total development. Based on the experience and the nature of the development undertaken, the management makes estimates and assumptions concerning the future events that are believed to be reasonable under the circumstances. Given the uncertainties involved in the property development activities, the related actual results may be higher or lower than the amount estimated at the end of the reporting period. Any change in estimates and assumptions would affect the Group's operating performance in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (continued)

4.5 Land appreciation tax of the PRC

The Group is subject to land appreciation tax in the PRC. However, since the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation tax. The Group recognises the land appreciation tax based on management's best estimates according to its understanding of the interpretation of tax rules and latest practice of tax jurisdictions in the cities where the Group's projects are located. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current income tax and the deferred income tax provision in the period in which such taxes have been finalised with local tax authorities.

4.6 Current and deferred income tax

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

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

4.7 Fair value of derivative financial instrument

The Group assesses the fair value of the embedded derivatives in respect of the derivative financial instrument arising from certain put option associated with joint venture agreements based on valuations determined by independent professional qualified valuers, which is estimated by using the discounted cash flow method. The discounted cash flow projections are based on reliable discounted estimates of future cash flows, derived from operation data of the projects such as volatility, property selling prices, net profit and property development plan of the projects estimated by management, and in case of put option, probability-weighted average of floating premium as at the exit date agreed.

Where the actual future operation data and property development plan varies, a material adjustment on the fair value of these derivative financial instruments may arise. When estimating the fair value of these derivative financial instruments with reference to the valuation report, management has exercised its judgment and is satisfied that the methods of valuation are reflective of its best estimation.

4.8 Fair value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

The fair value of of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques or net asset value. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

4 Critical accounting estimates and judgements (continued)

4.9 Impairment of trade receivables and other receivables

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

4.10 Revenue recognition

The Group develops and sells residential and commercial properties in different locations. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary.

5 Segment information

Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The reporting segment are as follows:

- Property development platform engages in real estate development in the PRC; and
- Capital platform invests in office buildings and apartments in the PRC for their rental income potential and/or for capital appreciation; and
- All other platforms, including property management platform which provides management and security services to residential and commercial properties in the PRC, the property design and decoration platform, investment platform and other miscellaneous businesses. The revenue derived from all other platforms generally include service fees and investment income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (continued)

The three operating segments are consistent with the way in which information is reported internally to the Group's CODM for the purpose of resources allocation and performance assessment. No operating segments have been aggregated to form the above reportable segments.

The CODM assesses the performance of the operating segments based on a measure of revenue and profit or loss before income tax. The measurement basis excludes the effects of income tax expense.

	Year ended 31 December 2020					
	Property development platform RMB'000	Capital platform RMB'000	All other platforms RMB'000	Total segment RMB'000	Elimination RMB'000	Total Group RMB'000
Segment revenue	11,940,100	177,620	819,621	12,937,341	(154,912)	12,782,429
Segment profit before income tax expense	2,056,398	139,685	101,490	2,297,573	41,433	2,339,006
Finance income	864,466	25,193	123,893	1,013,552	-	1,013,552
Finance costs	(646,533)	(92,580)	(52,908)	(792,021)	39,502	(752,519)
Share of results of joint ventures	39,324	1,615	(330)	40,609	-	40,609
Share of results of associates	132,930	-	(2,896)	130,034	-	130,034
Depreciation and amortisation	(16,298)	(6,903)	(3,870)	(27,071)	-	(27,071)
A reconciliation to profit for the year is as follows:						
Total segment profits before income tax expense						2,339,006
Income tax expense						(1,065,502)
Profit for the year						1,273,504
Segment assets	101,624,806	7,109,564	20,699,113	129,433,483	(61,114,240)	68,319,243
Segment assets include:						
Investments in joint ventures	843,980	690,979	-	1,534,959	-	1,534,959
Investments in associates	1,550,786	-	84,770	1,635,556	-	1,635,556
Additions to non-current assets (other than financial instruments and deferred income tax assets)	256,586	18,843	58,964	334,393	-	334,393
Segment liabilities	93,924,118	5,004,005	19,213,348	118,141,471	(61,119,094)	57,022,377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (continued)

	Year ended 31 December 2019					
	Property development platform	Capital platform	All other platforms	Total segment	Elimination	Total Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	12,421,047	177,686	856,865	13,455,598	(170,471)	13,285,127
Segment profit before income tax expense	1,705,557	219,752	200,770	2,126,079	23,797	2,149,876
Finance income	88,171	31,262	142,074	261,507	-	261,507
Finance costs	(418,608)	(47,780)	(83,454)	(549,842)	22,855	(526,987)
Share of results of joint ventures	(14,804)	185,274	(61)	170,409	-	170,409
Share of results of associates	175,568	-	(3,420)	172,148	-	172,148
Depreciation and amortisation	(18,837)	(2,378)	(4,741)	(25,956)	-	(25,956)
A reconciliation to profit for the year is as follows:						
Total segment profits before income tax expense						2,149,876
Income tax expense						(864,866)
Profit for the year						1,285,010
Segment assets	60,387,536	7,190,836	18,147,370	85,725,742	(33,362,553)	52,363,189
Segment assets include:						
Investments in joint ventures	429,611	582,102	331	1,012,044	-	1,012,044
Investments in associates	1,748,470	-	86,439	1,834,909	-	1,834,909
Additions to non-current assets (other than financial instruments and deferred income tax assets)	666,969	349,919	5,545	1,022,433	-	1,022,433
Segment liabilities	52,388,826	5,831,372	18,028,849	76,249,047	(32,992,608)	43,256,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Property, plant and equipment and Right-of-use assets

6.1 Property, plant and equipment

	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Leasehold improvements and others RMB'000	Self-use properties and right-of-use assets - office properties RMB'000	Total RMB'000
At 1 January 2020					
Cost	23,836	40,749	35,868	35,255	135,708
Accumulated depreciation	(18,203)	(22,752)	(24,753)	(15,161)	(80,869)
Net book amount	5,633	17,997	11,115	20,094	54,839
Year ended 31 December 2020					
Opening net book amount	5,633	17,997	11,115	20,094	54,839
Addition from acquisition of subsidiaries	483	1,366	6	13,578	15,433
Other additions	59	1,762	10,308	45,186	57,315
Disposals	(208)	(166)	(227)	-	(601)
Depreciation charge (Note 27)	(1,828)	(3,386)	(6,068)	(14,374)	(25,656)
Closing net book amount	4,139	17,573	15,134	64,484	101,330
At 31 December 2020					
Cost	23,348	42,840	44,053	94,019	204,260
Accumulated depreciation	(19,209)	(25,267)	(28,919)	(29,535)	(102,930)
Net book amount	4,139	17,573	15,134	64,484	101,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Property, plant and equipment and Right-of-use assets (continued)

6.1 Property, plant and equipment (continued)

	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Leasehold improvements and others RMB'000	Right-of-use assets – office properties RMB'000	Total RMB'000
At 1 January 2019					
Cost	25,198	38,681	67,534	–	131,413
Accumulated depreciation	(17,688)	(19,628)	(22,670)	–	(59,986)
Net book amount	<u>7,510</u>	<u>19,053</u>	<u>44,864</u>	<u>–</u>	<u>71,427</u>
Year ended 31 December 2019					
Opening net book amount	7,510	19,053	44,864	–	71,427
Adjustment for changes in accounting policies (note)	–	–	(32,313)	30,954	(1,359)
Restated opening net book amount	7,510	19,053	12,551	30,954	70,068
Additions	900	3,639	2,193	4,301	11,033
Reduction from disposal of subsidiaries	–	(407)	(461)	–	(868)
Other disposals	(442)	(214)	(59)	–	(715)
Depreciation charge (Note 27)	(2,335)	(4,074)	(3,109)	(15,161)	(24,679)
Closing net book amount	<u>5,633</u>	<u>17,997</u>	<u>11,115</u>	<u>20,094</u>	<u>54,839</u>
At 31 December 2019					
Cost	23,836	40,749	35,868	35,255	135,708
Accumulated depreciation	(18,203)	(22,752)	(24,753)	(15,161)	(80,869)
Net book amount	<u>5,633</u>	<u>17,997</u>	<u>11,115</u>	<u>20,094</u>	<u>54,839</u>

Depreciation charges of the Group have all been included in administrative expenses and selling and marketing costs for both years ended 31 December 2020 and 2019.

Note: The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognised in the opening balance sheet of 2019.

On 1 January 2019, right-of-use assets together with leasehold improvements leased out as long-term rental apartment were classified as investment properties and carried at fair value (Note 7). Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised included in property, plant and equipment as at 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Property, plant and equipment and Right-of-use assets (continued)

6.2 Lease

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2020 RMB'000
Right-of-use assets	
– Office properties	13,820
– Land use rights	129,614
Investment properties (Note 7)	66,300
	209,734
Lease liabilities	
Current	21,202
Non-current	132,597
	153,799

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets		
– Office properties	14,162	15,161
– Land use rights	–	N/A
	14,162	15,161
Interest expense (included in finance costs – Note 28)	13,216	14,549
Expense relating to short-term leases (included in administrative expenses and selling and marketing costs – Note 27)	13,801	12,160

The total cash outflow for leases for the year ended 31 December 2020 was RMB50,084,000.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and apartments. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Investment properties

	Investment properties under capital platform RMB'000	Investment properties under other platforms RMB'000	Total RMB'000
Year ended 31 December 2020			
Opening balance	5,420,400	927,772	6,348,172
Subsequent expenditures capitalised	10,213	–	10,213
Transfer to completed properties	–	(7,772)	(7,772)
Appreciation of investment properties under capital platform	56,687	–	56,687
Fair value losses on investment properties under other platforms	–	(17,000)	(17,000)
Reduction arising from disposal of a subsidiary	(440,000)	–	(440,000)
Ending balance	5,047,300	903,000	5,950,300
Year ended 31 December 2019			
Opening balance	5,339,000	1,815,272	7,154,272
Adjustment for changes in accounting policies (Note 6.1)	209,656	–	209,656
Restated opening book amount	5,548,656	1,815,272	7,363,928
Transfer to completed properties	–	(894,000)	(894,000)
Additions from acquisition of subsidiaries	100,212	–	100,212
Other additions	21,637	–	21,637
Subsequent expenditures capitalised	136,201	–	136,201
Depreciation of investment properties under capital platform	(21,474)	–	(21,474)
Fair value gains on investment properties under other platforms	–	96,022	96,022
Disposals	(364,832)	(89,522)	(454,354)
Ending balance	5,420,400	927,772	6,348,172

note:

Beijing San Quan Apartments, investment properties located in Beijing amounting to RMB1,793,000,000 as at 31 December 2020 (31 December 2019: RMB1,790,000,000), is held by the Group, whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sale. The Group has measured the deferred tax relating to the temporary differences of the investment properties using the tax rates and the tax base that are consistent with the expected manner of recovery of the investment properties.

Independent valuations of the Group's investment properties were performed by the valuer, Cushman & Wakefield, to determine the fair value of the investment properties as at 31 December 2020 and 2019. The following table analyses the investment properties carried at fair value, by valuation method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Investment properties (continued)

Fair value hierarchy

Description	Fair value measurements at 31 December 2020 using		
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	RMB'000	RMB'000	RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
– Retail	–	–	1,621,800
– Office and car parks	–	–	846,000
– Service apartment and car parks	–	–	3,482,500
	–	–	5,950,300

Description	Fair value measurements at 31 December 2019 using		
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	RMB'000	RMB'000	RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
– Retail	–	–	1,613,000
– Office and car parks	–	–	1,266,000
– Service apartment and car parks	–	–	3,469,172
	–	–	6,348,172

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels 1, 2 and 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

7 Investment properties (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2020 and 2019 by independent professionally qualified valuers of Cushman & Wakefield who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance team will review the valuation performed by the valuers, including:

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report;
- holds discussions with independent valuers.

Valuation techniques

The Group has fourteen investment properties as at 31 December 2020 (31 December 2019: fifteen), among which three investment properties located in Shanghai, Zhejiang Province and Jiangsu Province are under other platforms and eleven investment properties located in Beijing, Shanghai and Jiangsu Province are under capital platform, all of which were completed as at 31 December 2020.

The Group also has three right-of-use assets of investment properties which are located in Shanghai and Zhejiang Province under capital platform as at 31 December 2020 (31 December 2019: three).

The valuation of completed retail properties and office buildings, service apartments and car parks were determined using a combination of the income capitalisation approach (term and reversionary method) which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties and direct comparison approach by making reference to comparable sales transaction as available in the relevant market. For those investment properties with signed sales contract, the valuation were determined using the actual selling price.

The valuation of service apartments under renovation were determined using combination of the discounted cash flows with estimated renovation costs to complete approach and direct comparison approach by making reference to comparable sales transactions as available in the relevant market with incurred renovation costs.

The valuation of right-of-use assets of investment properties were determined using the income capitalisation approach (term and reversionary method) which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Investment properties (continued)

Information about fair value measurements as at 31 December 2020 using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed office buildings and car parks	846,000 (31 December 2019: 1,266,000)	Income capitalisation approach	Term yield (a)	Term yield of 4%~4.5% (31 December 2019: 4%~4.5%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 4.5%~5% (31 December 2019: 4.5%~5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB208~RMB473 (31 December 2019: RMB208~RMB460) per square meter per month.	The higher the market unit rent, the higher the fair value
		Direct comparison approach	Adjusted recent prices of similar properties (d)	RMB41,283~RMB85,400 (31 December 2019: RMB41,377~RMB93,421) per square meter.	The higher the unit price, the higher the fair value

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Service apartment and car parks	3,416,200 (31 December 2019: 3,247,572)	Income capitalisation approach	Term yield (a)	Term yield of 2.5%~6% (31 December 2019: 2.5%~4.5%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 3%~5% (31 December 2019: 2.5%~5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB173 ~RMB501 (31 December 2019: RMB163~RMB452) per square meter per month.	The higher the market unit rent, the higher the fair value
		Direct comparison approach	Adjusted recent prices of similar properties (d)	RMB33,394 ~RMB88,567 (31 December 2019: RMB34,843~RMB89,895) per square meter.	The higher the unit price, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Investment properties (continued)

Information about fair value measurements as at 31 December 2020 using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Service apartment under renovation	Nil (31 December 2019: 131,000)	Direct comparison approach	Adjusted recent prices of similar properties (d)	Nil (31 December 2019: RMB28,800~RMB30,000) per square meter.	The higher the unit price, the higher the fair value
			Discounted cash flows with estimated costs to complete	Nil (31 December 2019: RMB2,500~RMB4,600) per room per month.	The higher the market prices, the higher the fair value
			Estimated renovation costs to be incurred	Nil (31 December 2019: RMB5,840) per square meter.	The higher the estimated costs to be incurred, the lower the fair value
			Capitalisation rate	Nil (31 December 2019: 4.35%).	The higher the capitalisation rate, the lower the fair value
			Estimated profit margin required to renovate property to completion	Nil (31 December 2019: 3% of total estimated renovation costs).	The higher the profit margin required, the lower the fair value.

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed retail property	1,621,800 (31 December 2019: 1,613,000)	Income capitalisation approach	Term yield (a)	Term yield of 3.75%~5% (31 December 2019: 3.75%~5%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 4.25%~5.5% (31 December 2019: 4.25%~5.5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB62~RMB501 (31 December 2019: RMB70~RMB451) per square meter per month.	The higher the market unit rent, the higher the fair value
			Direct comparison approach	Adjusted recent prices of similar properties (d) RMB15,720~RMB80,600 (31 December 2019: RMB15,650~RMB64,935) per square meter.	The higher the unit price, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Investment properties (continued)

Information about fair value measurements as at 31 December 2020 using significant unobservable inputs (Level 3): (continued)

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Right-of-use assets of investment properties	66,300 (31 December 2019: 90,600)	Income capitalisation approach	Term yield (a)	Term yield of 4%~5% (31 December 2019: 4%~5%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 4.5%~5.5% (31 December 2019: 4.5%~5.5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB82~RMB90 (31 December 2019: RMB70~RMB90) per square meter per month.	The higher the market unit rent, the higher the fair value

- (a) For term yield, the Group has taken into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received.
- (b) For reversionary yield, the Group has taken into account of annual unit market rental income and unit market value of the comparable properties.
- (c) For market unit rent of individual unit, the Group used direct market comparable and has taken into account of location and other individual factors, such as road frontage, size of property and facilities.
- (d) For adjusted recent prices of similar properties, the Group has taken into account of location and other individual factors, such as road frontage, size of property and facilities.
- (e) The rental income from investment properties has been recognised in the consolidated financial statement:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Rental income	216,040	202,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

7 Investment properties (continued)

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
In the PRC, held on:		
Right-of-use assets of investment properties		
with original lease term of less than 11 years	66,300	90,600
Leases with original term of 70 years (and remaining unexpired period between 10 to 70 years)	2,551,000	2,543,000
Leases with original term of 50 years (and remaining unexpired period between 10 to 50 years)	3,333,000	3,714,572
	5,950,300	6,348,172

Investment properties with a total carrying amount of RMB4,781,736,000 and RMB5,243,553,000 at 31 December 2020 and 2019 respectively were pledged as collateral for the Group's borrowings (Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Intangible assets

	Goodwill RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020				
Cost	26,168	12,252	1,047	39,467
Accumulated amortisation	(26,168)	(10,381)	(122)	(36,671)
Net book amount	–	1,871	925	2,796
Year ended 31 December 2020				
Opening net book amount	–	1,871	925	2,796
Additions from acquisition of subsidiaries (Note 39)	70,685	1,492	1,536	73,713
Other additions	–	–	462	462
Amortisation charge (Note 27)	–	(1,404)	(11)	(1,415)
Closing net book amount	70,685	1,959	2,912	75,556
At 31 December 2020				
Cost	96,853	13,744	3,045	113,642
Accumulated amortisation	(26,168)	(11,785)	(133)	(38,086)
Net book amount	70,685	1,959	2,912	75,556
Year ended 31 December 2019				
Opening net book amount	–	1,880	965	2,845
Additions	–	1,619	–	1,619
Amortisation charge (Note 27)	–	(1,237)	(40)	(1,277)
Reduction from disposal of subsidiaries	–	(391)	–	(391)
Closing net book amount	–	1,871	925	2,796
At 31 December 2019				
Cost	26,168	12,252	1,047	39,467
Accumulated amortisation	(26,168)	(10,381)	(122)	(36,671)
Net book amount	–	1,871	925	2,796

note:

Amortisation charges of the Group have all been included in administrative expenses for both years ended 31 December 2020 and 2019.

Goodwill is allocated to the Group's CGUs identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December 2020 RMB'000
Property development platform (Note 39(b))	27,545
All other platforms (Note 39(c), Note 39(d))	43,140
	70,685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Intangible assets (continued)

As at 31 December 2020, goodwill of RMB43,140,000 has been allocated to the cash-generating unit of the property management subsidiaries acquired (Note 39(c), Note39(d)) for impairment testing.

The value-in-use calculation used pre-tax cash flow projections based on approved budgets covering a five-year period.

The following table sets forth each key assumption as at 31 December 2020, on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December 2020
Revenue growth rate during the forecast period	1.9%-2.0%
Gross profit margin during the forecast period	19.4%-23.4%
Pre-tax discount rate	17.0%

The directors of the Group believe that any reasonably possible changes in the key assumptions of the value-in-use calculation would not cause the carrying amounts of the property management subsidiaries acquired to exceed its recoverable amounts.

With reference to the recoverable amount assessed as at 31 December 2020, the directors of the Group determined that there was no provision for impairment of goodwill required as at 31 December 2020.

As at 31 December 2020, goodwill of RMB27,545,000 has been allocated to the cash-generating unit of the property development subsidiary acquired (Note 39(b)) for impairment testing. With reference to the recoverable amount assessed as at 31 December 2020, the directors of the Group consider that no provision for impairment of goodwill was required as at 31 December 2020.

9 Investments in joint ventures

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At beginning of the year	1,012,044	605,828
Additions (a), (d)	395,298	549,141
Transfer from subsidiaries (b), (c), (e)	205,262	391
Disposal	-	(1,649)
Change from joint ventures to subsidiaries (f), (g), (h)	(116,948)	(291,196)
Share of results	40,609	170,409
Unrealised profit in connection with the transaction between the Group and joint ventures	(1,306)	(20,880)
At end of the year	1,534,959	1,012,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

The particulars of the joint ventures of the Group, which are unlisted, are set out as follows:

Company name	Country/date of incorporation	Paid-in capital	% interests held		Principal activities
			As at 31 December 2020	2019	
Nanjing Caicheng Property Co., Ltd. ("Nanjing Caicheng")	18 July 2017, Jiangsu, the PRC	RMB50,000,000	65%	65%	Property development
Suzhou Lingrui Property Co., Ltd. ("Suzhou Lingrui")	8 June 2017, Jiangsu, the PRC	RMB50,000,000	50%	50%	Property development
Suzhou Chengrui Property Co., Ltd. ("Suzhou Chengrui")	8 June 2017, Jiangsu, the PRC	RMB50,000,000	50%	50%	Property development
Tianjin Yuanming Property Co., Ltd. ("Tianjin Yuanming")	9 October 2016, Tianjin, the PRC	Nil	20%	20%	Investment holding
Changshu Zhicheng Property Development Co., Ltd. ("Changshu Zhicheng")	8 May 2017, Jiangsu, the PRC	RMB80,000,000	25%	25%	Property development
Tianjin Junyou Property Information Consultancy Co., Ltd. ("Tianjin Junyou") (a)	31 January 2018, Tianjin, the PRC	RMB1,000,000	33%	33%	Property development
Nanjing Shansheng Property Development Co., Ltd. ("Nanjing Shansheng") (a)	21 August 2018, Jiangsu, the PRC	RMB900,000,000	19.75%	19.75%	Property development
Changshu Junchun Trading Co., Ltd. ("Changshu Junchun") (h)	4 September 2018, Jiangsu, the PRC	RMB300,000,000	34%	33%	Investment holding
Ningbo Puhong Investment Management LLP ("Ningbo Puhong") (d)	11 May 2018, Zhejiang, the PRC	RMB650,000,000	46.17%	46.17%	Investment holding
Shanghai Weishu Information & Technology Co., Ltd. ("Shanghai Weishu") (e)	11 November 2015, Shanghai, the PRC	RMB2,240,000	33%	33%	Information Technology
Tianjin Shunhe Decoration Engineering Co., Ltd.	28 September 2018, Tianjin, the PRC	Nil	33%	33%	Customised decoration
Yangzhou Hengyu Property Co., Ltd. ("Yangzhou Hengyu") (a)	3 December 2020, Jiangsu, the PRC	USD40,000,000	30%	Nil	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Company name	Country/date of incorporation	Paid-in capital	% interests held		Principal activities
			As at 31 December 2020	2019	
Taicang Jingchen Consulting Management Co., Ltd. ("Taicang Jingchen") (a)	1 April 2017, Jiangsu, the PRC	RMB65,694,118	48.48%	100%	Property development
Beijing Jingshuo Hotel Management Co., Ltd. ("Beijing Jingshuo")	31 May 2018, Beijing, the PRC	Nil	25%	100%	Investment holding
Beijing Tian'an Huafeng Travel Investment Co., Ltd. ("Tian'an Huafeng") (c)	18 December 2006, Beijing, the PRC	RMB50,261,500	50.16%	100%	Property development
Suzhou Jingya Consulting Management Co., Ltd. ("Suzhou Jingya") (b)	5 April 2017, Jiangsu, the PRC	RMB250,000	40%	100%	Investment holding
Jiangsu Jingyang Enterprise Management Co., Ltd.	21 August 2020, Jiangsu, the PRC	Nil	49%	Nil	Investment holding
Suzhou Jingting Consulting Management Co., Ltd.	24 August 2020, Jiangsu, the PRC	Nil	75%	Nil	Investment holding
Suzhou Jingyi Consulting Management Co., Ltd.	21 August 2020, Jiangsu, the PRC	Nil	75%	Nil	Investment holding
Suzhou Jingfu Consulting Management Co., Ltd.	19 August 2020, Jiangsu, the PRC	Nil	75%	Nil	Investment holding

notes:

(a) During 2020, certain subsidiaries of the Group further injected, or invested in certain joint ventures, including Yangzhou Hengyu and Taicang Jingchen. The total addition of investments in joint ventures amounted to approximately RMB395,298,000.

During 2019, certain subsidiaries of the Group further injected, or invested in certain joint ventures, including Tianjin Junyou, Tianjin Ruiyue Commercial Property Co., Ltd. ("Tianjin Ruiyue") and Nanjing Shansheng. The total addition of investments in joint ventures amounted to approximately RMB152,313,000.

(b) In June 2020, an independent third party injected capital contribution of RMB147,000,000 to Suzhou Jingya, a wholly owned subsidiary of the Group, which resulted in an effective dilution of the Group's interests in Suzhou Jingya, the Group lost control over Suzhou Jingya and accounted for Suzhou Jingya as a joint venture thereafter. Gains of RMB112,271,000 on re-measurement of the Group's original investment in Suzhou Jingya was recognised and recorded as other gains (Note 26).

Suzhou Jingya holds 80% equity interests in an associate company Changshu Huihuang Real Estate Development Co., Ltd. ("Changshu Huihuang") (Note 10).

(c) In May 2020, the Group indirectly transferred 49.84% equity interests in Tian'an Huafeng at a consideration of RMB29,900,000 to an independent third party. Upon completion of the transaction, the Group lost control of Tian'an Huafeng and accounted for Tian'an Huafeng as a joint venture thereafter. Gains of RMB36,960,000 on disposal of equity interests and RMB37,203,000 on re-measurement of the Group's original investment in Tian'an Huafeng were recognised and recorded as other gains (Note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

notes: (continued)

- (d) In February 2019, the Group acquired 46% equity interests of Ningbo Puhong which indirectly held a property investment company in Shanghai, the PRC, at a total consideration of RMB301,000,000 from a third party seller, and accounted for Ningbo Puhong as a joint venture after the transaction completed. Gain on bargain purchase of RMB90,428,000 arising from this acquisition was recognised and recorded as other income (Note 25).
- (e) In July 2019, the Group withdrew the capital investment in its subsidiary Shanghai Weishu at a total consideration of RMB3,090,000 pursuant to the resolution reached in the shareholder meeting of Shanghai Weishu in June 2019. Since then, Shanghai Weishu was held as to 33% by the Group and became a joint venture of the Group.
- (f) Hangzhou Xiaoying Real Estate Development Co.,Ltd. (“Hangzhou Xiaoying”) was held as to 50% and 50% by the Group through its wholly owned subsidiary Hangzhou Jingxiao Investment Management Co.,Ltd. (“Hangzhou Jingxiao”) and the other joint venture partner, Hangzhou Shunguang Real Estate Development Co., Ltd. (“Hangzhou Shunguang”). In November 2019, Hangzhou Jingxiao entered into a shareholder resolution with Hangzhou Shunguang. Pursuant to the resolution, Hangzhou Shunguang follows Hangzhou Jingxiao on all substantive decision on the operating and financing policies after the resolution during the operating period of Hangzhou Xiaoying. Since then, the directors of the Company consider that the Group has effective control over Hangzhou Xiaoying, and Hangzhou Xiaoying became a non-wholly owned subsidiary of the Group.
- (g) In July 2019, the Group acquired the 50% equity interests of Tianjin Ruiyue held by the other joint venture partner at a total consideration of RMB184,739,000. Since then, Tianjin Ruiyue became a wholly owned subsidiary of the Group.
- Tianjin Ruiyue holds 49% equity interests in an associate company Yangling Guanghui (Tianjin) Real Estate Development Co., Ltd. (“Yangling Guanghui”) (Note 10).
- (h) Changshu Junchun was held as to 33%, 34% and 33% by the Group and the two joint venture partners, respectively. The Group entered into a share purchase agreement with one of the two joint venture partners, pursuant to which the Group acquired 1% equity interests of Changshu Junchun at a consideration of RMB6,500,000 in October 2020. Upon acquisition, the Group entered into an agreement with the two joint venture partners, pursuant to which the two joint venture partners follow the Group on all substantive decision on the operating and financing policies after the agreement during the life of Changshu Junchun. Since then, the directors of the Company consider that the Group has effective control over Changshu Junchun, and Changshu Junchun became a non-wholly owned subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Summarised financial information for material joint ventures

Set out below are the summarised financial information for Nanjing Shansheng, Ningbo Puhong, Changshu Junchun, Tian'an Huafeng and Yangzhou Hengyu, which are accounted for using the equity method.

Summarised balance sheet

	Nanjing Shansheng	
	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	2,580,394	2,833,817
Liabilities	(1,328,792)	(1,541,168)
Total current net assets	1,251,602	1,292,649
Non-current		
Assets	-	15,427
Liabilities	-	(450,000)
Total non-current net assets/(liabilities)	-	(434,573)
Net assets	1,251,602	858,076

	Ningbo Puhong	
	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	1,958,026	1,875,034
Liabilities	(2,554,068)	(2,450,602)
Total current net liabilities	(596,042)	(575,568)
Non-current		
Assets	4,050,008	3,750,013
Liabilities	(2,174,322)	(1,913,546)
Total non-current net assets	1,875,686	1,836,467
Net assets	1,279,644	1,260,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Summarised balance sheet (continued)

	Changshu Junchun As at 31 December 2019 RMB'000
--	--

Current

Assets	8,191,991
Liabilities	(5,968,540)
Total current net assets	2,223,451

Non-current

Assets	101,404
Liabilities	(1,900,000)
Total non-current net liabilities	(1,798,596)

Net assets

424,855

	Tian'an Huafeng As at 31 December 2020 RMB'000
--	---

Current

Assets	288,862
Liabilities	(4,054)
Total current net assets	284,808

Non-current

Assets	-
Liabilities	(85,000)
Total non-current net liabilities	(85,000)

Net assets

199,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

9 Investments in joint ventures (continued)

Summarised balance sheet (continued)

Yangzhou Hengyu As at 31 December 2020 RMB'000	
Current	
Assets	1,309,060
Liabilities	(214,990)
Total current net assets	1,094,070
Non-current	
Assets	–
Liabilities	–
Total non-current net assets	–
Net assets	1,094,070

Summarised statement of comprehensive income

Nanjing Shansheng For the year ended 31 December		
	2020	2019
	RMB'000	RMB'000
Revenue	1,759,251	–
Profit/(loss) before income tax	533,172	(40,395)
Income tax (expense)/credit	(139,646)	10,099
Post-tax profit/(loss)	393,526	(30,296)
Other comprehensive income	–	–
Total comprehensive income/(loss)	393,526	(30,296)
Dividends received from joint ventures	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Summarised statement of comprehensive income (continued)

	Ningbo Puhong	
	For the year ended 31 December 2020 RMB'000	For the period from 1 February 2019 to 31 December 2019 RMB'000
Revenue	–	–
Profit before income tax	28,524	535,596
Income tax expense	(9,779)	(134,271)
Post-tax profit	18,745	401,325
Other comprehensive income	–	–
Total comprehensive income	18,745	401,325
Dividends received from joint ventures	–	–

	Changshu Junchun	
	For the period from 1 January 2020 to 31 October 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Revenue	10,312	277,889
Loss before income tax	(69,049)	(135,729)
Income tax (expense)/credit	(1,417)	33,985
Post-tax loss	(70,466)	(101,744)
Other comprehensive income	–	–
Total comprehensive loss	(70,466)	(101,744)
Dividends received from joint ventures	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

9 Investments in joint ventures (continued)

Summarised statement of comprehensive income (continued)

	Tian'an Huafeng For the period from 29 May 2020 to 31 December 2020 RMB'000
Revenue	56
Loss before income tax	(14,032)
Income tax (expense)/credit	–
Post-tax loss	(14,032)
Other comprehensive income	–
Total comprehensive loss	(14,032)
Dividends received from joint ventures	–

	Yangzhou Hengyu For the period from 3 December 2020 to 31 December 2020 RMB'000
Revenue	–
Loss before income tax	(4,611)
Income tax (expense)/credit	–
Post-tax loss	(4,611)
Other comprehensive income	–
Total comprehensive loss	(4,611)
Dividends received from joint ventures	–

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in joint ventures is as follows:

	Nanjing Shansheng	
	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening net assets	858,076	885,149
Profit/(loss) for the relevant year	393,526	(30,296)
Addition from shareholders	–	3,223
Closing net assets	1,251,602	858,076
Interests in joint ventures	19.75%	19.75%
	247,191	169,470
Unrealised profit in connection with the the transaction between the Group and a joint venture	(21,517)	(20,740)
Carrying value	225,674	148,730

	Ningbo Puhong	
	For the year ended 31 December 2020	For the period from 1 February 2019 to 31 December 2019
	RMB'000	RMB'000
Opening net assets	1,260,899	–
Profit for the relevant year/period	18,745	401,325
Addition from shareholders	–	859,574
Closing net assets	1,279,644	1,260,899
Interests in joint ventures	46.17%	46.17%
	590,756	582,102
Carrying value	590,756	582,102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

9 Investments in joint ventures (continued)

	Changshu Junchun	
	For the period from 1 January 2020 to 31 October 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Opening net assets	424,855	526,599
Loss for the relevant period/year	(70,466)	(101,744)
Addition from shareholders	–	–
Closing net assets	354,389	424,855
Interests in joint ventures	33%	33%
	116,948	140,202
Carrying value	116,948	140,202

	Tian'an Huafeng
	For the period from 29 May 2020 to 31 December 2020 RMB'000
Opening net assets	213,840
Loss for the relevant period	(14,032)
Addition from shareholders	–
Closing net assets	199,808
Interests in joint ventures	50.16%
	100,224
Carrying value	100,224

	Yangzhou Hengyu
	For the period from 3 December 2020 to 31 December 2020 RMB'000
Opening net assets	–
Loss for the relevant period	(4,611)
Addition from shareholders	1,098,681
Closing net assets	1,094,070
Interests in joint ventures	30%
	328,221
Carrying value	328,221

The commitment relating to the Group's interests in joint ventures is presented in Note 36(b).

The contingent liabilities relating to the Group's interests in joint ventures is presented in Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	1,834,909	583,558
Additions (a), (Note 9(g))	–	1,008,354
Additions from deemed disposal of a subsidiary (b)	–	80,750
Disposal (Note 9(b))	(108,495)	–
Dividends	(220,000)	–
Share of results	130,034	172,148
Unrealised profit in connection with the transaction between the Group and associates	(892)	(9,901)
Ending balance	1,635,556	1,834,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

The particulars of the associates of the Group, all of which are unlisted, are set out as follows:

Company name	Country/date of incorporation	Paid-in capital	% interests held as at 31 December 2020	% interests held as at 31 December 2019	Principal activities
Nanjing Yuning Property Co., Ltd. ("Nanjing Yuning")	5 December 2016, Jiangsu, the PRC	RMB60,000,000	17%	17%	Property development
Ningbo Rong'an Education and Investment Management Co., Ltd. ("Ningbo Rong'an Education")	1 April 2016, Zhejiang, the PRC	RMB50,000,000	25%	25%	Investment holding
Ningbo Jiamu Investment Co., Ltd. ("Ningbo Jiamu")	4 August 2016, Zhejiang, the PRC	RMB5,000,000	40%	40%	Investment holding
Hangzhou Zhenlu Investment Co., Ltd. ("Hangzhou Zhenlu")	2 December 2016, Zhejiang, the PRC	RMB600,000,000	7%	7%	Investment holding
Tropica Development Limited ("Tropica Development")	31 August 2007, Hongkong, the PRC	HKD100	25%	25%	Investment holding
Lingtu Education Investment (Beijing) Co., Ltd.	11 August 2016, Beijing, the PRC	RMB1,015,620	20%	20%	Technology development
Shanghai Zhengmin Information Technology Co., Ltd. ("Shanghai Zhengmin")	28 February 2017, Shanghai, the PRC	Nil	49%	49%	Computer information technology development
Ningbo Jingfeng Property Co., Ltd. ("Ningbo Jingfeng")	23 June 2017, Zhejiang, the PRC	RMB225,000,000	50%	50%	Property development
Changshu Huihuang Property Co., Ltd.	19 December 2006, Jiangsu, the PRC	RMB122,860,800	24.56%	24.56%	Property development
Tianjin Xuming Property Co., Ltd. ("Tianjin Xuming") (a)	7 December 2015, Tianjin, the PRC	RMB170,000,000	50%	50%	Property development
Tianjin Ruihui Commercial Management Co., Ltd. ("Tianjin Ruihui") (a)	5 July 2018, Tianjin, the PRC	RMB375,000,000	49%	49%	Investment holding
Nanjing Yuesheng Real Estate Development Co., Ltd. ("Nanjing Yuesheng") (a)	23 July 2019, Jiangsu, the PRC	RMB1,500,000,000	30%	30%	Property development
Yangling Guanghui (Note 9(g)),(a)	10 August 2012, Tianjin, the PRC	RMB607,843,000	49%	49%	Property development
Shanghai Pinzhai Decoration Technology Co., Ltd. ("Shanghai Pinzhai") (b)	17 July 2015, Shanghai, the PRC	RMB22,850,000	32.3%	32.3%	Customised decoration

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Note:

- (a) For the year ended 31 December 2019, certain subsidiaries of the Group further injected, or invested in certain associates, including Tianjin Xuming, Tianjin Ruihui, Nanjing Yuesheng and Yangling Guanghui. The total addition of investments in associates in 2019 amounted to approximately RMB1,008,354,000.
- (b) In August 2019, an independent third party injected capital contribution of RMB12,500,000 to Shanghai Pinzhai, a non-wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Shanghai Pinzhai. After the transaction, the Group lost control of Shanghai Pinzhai and accounted for Shanghai Pinzhai as an associate, gains of RMB85,191,000 on re-measurement of the Group's original investment in Shanghai Pinzhai was recognised in the consolidated income statement as other gains (Note 26).

Summarised financial information for material associates

Set out below are the summarised financial information for Ningbo Jingfeng, Nanjing Yuesheng, Yangling Guanghui, Tianjin Xuming, Tianjin Ruihui and Hangzhou Zhenlu which are accounted for using the equity method.

Summarised balance sheet

	Ningbo Jingfeng	
	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	823,459	1,087,220
Liabilities	(233,921)	(392,128)
Total current net assets	589,538	695,092
Non-current		
Assets	2,114	50
Liabilities	(288)	(289)
Total non-current net assets/(liabilities)	1,826	(239)
Net assets	591,364	694,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Summarised balance sheet (continued)

	Nanjing Yuesheng As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	4,489,041	3,102,449
Liabilities	(2,641,748)	(1,604,068)
Total current net assets	1,847,293	1,498,381
Non-current		
Assets	17,722	488
Liabilities	(370,528)	–
Total non-current net (liabilities)/assets	(352,806)	488
Net assets	1,494,487	1,498,869

	Yangling Guanghui As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	2,586,687	2,392,251
Liabilities	(2,050,626)	(1,045,994)
Total current net assets	536,061	1,346,257
Non-current		
Assets	41,722	39,192
Liabilities	–	(800,000)
Total non-current net assets/(liabilities)	41,722	(760,808)
Net assets	577,783	585,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Summarised balance sheet (continued)

	Tianjin Xuming As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	880,289	1,045,695
Liabilities	(659,749)	(707,687)
Total current net assets	220,540	338,008
Non-current		
Assets	5,019	–
Liabilities	–	(180,000)
Total non-current net assets/(liabilities)	5,019	(180,000)
Net assets	225,559	158,008

	Tianjin Ruihui As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	660,435	402,890
Liabilities	(84,222)	(28,400)
Total current net assets	576,213	374,490
Non-current		
Assets	3,284	100
Liabilities	(205,488)	–
Total non-current net (liabilities)/assets	(202,204)	100
Net assets	374,009	374,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

10 Investments in Associates (continued)

Summarised balance sheet (continued)

	Hangzhou Zhenlu As at 31 December	
	2020 RMB'000	2019 RMB'000
Current		
Assets	1,887,453	3,022,443
Liabilities	(902,379)	(2,434,359)
Total current net assets	985,074	588,084
Non-current		
Assets	15,317	6,500
Liabilities	–	(1,286)
Total non-current net assets	15,317	5,214
Net assets	1,000,391	593,298

Summarised statement of comprehensive income

	Ningbo Jingfeng Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue	627,372	1,673,529
Profit before income tax	138,399	392,193
Income tax expense	(41,888)	(129,153)
Post-tax profit	96,511	263,040
Other comprehensive income	–	–
Total comprehensive income	96,511	263,040
Dividends received from associates	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Summarised statement of comprehensive income (continued)

	Nanjing Yuesheng	
	Year ended	For the period from
	31 December 2020	15 August 2019 to
	RMB'000	31 December 2019
		RMB'000
Revenue	–	–
Loss before income tax	(59)	(1,727)
Income tax (expense)/credit	(4,323)	432
Post-tax loss	(4,382)	(1,295)
Other comprehensive income	–	–
Total comprehensive loss	(4,382)	(1,295)
Dividends received from associates	–	–

	Yangling Guanghui	
	Year ended	For the period from
	31 December 2020	9 July 2019 to
	RMB'000	31 December 2019
		RMB'000
Revenue	–	–
Loss before income tax	(10,207)	(22,194)
Income tax credit	2,541	16,713
Post-tax loss	(7,666)	(5,481)
Other comprehensive income	–	–
Total comprehensive loss	(7,666)	(5,481)
Dividends received from associates	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

10 Investments in Associates (continued)

Summarised statement of comprehensive income (continued)

	Tianjin Xuming	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	668,337	–
Profit/(loss) before income tax	97,680	(15,952)
Income tax (expense)/credit	(30,129)	3,960
Post-tax profit/(loss)	67,551	(11,992)
Other comprehensive income	–	–
Total comprehensive income/(loss)	67,551	(11,992)
Dividends received from associates	–	–

	Tianjin Ruihui	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	–	–
Loss before income tax	(1,703)	(510)
Income tax credit	1,122	100
Post-tax loss	(581)	(410)
Other comprehensive income	–	–
Total comprehensive loss	(581)	(410)
Dividends received from associates	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Summarised statement of comprehensive income (continued)

	Hangzhou Zhenlu	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	2,029,944	–
Profit before income tax	646,574	10,252
Income tax expense	(239,481)	(2,563)
Post-tax profit	407,093	7,689
Other comprehensive income	–	–
Total comprehensive loss	407,093	7,689
Dividends received from associates	–	–

The information above reflects the amounts presented in the financial statements of the associates, adjusted for differences in accounting policies between the Group and the associates, and not the Group's share of those amounts.

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in associates is as follows:

	Ningbo Jingfeng	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening net assets	694,853	431,813
Addition from shareholders	–	–
Profit for the year	96,511	263,040
Other comprehensive income	–	–
Dividends	(200,000)	–
Closing net assets	591,364	694,853
Interests in associate	50%	50%
Carrying value	295,682	347,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

10 Investments in Associates (continued)

	Nanjing Yuesheng	
	For the year ended 31 December 2020	For the period from 15 August 2019 to 31 December 2019
	RMB'000	RMB'000
Opening net assets	1,498,869	–
Loss for the relevant period	(4,382)	(1,295)
Addition from shareholders	–	1,500,164
Closing net assets	1,494,487	1,498,869
Interests in associate	30%	30%
	448,346	449,661
Carrying value	448,346	449,661

	Yangling Guanghui	
	Year ended 31 December 2020	For the period from 9 July 2019 to 31 December 2019
	RMB'000	RMB'000
Opening net assets	585,449	–
Addition	–	590,930
Loss for the relevant period	(7,666)	(5,481)
Closing net assets	577,783	585,449
Interests in associates	49%	49%
	283,114	286,870
Unrealised profit in connection with the transaction between the Group and an associate	(10,793)	(9,901)
Carrying value	272,321	276,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

	Tianjin Xuming	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening net assets	158,008	–
Addition from shareholders	–	170,000
Profit/(loss) for the year	67,551	(11,992)
Other comprehensive income	–	–
Closing net assets	225,559	158,008
Interests in associate	50%	50%
	112,780	79,004
Carrying value	112,780	79,004

	Tianjin Ruihui	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening net assets	374,590	–
Addition from shareholders	–	375,000
Loss for the year	(581)	(410)
Other comprehensive income	–	–
Closing net assets	374,009	374,590
Interests in associate	49%	49%
	183,264	183,549
Carrying value	183,264	183,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

	Hangzhou Zhenlu	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening net assets	593,298	585,609
Addition from shareholders	–	–
Profit for the year	407,093	7,689
Other comprehensive income	–	–
Closing net assets	1,000,391	593,298
Interests in associate	7%	7%
	70,027	41,531
Carrying value	70,027	41,531

The commitment relating to the Group's interests in associates is presented in Note 36(b).

The contingent liabilities relating to the Group's interests in associates is presented in Note 37.

11 Financial instruments by category

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Trade and other receivables excluding prepayments	10,716,573	6,866,894
Cash and cash equivalents	10,895,964	10,683,523
Restricted cash	2,750,525	3,064,679
Financial assets at fair value through other comprehensive income (FVOCI)	501,907	546,939
Financial assets at fair value through profit or loss (FVPL)	2,306,613	1,598,837
	27,171,582	22,760,872

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial liabilities		
Borrowings	21,444,808	19,005,311
Trade and other payables excluding non-financial liabilities	17,959,295	14,166,938
Amounts due to non-controlling interests of subsidiaries	1,414,043	896,011
Lease liabilities	153,799	168,977
Derivative financial instruments	25,600	39,420
	40,997,545	34,276,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial assets at fair value through other comprehensive income/at fair value through profit or loss

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

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

(ii) Equity investments at fair value through other comprehensive income

	Year ended 31 December 2020 RMB'000
At beginning of the year	546,939
Disposals	(14,609)
Net fair value losses recognised in other comprehensive losses (Note 18)	(30,423)
At end of the year	501,907
Less: Non-current portion	(486,650)
Current portion	15,257

Financial assets at fair value through other comprehensive income include the following:

	As at 31 December 2020 RMB'000
Unlisted equity securities (a)	501,907

- (a) The investments mainly represent the unlisted equity securities, the fair value of which were determined mainly based on the valuation techniques. The fair values are within level 3 of the fair value hierarchy.

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	As at 31 December 2020 RMB'000
RMB	449,708
USD	52,199
	501,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

12 Financial assets at fair value through other comprehensive income/at fair value through profit or loss (continued)

(iii) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI,
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

	Year ended 31 December 2020 RMB'000
At beginning of the year	1,598,837
Additions	1,112,922
Disposals	(436,179)
Net fair value gains recognised in profit or loss (Note 26)	31,033
At end of the year	2,306,613
Less: Non-current portion	(1,144,684)
Current portion	1,161,929

Financial assets at fair value through profit or loss include the following:

	As at 31 December 2020 RMB'000
Unlisted equity securities (a)	146,199
Debt investments (b)	150,000
Private fund investments (c)	1,321,587
Wealth management products (d)	455,396
Listed equity securities (e)	233,431
	2,306,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial assets at fair value through other comprehensive income/at fair value through profit or loss (continued)

(iii) Classification of financial assets at fair value through profit or loss (continued)

- (a) The fair value of unlisted equity securities are based on valuation techniques. The fair value is within level 3 of the fair value hierarchy. The significant unobservable inputs are the adjusted ratios of the comparable company.
- (b) The fair values of debt investments are based on the discounted cash flows. The fair values are within level 3 of the fair value hierarchy. The significant unobservable inputs are the adjusted discount rate of the cash flows.
- (c) The fair values of private fund investments are based on net asset value. The fair values are within level 3 of the fair value hierarchy. The significant unobservable inputs are the the adjusted net assets price based on market prices of portfolio assets in the fund.
- (d) Wealth management products are mainly investments in financial products issued by commercial banks. The fair values of these investments approximated their carrying values as at 31 December 2020 and 2019.
- (e) This represented equity interest in listed companies. The fair value of the investment at 31 December 2020 and 2019 was calculated using the quoted market price.

Financial assets at fair value through profit of loss are denominated in the following currencies:

	As at 31 December 2020 RMB'000
RMB	667,441
HKD	264,249
USD	1,374,923
	<u>2,306,613</u>

13 Prepayments for leasehold land

The Group made prepayments of RMB1,239,780,000 as at 31 December 2020 (31 December 2019: RMB720,095,000) for the acquisition of leasehold land, which will be transferred to properties under development for sale upon receipt of ownership certificates or commencement of development activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

14 Properties held or under development for sale

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Properties under development for sale	23,589,822	13,279,230
Properties held for sale	5,173,777	4,586,496
	28,763,599	17,865,726
Less: Provision for write-down	(8,425)	(14,527)
	28,755,174	17,851,199

The properties held or under development for sale are all located in the PRC.

Borrowing costs capitalised in properties under development for sale and held for sale for the year ended 31 December 2020 were approximately RMB1,290,629,000 (2019: RMB1,550,206,000).

The capitalisation rate of borrowings was 11.45% for the year ended 31 December 2020 (2019: 9.48%).

As at 31 December 2020 and 2019, the Group's following properties under development for sale and properties held for sale were pledged as collateral for the Group's borrowings (Note 19).

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Carrying value pledged:		
Properties under development for sale	6,086,501	3,156,080
Properties held for sale	1,317,691	2,452,185

As at 31 December 2020, properties under development for sale with a total carrying amount of RMB10,273,740,502 (31 December 2019: RMB9,109,685,815) were related to property projects which were not scheduled to complete within one year from reporting period end although pre-sales of some of these properties may occur. The other balances in properties under development for sale as at 31 December 2020 and 2019 were expected to be recovered within one year from respective reporting period end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Trade and other receivables and prepayments

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	545,579	652,665
Less: Provision for impairment of trade receivables	(26,124)	(8,246)
Trade receivables – net	519,455	644,419
Amounts due from joint ventures and associates (Note 40(d))	3,124,230	2,346,220
Prepaid taxes and surcharges and input VAT to be deducted (a)	613,740	327,671
Receivables arising from disposal of subsidiaries (b)	–	22,917
Loans due from disposed subsidiaries assumed by third parties (c)	13,098	29,485
Tender deposits	–	50,000
Deposits with public housing fund centres (d)	11,252	27,653
Prepayments of construction costs	56,469	21,542
Temporary funding receivables (e)	152,999	134,154
Deposits paid for construction work	236,002	377,049
Amounts due from non-controlling interests of subsidiaries (f)	3,958,825	1,931,976
Deposits paid to secure borrowings	26,259	47,469
Prepayments for acquisition of completed properties for sale (g)	82,746	709,391
Deposits for potential investment	299,362	343,248
Dividend receivables	30,228	14,745
Net leasing investment receivables (i)	104,399	111,526
Receivables from a third party (h), (i)	620,604	660,126
Receivables in connection with the compensation of demolition costs (i)	133,203	–
Amounts due from related parties of non-controlling interests of a subsidiary	748,095	–
Others	906,829	172,248
Less: Provision for impairment of other receivables	(88,553)	(46,341)
	11,549,242	7,925,498
Less: non-current portion (i)	(753,652)	(757,298)
	10,795,590	7,168,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

15 Trade and other receivables and prepayments (continued)

notes:

- (a) Turnover taxes and surcharges are levied when the Group receives advances from customers and the prepaid are recorded as prepayments before the relevant revenue is recognised.
- (b) The balance represents the outstanding consideration for disposal of subsidiaries.
- (c) The balance represents the outstanding amounts originally due by the disposed subsidiaries which have been assumed by the acquirers based on the share purchase agreements.
- (d) The balance represents the deposits paid to public housing fund centres to secure the housing fund loans taken by certain property purchasers of the Group. Such deposits will be released upon the transfer of the properties' ownership certificates to these purchasers.
- (e) Temporary funding receivables are funds temporarily advanced to non-related parties, which are non-interest bearing and unsecured.
- (f) The balance represents the funding provided to non-controlling interests of certain subsidiaries, which are unsecured, non-interest bearing and repayable on demand.
- (g) The balance represents the prepayments paid to third parties for the selling rights of certain completed properties and for decoration work located in Hangzhou.
- (h) The balance as at 31 December 2020 includes the loan principal and interest receivable, totalling USD93,658,000 (equivalent to RMB620,604,000) (31 December 2019: USD94,653,000 (equivalent to RMB660,126,000)), due from a third party which will be matured in 2022.
- (i) The balance as at 31 December 2020 includes the long-term portion of the loan principal and interest receivables of RMB620,604,000 (31 December 2019: RMB660,126,000) due from a third party, the long-term portion of net leasing investment receivables of RMB89,845,000 (31 December 2019: RMB97,172,000) and the long-term portion of receivables of RMB43,203,000 (31 December 2019: Nil) in connection with the compensation income for demolition costs from local government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Trade and other receivables and prepayments (continued)

The aging analysis of trade receivables, based on the property delivery or service rendered date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Less than 1 year	359,428	620,412
Between 1 and 2 years	177,388	30,454
Between 2 and 3 years	7,421	544
Over 3 years	1,342	1,255
	545,579	652,665

Movements on the provision for impairment of trade and other receivables are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	54,587	50,012
Accrual of provision for receivables impairment during the year (Note 27)	60,090	4,575
At end of the year	114,677	54,587

As at 31 December 2020 and 2019, the fair value of trade and other receivables approximate their carrying amounts.

Trade and other receivables with a total carrying amount of RMB5,219,000 as at 31 December 2020 (31 December 2019: RMB4,463,000) were pledged as collateral for the Group's borrowings (Note 19).

As at 31 December 2020 and 2019, the carrying amounts of trade and other receivables and prepayments are denominated in below currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
– RMB	10,629,276	6,922,124
– USD	717,012	792,313
– HKD	202,954	211,061
	11,549,242	7,925,498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Cash at bank and on hand

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank and on hand		
– denominated in RMB	13,507,504	12,306,175
– denominated in USD	87,925	1,428,058
– denominated in HKD	51,013	13,919
– denominated in SGD	47	50
	13,646,489	13,748,202

The weighted average interest rate on the Group's bank deposits as at 31 December 2020 was 2.24% (2019: 2.00%).

Cash and cash equivalents of the Group were determined as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank and on hand	13,646,489	13,748,202
Less: Restricted cash	(2,750,525)	(3,064,679)
	10,895,964	10,683,523

Restricted cash of the Group comprised of the following:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deposits as security for property purchasers' mortgage loans (a)	13,286	21,073
Deposits pledged for borrowings (Note 19)	2,192,369	2,340,146
Deposits for advanced proceeds received from property purchasers	529,597	665,563
Deposits as security for construction work	1,061	2,411
Deposits for ongoing litigations	6,236	28,279
Others	7,976	7,207
	2,750,525	3,064,679

notes:

- (a) These bank deposits are restricted to secure the bank loans taken by certain property purchasers of the Group pursuant to the local regulations of certain cities. Such deposits will be released upon the transfer of the properties' ownership certificates to these purchasers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Share capital

(a) Authorised shares

	Number of authorised shares
As at 31 December 2020 and 2019	<u>10,000,000,000</u>

(b) Ordinary shares, issued and fully paid and treasury shares

	Number of ordinary shares	Ordinary shares (nominal value) RMB'000	Treasury shares RMB'000	Total RMB'000
As at 31 December 2019	1,400,194,213	86,634	(10,073)	76,561
Place of new shares (i)	138,619,000	1,179	–	1,179
Share award scheme	–	–	500	500
As at 31 December 2020	<u>1,538,813,213</u>	<u>87,813</u>	<u>(9,573)</u>	<u>78,240</u>

- (i) On 15 December 2020, the Company completed a placing of 138,619,000 new shares with a price of HKD2.20 per placing share. The net proceeds from the place of new shares was approximately HKD303,414,000 (equivalent to RMB258,023,000), among which RMB1,179,000 was recorded as share capital and RMB256,844,000 was recorded as share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Reserves

	Share premium	Treasury shares	Merger reserve	Capital reserve	Share award scheme	Share option scheme	Statutory surplus reserve	Financial assets through other comprehensive income	Retained Earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(c)		(a)				(b)	(d)		
Balance at 1 January 2020	796,937	(10,073)	125,481	322,343	90,676	3,181	245,437	3,204	3,643,016	5,220,202
Comprehensive income										
Profit for the year 2020	-	-	-	-	-	-	-	-	958,092	958,092
Net changes in fair value of financial assets through other comprehensive losses (Note 12)	-	-	-	-	-	-	-	(30,423)	-	(30,423)
Taxes on fair value gains on financial assets through other comprehensive income (Note 23)	-	-	-	-	-	-	-	(6,047)	-	(6,047)
Total comprehensive income for the year 2020	-	-	-	-	-	-	-	(36,470)	958,092	921,622
Transactions with owners										
Dividends (Note 34)	(309,160)	-	-	-	-	-	-	-	-	(309,160)
Changes in ownership interests in subsidiaries without change of control (Note 38)	-	-	-	(12,616)	-	-	-	-	-	(12,616)
Share award scheme (Note 32)	-	500	-	-	1,568	-	-	-	-	2,068
Share option scheme (Note 32)	-	-	-	-	-	(226)	-	-	-	(226)
Place of new shares	256,844	-	-	-	-	-	-	-	-	256,844
	(52,316)	500	-	(12,616)	1,568	(226)	-	-	-	(63,090)
Balance at 31 December 2020	744,621	(9,573)	125,481	309,727	92,244	2,955	245,437	(33,266)	4,601,108	6,078,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Reserves (continued)

	Share premium RMB'000 (c)	Treasury shares RMB'000	Merger reserve RMB'000 (a)	Capital reserve RMB'000	Share award scheme RMB'000	Share option scheme RMB'000	Statutory surplus reserve RMB'000 (b)	Financial assets through other comprehensive income RMB'000 (d)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	1,157,260	(5,848)	125,481	332,327	80,382	-	245,437	(70,420)	2,735,739	4,600,358
Change in accounting policy	-	-	-	-	-	-	-	-	3,686	3,686
Restated balance at 1 January 2019	1,157,260	(5,848)	125,481	332,327	80,382	-	245,437	(70,420)	2,739,425	4,604,044
Comprehensive income										
Profit for the year 2019	-	-	-	-	-	-	-	-	903,591	903,591
Net changes in fair value of financial assets through other comprehensive income (Note 12)	-	-	-	-	-	-	-	74,835	-	74,835
Taxes on fair value gains on financial assets through other comprehensive income (Note 23)	-	-	-	-	-	-	-	(1,211)	-	(1,211)
Total comprehensive income for the year 2019	-	-	-	-	-	-	-	73,624	903,591	977,215
Transactions with owners										
Dividends (Note 34)	(360,323)	-	-	-	-	-	-	-	-	(360,323)
Changes in ownership interests in subsidiaries without change of control (Note 38)	-	-	-	(25,589)	-	-	-	-	-	(25,589)
Share award scheme (Note 32)	-	64	-	-	10,294	-	-	-	-	10,358
Share option scheme (Note 32)	-	-	-	-	-	3,181	-	-	-	3,181
Buy-back of shares	-	(4,289)	-	-	-	-	-	-	-	(4,289)
Lapse of put option written on non-controlling interests	-	-	-	15,605	-	-	-	-	-	15,605
	(360,323)	(4,225)	-	(9,984)	10,294	3,181	-	-	-	(361,057)
Balance at 31 December 2019	796,937	(10,073)	125,481	322,343	90,676	3,181	245,437	3,204	3,643,016	5,220,202

NOTES TO THE CONSOLIDATED . . . FINANCIAL STATEMENTS

18 Reserves (continued)

notes:

(a) Merger reserve

Merger reserve represent the difference of aggregate consideration paid by the Group for the acquisition of subsidiaries pursuant to the reorganisation in 2013 and the aggregate capital of the subsidiaries acquired, after elimination of investment in subsidiaries.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, these subsidiaries registered in the PRC shall appropriate 10% of its annual statutory profit (after offsetting any prior years' losses) to the statutory surplus reserve ("SSR") account. When the balance of SSR reaches 50% of the registered capital/share capital of these subsidiaries, any further appropriation is optional. The SSR can be utilised to offset prior years' losses or to increase paid-in capital. However, SSR shall be maintained at a minimum of 25% of registered capital/share capital after such utilisation.

The SSR are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations.

(c) Under the Cayman Companies Law, the share premium account may be applied by the Company for paying distributions or dividends to shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. Details of the proposed final dividend are set out in Note 34.

(d) Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in Note 2.14. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Borrowings

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
– Bank loans, secured (a)	6,418,178	4,742,601
– Other loans, secured (m)	2,190,498	1,459,000
– Trust financing arrangements, secured (b)	1,046,500	251,700
– Senior notes due 2020, secured, issued in April 2017 (c)	–	2,750,975
– Senior notes due 2021, secured, issued in April 2018 (d)	1,348,822	2,429,874
– Senior notes due 2020, secured, issued in January 2019 (e)	–	1,042,469
– Senior notes due 2021, secured, issued in April 2019 (f)	1,260,924	1,355,493
– Senior notes due 2022, secured, issued in July 2019 (g)	1,688,076	1,805,273
– Senior notes due 2022, secured, issued in March 2020 (h)	1,234,231	–
– Senior notes due 2022, secured, issued in June 2020 (i)	972,150	–
– Senior notes due 2023, secured, issued in November 2020 (j)	1,551,964	–
– Corporate bonds due 2021 (k)	1,221,712	992,976
– Corporate bonds due 2022 (l)	281,188	–
	19,214,243	16,830,361
Less: Current portion of long-term borrowings	(6,909,305)	(7,223,063)
	12,304,938	9,607,298
Borrowings included in current liabilities		
– Bank loans, secured (a)	1,908,565	2,050,250
– Other loans, secured (m)	322,000	–
– Trust financing arrangements, secured (b)	–	124,700
	2,230,565	2,174,950
Add: Current portion of long-term borrowings	6,909,305	7,223,063
	9,139,870	9,398,013

notes:

- (a) The Group's bank borrowings are secured by properties held or under development for sale (Note 14), investment properties (Note 7) and bank deposits (Note 16) of the Group or guaranteed by subsidiaries of the Company.
- (b) These borrowings are mainly obtained through trust arrangements with trust financing companies. Borrowings under trust financing arrangements are secured by investment properties (Note 7), certain properties held or under development for sale (Note 14) and shares of certain subsidiaries of the Group or guaranteed by subsidiaries of the Company. Under the conventional loan trust financing arrangements, these trust financing companies provide loans to the Group through loan agreements entered into with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

19 Borrowings (continued)

notes: (continued)

(c) Senior notes due 2020, issued in April 2017

In April 2017, the Company issued three-year senior notes with principal amount of USD400,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 12 April 2017 at 7.75% per annum payable semi-annually in arrears, and are due for repayment on 12 April 2020. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

The senior notes due 2020, issued in April 2017, was fully redeemed on 12 April 2020.

(d) Senior notes due 2021, issued in April 2018

In April 2018, the Company issued three-year senior notes with principal amount of USD350,000,000, which were listed on the Stock Exchange, among which USD20,000,000 were subscribed by Beyond Wisdom Limited, a company wholly owned by Yan Hao. These notes are denominated in USD, and bear interest from 23 April 2018 at 9.45% per annum payable semi-annually in arrears, and are due for repayment on 23 April 2021. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 23 April 2021, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The Group purchased back part of senior notes due 2021, issued in April 2018 in the aggregate principal amount of USD200,000 with unpaid accrued interest during the year ended 31 December 2020, which was cancelled by 31 December 2020.

On 19 November 2020, the Company issued USD240,000,000 senior notes due February 2023 (Senior notes due 2023, issued in November 2020, Note(j)), USD142,815,000 of which are senior notes issued pursuant to the exchange offer with respect to the senior notes due 2021, issued in April 2018, including the principal amount of USD20,000,000 subscribed by Beyond Wisdom Limited. After the new issuance, USD142,815,000 of the senior notes due 2021, issued in April 2018, were cancelled after the exchange.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

(e) Senior notes due 2020, issued in January 2019

In January 2019, the Company issued one-and-a-half-year senior notes with principal amount of USD150,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 31 January 2019 at 13% per annum payable semi-annually in arrears, and are due for repayment on 31 July 2020. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

In July 2020, the Group purchased back part of senior notes due 2020, issued in January 2019, in the aggregate principal amount of USD35,000,000 with unpaid accrued interest during the year ended 31 December 2020, which was cancelled by 31 December 2020.

On 30 July 2020, the Company fully redeemed the aggregate principal amount of USD115,000,000 of the senior notes due 2020, issued in January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Borrowings (continued)

notes: (continued)

(f) Senior notes due 2021, issued in April 2019

In April 2019, the Company issued two-and-a-half-year senior notes with principal amount of USD200,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 4 April 2019 at 10.875% per annum payable semi-annually in arrears, and are due for repayment on 4 October 2021. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 4 October 2021, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

Part of senior notes due 2021, issued in April 2019 with principal amount of USD5,700,000 with unpaid accrued interest was purchased back among which USD5,000,000 was cancelled by 31 December 2020.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

(g) Senior notes due 2022, issued in July 2019

In July 2019, the Company issued three-year senior notes with principal amount of USD260,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 25 July 2019 at 12% per annum payable semi-annually in arrears, and are due for repayment on 25 July 2022. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 25 July 2022, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The Group purchased back part of senior notes due 2022, issued in July 2019 in the aggregate principal amount of USD500,000 with unpaid accrued interest during the year ended 31 December 2020.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

(h) Senior notes due 2022, issued in March 2020

In March 2020, the Company issued two-year senior notes with principal amount of USD190,000,000, which were listed on the Singapore Exchange Securities Trading Limited. These notes are denominated in USD, and bear interest from 11 March 2020 at 12.75% per annum payable semi-annually in arrears, and are due for repayment on 11 March 2022. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 11 March 2022, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Borrowings (continued)

notes: (continued)

(i) Senior notes due 2022, issued in June 2020

In June 2020, the Company issued two-and-a-quarter-year senior notes with principal amount of USD150,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 26 June 2020 at 12% per annum payable semi-annually in arrears, and are due for repayment on 26 September 2022. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 26 September 2022, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

(j) Senior notes due 2023, issued in November 2020

In November 2020, the Company issued two-and-a-quarter-year senior notes with principal amount of USD240,000,000, USD142,815,000 of which are senior notes issued pursuant to the exchange offer with respect to the senior notes due 2021, issued in April 2018, including the principal amount of USD20,000,000 subscribed by Beyond Wisdom Limited (Note(d)). The senior notes due 2023, issued in November 2020 were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 19 November 2020 at 14.5% per annum payable semi-annually in arrears, and are due for repayment on 19 February 2023. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 19 February 2023, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

(k) Corporate bonds due 2021

In March 2016, the Group issued five-year corporate bonds with principal amount of RMB1,500,000,000 ("Corporate bonds due 2021"), which were listed on the Shanghai Stock Exchange. The corporate bonds due 2021 are denominated in RMB, and bear interest rate at 5.88% per annum for the first three years and 7.00% per annum for the last two years, payable annually in arrears.

(l) Corporate bonds due 2022

In August 2019, the Group issued three-year corporate bonds with principal amount of RMB500,000,000 ("Corporate bonds due 2022"), which were listed on the Shanghai Stock Exchange. The corporate bonds due 2022 are denominated in RMB, and bear interest rate at 7.00% per annum, payable annually in arrears.

The Group purchased back part of Corporate bonds due 2022 in the aggregate principal amount of RMB217,640,000 with unpaid accrued interest by 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Borrowings (continued)

notes: (continued)

(m) Other loans

Other loans, mainly including the loans from other financial institutions, are secured by properties held or under development for sale, investment properties, trade and other receivables, equity interests in the subsidiaries of the Company and guaranteed by a subsidiary of the Company. Included in other loans, there is a commercial mortgage backed securitisation which was issued in July 2018 and is due on 28 November 2029 with principal amount of RMB720,000,000 including priority tranche of RMB684,000,000 with an annual interest rate at 5.50% and posterior tranche of RMB36,000,000 which were subscribed by the Group. The commercial mortgage backed securitisation are guaranteed by certain subsidiaries and secured by the investment properties of Beijing San Quan Apartment and accounts receivables of rental income generated from Beijing San Quan Apartment. The commercial mortgage backed securitisation are denominated in RMB, and bear the above interest rate per annum for the second three years, payable quarterly in arrears.

The maturity of non-current borrowings at the reporting dates is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Between 1 and 2 years	7,056,245	5,916,425
Between 2 and 5 years	4,841,365	3,168,298
Above 5 years	407,328	522,575
	12,304,938	9,607,298

The range of effective interest rates as at 31 December 2020 and 2019 were as follows:

	As at 31 December	
	2020	2019
Bank and other loans	1.63%-11.5%	2.82%-11.3%
Trust financing arrangements	5.6%-10.5%	10.2%-10.9%

The cost of financing of the trust financing arrangements includes the interest costs and administrative fees, such as arrangement or consultancy fees and trustee fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

19 Borrowings (continued)

As at 31 December 2020 and 2019, the fair values for borrowings approximate their carrying amounts.

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

	6 months or less RMB'000	6 – 12 months RMB'000	1 – 5 years RMB'000	Over 5 Years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
As at 31 December 2020	1,644,082	235,547	10,216,309	209,000	12,304,938
As at 31 December 2019	<u>1,209,824</u>	<u>700,000</u>	<u>7,374,474</u>	<u>323,000</u>	<u>9,607,298</u>
Borrowings included in current liabilities:					
As at 31 December 2020	5,833,458	3,306,412	–	–	9,139,870
As at 31 December 2019	<u>6,853,553</u>	<u>2,544,460</u>	<u>–</u>	<u>–</u>	<u>9,398,013</u>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	11,631,936	8,646,075
USD	9,545,230	9,812,362
HKD	267,642	546,874
	<u>21,444,808</u>	<u>19,005,311</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Derivative financial instruments

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Derivative financial instruments	25,600	39,420
Less: Current portion	(25,600)	–
Non-current portion	–	39,420

During acquisition of the investment in a joint venture in 2019, the Group granted a call option to one of other joint venture partners during the agreed exercise period and a right to higher proportion of the excess profit distribution than the shareholding of the joint venture partner in the joint venture according to the agreement, which was recognised as derivative financial instrument.

An independent valuation was performed by the valuer, Cushman & Wakefield, to determine the fair value of the derivative financial instrument. The valuation of the derivative financial instrument was determined using the Monte Carlo Simulation. The significant unobservable input is the volatility of the property price of the underlying investment property held by the joint venture.

The movement of the derivative is set out below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	39,420	–
Initial recognition at fair value	–	5,400
(Gains)/losses arising on changes in fair values (Note 26)	(13,820)	34,020
Ending balance	25,600	39,420
Less: Current portion	(25,600)	–
	–	39,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables	3,994,211	3,780,651
Notes payable	144,749	96,078
Amounts due to related parties (Note 40(d))	5,303,035	4,229,631
Turnover taxes payable	912,053	171,226
Electricity fee and cleaning fee collected on behalf	105,946	74,763
Deed tax collected on behalf	1,964	2,381
Accrued payroll	34,541	30,903
Interest payable	394,258	380,654
Temporary funding payable	2,086,956	1,350,005
Construction deposits received from suppliers	56,621	38,586
Deposits received from customers	84,048	21,441
Consideration payables for acquisition	283,965	846,540
Payment received in connection with disposal of subsidiaries	–	117,556
Dividend payable to non-controlling interests of certain subsidiaries	315,963	676,929
Dividend payable	–	1,379
Amount received in connection with the transferring the right of collection of future receivables (a)	141,781	183,969
Payable to related parties of non-controlling interests of subsidiaries (b)	1,147,179	466,000
Deposits received in connection with cooperation with third parties for property development and property investment	943,240	800,000
Payables for acquisition of equity investments (c)	2,444,060	943,126
Others	511,319	157,249
	18,905,889	14,369,067

notes:

- (a) The balance as at 31 December 2020 and 2019 represents the consideration received from a third party in connection with the transferring the right of collection of certain future trade receivables for the remaining receipts from sales of properties.
- (b) The balance represents the payables to related parties of non-controlling interests of certain subsidiaries which are unsecured, non-interest bearing and repayable on demand.
- (c) The balance represents the interest-bearing payables due to certain third parties in connection with the acquisition of equity interests in certain subsidiaries, joint ventures and associates by the Group. The interest rate is ranging from approximately 10% – 11.41% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Trade and other payables (continued)

The aging analysis of trade payables and notes payable, based on the invoice date or service rendered date are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Less than 1 year	3,392,791	3,034,446
Between 1 and 2 years	665,377	749,824
Between 2 and 3 years	41,416	57,227
Over 3 years	39,376	35,232
	4,138,960	3,876,729

As at 31 December 2020 and 2019, the fair value of trade and other payables approximate their carrying amounts.

As at 31 December 2020 and 2019, the carrying amounts of trade and other payables are denominated in below currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	18,655,324	14,086,290
USD	231,800	281,012
HKD	18,765	1,765
	18,905,889	14,369,067

22 Amounts due to non-controlling interests of subsidiaries

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Amounts due to non-controlling interests of subsidiaries	1,414,043	896,011

The balance as at 31 December 2020 includes amounts of RMB45,000,000 (31 December 2019: RMB91,200,000), which were the outstanding principal balance of shareholder's loan of Wuhan Ruixiao Real Estate Investment Co., Ltd. ("Wuhan Ruixiao"), a subsidiary of the Group, from its non-controlling shareholder. The shareholder's loan was unsecured and repayable on demand with an annual interest rate of 9%.

The balance as at 31 December 2020 includes amounts of RMB105,000,000 (31 December 2019: RMB105,000,000), which were the outstanding principal balance of shareholder's loan of Wuhan Ruixiao from its non-controlling shareholder. The shareholder's loan was unsecured and repayable on demand with an annual interest rate of 9%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

22 Amounts due to non-controlling interests of subsidiaries (continued)

The balance as at 31 December 2020 includes amounts of RMB82,931,000 (31 December 2019: Nil), which were the outstanding principal and interest payable balance of shareholder's loan of Suzhou Jingze Consulting Management Co., Ltd., a subsidiary of the Group, from its non-controlling shareholder. The shareholder's loan was unsecured and repayable on demand with an annual interest rate of 14.965%.

The balances as at 31 December 2019 include amounts of RMB231,640,000 and RMB8,477,000 which were the outstanding principal and interest payable balance of shareholders' loan of Hangzhou Juanheng property Co., Ltd. and Tianjin Ruijun Real Estate Development Co., Ltd. ("Tianjin Ruijun Development"), two subsidiaries of the Group from their respective non-controlling shareholders. These shareholders' loans were unsecured with annual interest rate of 10% and 4.75% and were fully repaid in 2020 respectively.

Except for the shareholder's loans mentioned above which carry an interest, the fundings from other non-controlling interests of certain subsidiaries for their operational purpose in property development are unsecured, non-interest bearing and repayable on demand.

23 Deferred income tax

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets to be recovered		
– within 12 months	87,582	145,310
– after 12 months	208,304	129,088
	295,886	274,398
Deferred tax liabilities to be settled		
– within 12 months	(335,209)	(101,518)
– after 12 months	(1,085,844)	(1,202,891)
	(1,421,053)	(1,304,409)
Deferred tax liabilities, net	(1,125,167)	(1,030,011)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Deferred income tax (continued)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	(1,030,011)	(1,154,957)
Adjustment of changing in accounting policy	–	(1,229)
Addition arising from acquisition of subsidiaries (Note 39)	(126,711)	96,632
Addition arising from disposal of a subsidiary (Note 26(a))	20,585	(11,768)
Charged to the consolidated income statement (Note 31)	17,017	42,522
Charged to other comprehensive income (Note 18)	(6,047)	(1,211)
Ending balance	(1,125,167)	(1,030,011)

As at 31 December 2020, deferred income tax assets and deferred income tax liabilities amounting to RMB8,481,000 (31 December 2019: RMB22,821,000) were offset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Deferred income tax (continued)

The movement in deferred income tax assets and liabilities for both years ended 31 December 2020 and 2019 without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses RMB'000	Provision for impairment of properties held for sale and receivables RMB'000	Land appreciation tax RMB'000	Elimination of inter-company transactions RMB'000	Temporary difference on recognition of sales and cost of sales RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2020	112,080	14,469	-	14,515	147,003	9,152	297,219
Addition arising from acquisition of Anhui Wenyi Investment Holding Group Bincheng Property Co., Ltd. ("Wenyi Bincheng") (Note 39(e))	-	-	-	-	76,712	-	76,712
Addition arising from acquisition of Nanchang Jinle Property Co., Ltd. ("Nanchang Jinle") (Note 39(a))	-	-	-	-	33,504	-	33,504
Addition arising from acquisition of Changshu Junchun (Note 39(b))	-	-	-	-	43,443	-	43,443
Disposal of Shanghai Hao Pei Property Co., Ltd. ("Shanghai Hao Pei")	(1,365)	-	-	-	-	-	(1,365)
(Charged)/credited to the consolidated income statement	(35,405)	(12,222)	-	(4,342)	(94,352)	1,175	(145,146)
At 31 December 2020	75,310	2,247	-	10,173	206,310	10,327	304,367
At 1 January 2019	64,524	15,190	5,484	19,396	84,896	10,538	200,028
Addition arising from acquisition of Hangzhou Xiaoying (Note 39(k))	-	-	-	-	96,632	-	96,632
Credited/(charged) to the consolidated income statement	47,556	(721)	(5,484)	(4,881)	(34,525)	(1,386)	559
At 31 December 2019	112,080	14,469	-	14,515	147,003	9,152	297,219

In accordance with the PRC laws and regulations, tax losses could be carried forward for a period of five years to offset against its future taxable profits. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

The Group did not recognise deferred income tax assets of RMB634,773,000 (31 December 2019: RMB499,341,000) in respect of tax losses amounting to RMB2,539,092,000 (31 December 2019: RMB1,997,364,000) as at 31 December 2020. All these tax losses will expire within five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Deferred income tax (continued)

Deferred income tax liabilities

	Temporary difference on recognition of fair value gains RMB'000	Temporary difference on recognition of cost of sales and expenses RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2020	403,706	298,642	16,524	608,358	1,327,230
Addition from acquisition of Wenyi Bincheng (Note 39(e))	-	5,175	-	61,585	66,760
Addition from acquisition of Nanchang Jinle (Note 39(a))	-	4,195	-	125,499	129,694
Addition from acquisition of Changshu Junchun (Note 39(b))	-	7,817	-	76,099	83,916
Disposal of Shanghai Hao Pei	(21,950)	-	-	-	(21,950)
Charged to other comprehensive income (Note 18)	6,047	-	-	-	6,047
Credited to the consolidated income statement	(1,799)	(51,290)	-	(109,074)	(162,163)
At 31 December 2020	386,004	264,539	16,524	762,467	1,429,534
At 1 January 2019	410,696	313,640	37,182	593,467	1,354,985
Adjustment for changes in accounting policies on 1 January 2019	-	1,229	-	-	1,229
Charged to other comprehensive income (Note 18)	1,211	-	-	-	1,211
Addition arising from disposal of Beijing Chengyuan Property Co., Ltd.	11,768	-	-	-	11,768
(Credited)/charged to the consolidated income statement	(19,969)	(16,227)	(20,658)	14,891	(41,963)
At 31 December 2019	403,706	298,642	16,524	608,358	1,327,230

Deferred income tax arose as a result of differences in timing of recognition of certain revenues, costs and expenses between the tax based accounts and the financial statements prepared in accordance with HKFRSs. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and their tax bases, in accordance with HKAS 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

24 Revenue

Revenue of the Group consists of the following:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers recognised at a point in time		
– Sales of properties	11,972,528	12,366,104
– Others	51,644	59,016
	12,024,172	12,425,120
Revenue from contract with customers recognised over time		
– Property management service	526,368	441,123
– Decoration of properties	–	180,264
	526,368	621,387
Rental income	231,889	238,620
	12,782,429	13,285,127

25 Other income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Compensation income for demolition costs (a)	194,734	–
Gain from acquisition of shares in Ningbo Puhong (Note9(d))	–	90,428
Government grants	24,125	51,578
Compensation income	4,142	2,492
Interest income on loans to joint ventures	–	13,022
Others	120	950
	223,121	158,470

note:

- (a) In 2020, the Group received compensation income of RMB223,203,000 from local government for demolition costs incurred in prior years for certain land parcel, among which RMB90,000,000 has been received and RMB133,203,000 will be paid by the local government within two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Other gains – net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Gains from re-measurement of the existing interests in a joint venture upon obtaining of control (Note 39(b))	97,552	–
Gains from re-measurement of the existing interests in a subsidiary upon lost of control (Note 9(c))	37,203	–
Net foreign exchange losses	(40,676)	–
Fair value gains from financial assets at fair value through profit or loss (Note 12)	31,033	47,232
Investment income from financial assets at fair value through profit or loss	6,592	–
Disposal gains of financial assets at fair value through profit or loss	491	–
Investment income from financial assets at fair value through other comprehensive income	29,394	14,983
Gains from lease modification	–	12,987
Losses from disposal of property, plant and equipment	(104)	(219)
Changes in fair values of derivative financial instruments	13,820	(34,020)
Gain from disposal of joint ventures	–	1,851
Gain from disposal of shares in subsidiaries (Note 9(c)), (a)	90,647	31,378
Gains from deemed disposal of a subsidiary (Note 9(b))	112,271	85,191
Compensation and late payment charges	(40,804)	(36,103)
Disposal gains on investment properties	–	14,373
Others	(10,046)	9,087
	327,373	146,740

- (a) In March 2020, the Group entered into a shares sales agreement with an independent third party, pursuant to which, the Group sold 100% equity interests in Shanghai Hao Pei, a subsidiary of the Group, at a total consideration of RMB476,000,000. The Group recognised a gain from disposal of equity interests in Shanghai Hao Pei amounting to RMB53,687,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

27 Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of properties sold	9,816,188	10,069,234
Cost of properties management	329,505	292,698
Cost of design and decoration of properties	–	110,985
Surcharges	58,481	42,335
Accrual of provision for write-down of properties held or under development for sale – net	7,126	11,747
Depreciation of property, plant and equipment (Note 6)	25,656	24,679
Amortisation of intangible assets (Note 8)	1,415	1,277
Bank charges	8,802	11,168
Staff costs (Note 29)	486,333	448,060
Entertainment expenses	26,231	21,545
Stamp duty and other taxes	29,832	30,229
Professional fees	100,857	100,518
Auditors' remuneration		
– annual audit and interim review	4,038	3,995
– non-audit services	2,298	2,400
Sales commission	140,259	67,835
Advertising and publicity costs	84,071	80,254
Office and meeting expenses	47,595	43,720
Rental expenses	13,801	12,160
Travelling expenses	13,957	16,673
Net impairment losses on financial assets (Note 15)	60,090	4,575
Other expenses	208,745	195,999
Total cost of sales, selling and marketing costs and administrative expenses	11,465,280	11,592,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Finance income/(costs) – net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits and financial assets	363,955	261,507
– Net foreign exchange gains on financing activities	649,597	–
	1,013,552	261,507
Finance costs		
– Interest on financing arrangements	(2,029,932)	(2,004,793)
– Net foreign exchange losses on financing activities	–	(57,731)
– Changes in discounted present value of financial liabilities for put option written on non-controlling interests	–	(120)
– Interest on lease liabilities	(13,216)	(14,549)
– Less: Amount capitalised	1,290,629	1,550,206
	(752,519)	(526,987)
Net finance income/(costs)	261,033	(265,480)

29 Staff costs (including directors' emoluments)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages and salaries	439,878	369,590
Pension	5,584	21,758
Other welfare benefit expenses	39,029	43,173
Share award scheme (Note 32)	2,068	10,358
Share option scheme (Note 32)	(226)	3,181
	486,333	448,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive is set out below:

Name of director	Employer's contribution to a						Total RMB'000
	Fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	retirement benefit scheme RMB'000	Share award scheme RMB'000	Share option scheme RMB'000	
Year ended 31 December 2020:							
Chen Xin Ge (陳新戈)	-	-	-	-	-	-	-
Yan Hao (閔浩) (i)(ii)	-	1,484	1,484	28	-	-	2,996
Xu Chao Hui (許朝輝)(ii)	-	184	276	5	-	-	465
Xu Hai Feng (徐海峰) (ii)	-	2,718	2,039	28	841	107	5,733
Chen Chao (陳超) (ii)	-	1,684	756	48	1,095	-	3,583
Han Jiong (韓炯) (iii)	275	-	-	-	-	-	275
Qian Shi Zheng (錢世政) (iii)	275	-	-	-	-	-	275
Lo Wing Yan (盧永仁) (iii)	275	-	-	-	-	-	275
	825	6,070	4,555	109	1,936	107	13,602
Year ended 31 December 2019:							
Chen Xin Ge (陳新戈)	-	-	-	-	-	-	-
Yan Hao (閔浩) (i)(ii)	-	1,489	2,366	63	-	-	3,918
Xu Chao Hui (許朝輝) (ii)	-	2,205	138	65	17	-	2,425
Xu Hai Feng (徐海峰) (ii)	-	2,679	761	64	849	688	5,041
Han Jiong (韓炯) (iii)	263	-	-	-	-	-	263
Qian Shi Zheng (錢世政) (iii)	263	-	-	-	-	-	263
Lo Wing Yan (盧永仁) (iii)	263	-	-	-	-	-	263
	789	6,373	3,265	192	866	688	12,173

notes:

- (i) The chief executive of the Company is Yan Hao, who is also one of the executive directors of the Company.
- (ii) Yan Hao and Xu Chao Hui were appointed as the executive directors of the Company in October 2013. In August 2019, the Company entered into a renewed service agreement with Yan Hao, Chen Xin Ge and Xu Chao Hui for a further fixed period of three years commencing from 31 October 2019.

Xu Hai Feng was appointed as executive director of the Company for a fixed period of three years commencing from 15 March 2018. In March 2021, the Company has renewed the service agreement with Xu Hai Feng for a further term of three years commencing from 15 March 2021.

Xu Chao Hui resigned as executive director of the Company with effect from 18 January 2020. Chen Chao was appointed as executive director of the Company for a fixed period of three years commencing from 30 March 2020.
- (iii) Han Jiong (韓炯), Qian Shi Zheng (錢世政) and Lo Wing Yan (盧永仁) were appointed as independent non-executive directors of the Company in October 2013. In August 2019, the Company entered into a renewed letter of appointment with each of independent non-executive directors for a further term of three years commencing from 31 October 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Benefits and interests of directors (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2020 include three (2019: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2019: three) individuals are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances, share award, share option and benefits in kind	3,416	8,822
Bonuses	1,851	2,548
	5,267	11,370

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emoluments bands (in Hong Kong dollar)		
HKD1,000,000 and below	–	–
HKD1,000,001 – HKD1,500,000	–	–
HKD1,500,001 – HKD2,000,000	–	–
HKD2,000,001 – HKD2,500,000	–	–
HKD2,500,001 – HKD3,000,000	1	–
HKD3,000,001 – HKD3,500,000	–	1
HKD3,500,001 – HKD4,000,000	1	1
HKD4,000,001 – HKD4,500,000	–	–
HKD4,500,001 and above	–	1

- (c) During the year ended 31 December 2020, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2019: Nil).

During the year ended 31 December 2020, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2019: Nil).

During the year ended 31 December 2020, no consideration was provided to or receivable by third parties for making available director's services (2019: Nil).

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

31 Income tax expense

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax		
– PRC land appreciation tax	551,649	428,308
– PRC corporate income tax	530,870	479,080
	1,082,519	907,388
Deferred income tax (Note 23)	(17,017)	(42,522)
Total income tax charged for the year	1,065,502	864,866

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	2,339,006	2,149,876
PRC land appreciation tax	(551,649)	(428,308)
	1,787,357	1,721,568
Income tax calculated at statutory rate of 25%	446,839	430,392
The difference from income tax calculated at statutory rate	–	(2,624)
Effect of expenses not deductible for income tax purposes	108,871	108,539
Share of results of joint ventures and associates	(42,661)	(85,639)
Income not subject to tax	(123,920)	(45,544)
Utilisation of previously unrecognised tax losses	(56,270)	(62,618)
Tax losses and temporary differences not recognised as deferred tax assets	191,702	106,962
PRC land appreciation tax and other tax on change in fair value of investment properties	(14,277)	(17,213)
PRC land appreciation tax deductible for calculation of income tax purpose	3,569	4,303
PRC land appreciation tax	551,649	428,308
Total income tax expense	1,065,502	864,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Income tax expense (continued)

PRC corporate income tax

Under the Corporate Income Tax Law of the PRC (the "CIT Law"), the CIT rate applicable to the Group's subsidiaries located in the PRC from 1 January 2008 is 25%.

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at 30 June 2013 will not be distributed in the foreseeable future. No PRC withholding income tax was accrued for the year ended 31 December 2020 (2019: Nil). The Group controls the dividend policies of these subsidiaries and it has been determined that the remaining earnings will not be distributed in the foreseeable future.

As at 31 December 2020, the Group did not recognise deferred income tax for PRC withholding income tax with amount of RMB639,120,000 (31 December 2019: RMB541,406,000) on the remaining unremitted distributable profits generated by its PRC subsidiaries attributable to the investors outside the PRC with amount of RMB6,391,198,000 (31 December 2019: RMB5,414,056,000).

Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures, and is included in the consolidated income statement as income tax expense.

32 Share-based payments

(a) New share award scheme

The Company's board approved and adopted the Share Award Scheme on 29 November 2017 (the "New Share Scheme"). Pursuant to the New Share Scheme, subject to certain vesting conditions, the shares can be vested in tranches on 1 January 2018, 2019, 2020 respectively. In March and September 2019, under the same scheme, certain shares were granted to the selected employees and can be vested in tranches in March 2019, January 2020 and January 2021 respectively subject to certain vesting conditions.

An expenses of RMB2,068,000 was recognised for the year ended 31 December 2020 in relation to the employees' service provided (2019: RMB10,358,000).

(b) Share option scheme

The Company's board approved and adopted the Share Option Scheme on 7 May 2019. On 9 September 2019, the Company granted 27,000,000 share options with an exercise price of HKD2.53 per share to certain directors of the Company and certain employees of the Company and its subsidiaries.

The amount of options that will vest depends on the achievement of certain targets of the Group mainly including contracted sales and net profits attributable to equity holders of the Company. Once vested, the options remain exercisable at any time during the period prior to the expiration of 10 years from the date on which the options are granted and accepted, in accordance with the terms of the Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Share-based payments (continued)

(b) Share option scheme (continued)

Set out below are summaries of options granted under the plan:

	2020	
	Exercise price per share option (HKD per share)	Number of options
As at 1 January	2.53	27,000,000
Granted during the year	–	–
Cancelled during the year	2.53	(9,000,000)
As at 31 December	2.53	18,000,000

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price in HKD per share	Share options at 31 December 2020
9 September 2019	8 September 2029	2.53	18,000,000

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss.

An independent valuation was performed by the valuer, Cushman & Wakefield, to determine the fair value of the share option at grant date. The valuation was determined using the Binomial model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the option. A gain of RMB226,000 was recognised for the year ended 31 December 2020 (2019: An expense of RMB3,181,000).

33 Earnings per share

(a) Basic earnings per share

Basic earnings per share for the years ended 31 December 2020 and 2019 are calculated by dividing the Group's profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2020	2019
Group's profit attributable to equity holders of the Company (RMB'000)	958,092	903,591
Weighted average number of shares in issue (in thousand)	1,402,106	1,394,723
Basic earnings per share (RMB)	0.68	0.65

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Earnings per share (continued)

(b) Diluted earnings per share

	Year ended 31 December	
	2020	2019
Group's profit attributable to equity holders of the Company (RMB'000)	958,092	903,591
Weighted average number of shares in issue (in thousand)	1,402,106	1,394,723
Effect of dilutive potential ordinary shares in respect of share award scheme (in thousand)	2,192	4,747
Weighted average number of ordinary shares for diluted earnings per share (in thousand)	1,404,298	1,399,470
Diluted earnings per share (RMB)	0.68	0.65

34 Dividends

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Proposed final dividend of HKD25 cents (2019: HKD24 cents) per ordinary share (a)	322,481	305,261

notes:

- (a) At a board meeting held on 23 March 2021, the directors proposed a final dividend for the year ended 31 December 2020 of HKD25 cents per ordinary share using the share premium account. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of share premium for the year ended 31 December 2021 upon approval by the shareholders at the forthcoming annual general meeting of the Company.
- (b) A final dividend in respect of the year ended 31 December 2019 of HKD24 cents per ordinary share has been approved at the annual general meeting of the Company held on 26 May 2020. The dividend of RMB309,160,000 has been paid out by the Company on 12 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Notes to the consolidated cash flow statement

(a) Net cash generated from operations:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before income tax	2,339,006	2,149,876
Adjustments for:		
Depreciation (Note 27)	25,656	24,679
Amortisation (Note 27)	1,415	1,277
Losses on disposals of property, plant and equipment (Note 26)	104	219
Net impairment losses on financial assets (Note 27)	60,090	4,575
Gain on disposal of shares in subsidiaries (Note 26)	(90,647)	(31,378)
Gains from lease modification	–	(12,987)
Gains from deemed disposal of a subsidiary (Note 26)	(112,271)	(85,191)
Gains from re-measurement of the existing interests in a joint venture upon obtaining of control (Note 26)	(97,552)	–
Gains from re-measurement of the existing interests in a subsidiary upon loss of control (Note 26)	(37,203)	–
Change in fair value of financial assets at fair value through profit or loss (Note 26)	(31,033)	(47,232)
Accrual of provision for write-down of properties held for sale (Note 27)	7,126	11,747
Gains on disposal of joint ventures	–	(1,851)
(Appreciation)/depreciation of investment properties under capital platform (Note 7)	(56,687)	21,474
Fair value losses/(gains) on investment properties under other platforms (Note 7)	17,000	(96,022)
Share of results of joint ventures (Note 9)	(40,609)	(170,409)
Share of results of associate (Note 10)	(130,034)	(172,148)
Foreign exchange (gains)/losses (Note 28)	(649,597)	57,731
Interest income on loans to joint ventures (Note 25)	–	(13,022)
Gain from acquisition of shares in Ningbo Puhong (Note 25)	–	(90,428)
Finance costs (Note 28)	752,519	469,256
Interest income (Note 28)	(363,955)	(261,507)
Share award scheme (Note 32)	2,068	10,358
Share option scheme (Note 32)	(226)	3,181
Changes in fair value of derivative financial instruments (Note 26)	(13,820)	34,020
Gains from disposal of investment properties (Note 26)	–	(14,373)
Investment income from financial assets at fair value through other comprehensive income (Note 26)	(29,394)	(14,983)
Investment income from financial assets at fair value through profit or loss (Note 26)	(6,592)	–
Disposal gains of financial assets at fair value through profit or loss (Note 26)	(491)	–
Gain on bargain purchase arising from acquisition (Note 39(e))	(2,233)	–
Changes in working capital		
– Restricted cash relating to operating activities	166,377	(265,062)
– Prepayments for leasehold land	(425,025)	(669,650)
– Properties held or under development for sales (excluding capitalised interest)	174,809	5,166,737
– Trade and other receivables and prepayments	867,595	265,326
– Contract liabilities	(2,849,604)	(1,227,817)
– Trade and other payables	1,274,347	(2,002,466)
– Increase in amounts due from related parties	(400,183)	(71,184)
– Increase in amounts due to related parties	583,574	641,422
Net cash generated from operations	934,530	3,614,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Notes to the consolidated cash flow statement (continued)

(b) Major non-cash transaction:

Certain associates of the Group declared dividends of RMB220,000,000 during the year ended 31 December 2020 to the Group. Such dividends receivables were settled by netting off with the amounts due to the associates during the year ended 31 December 2020.

Certain subsidiaries of the Group declared dividends of RMB360,965,000 during the year ended 31 December 2020 to the non-controlling interests. Such dividends payable was settled by netting off with the amounts due from non-controlling interests of the subsidiaries during the year ended 31 December 2020.

In September 2020, pursuant to certain agreements, Shanghai Jingrui Property Management Co., Ltd. ("Jingrui Property Management"), a subsidiary of the Group, placed new shares at a total amount of RMB67,907,000 to four third parties in exchange for the 51% equity interests of Hunan Kunpeng Property Service Co., Ltd. ("Hunan Kunpeng") and 51% equity interests of Jiangsu Xinxiang Property Service Co., Ltd. ("Jiangsu Xinxiang"). After the transaction, Hunan Kunpeng and Jiangsu Xinxiang became non-wholly owned subsidiaries of the Group since then (Note 38(i), (Note 39(c), Note 39(d)).

One subsidiary of the Group declared dividends of RMB121,870,000 during the year ended 31 December 2019 to its non-controlling interests. Such dividends payable was settled by netting off with the amounts due from non-controlling interests of the subsidiary during the year ended 31 December 2019.

(c) Proceeds from disposal of property, plant and equipment:

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net book value (Note 6)	601	715
Losses on disposals of property, plant and equipment (Note 26)	(104)	(219)
Proceeds from disposal of property, plant and equipment	497	496

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Borrowings	21,444,808	19,005,311
Leases liabilities	153,799	168,977
Amounts due to related parties	1,211,911	1,272,736
Amounts due to non-controlling interests of subsidiaries	1,414,043	896,011
	24,224,561	21,343,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

35 Notes to the consolidated cash flow statement (continued)

(d) Net debt reconciliation (continued)

	Borrowings RMB'000	Leases liabilities RMB'000	Amounts due to related parties RMB'000	Amounts due to non- controlling interests of subsidiaries RMB'000	Total RMB'000
Balance as at 1 January 2020	19,005,311	168,977	1,272,736	896,011	21,343,035
Net cash flows	762,337	(23,067)	(60,825)	(236,121)	442,324
Acquisition of subsidiaries	2,380,056	-	-	754,153	3,134,209
Disposal of subsidiaries	(110,000)	-	-	-	(110,000)
Foreign exchange movements	(630,074)	-	-	-	(630,074)
Other non-cash movements	37,178	7,889	-	-	45,067
Balance as at 31 December 2020	21,444,808	153,799	1,211,911	1,414,043	24,224,561

	Borrowings RMB'000	Leases liabilities RMB'000	Amounts due to related parties RMB'000	Amounts due to non- controlling interests of subsidiaries RMB'000	Total RMB'000
Balance as at 31 December 2018	18,700,763	-	1,357,500	377,894	20,436,157
Adjustment for changes in accounting policy	-	182,486	-	-	182,486
Restated balance as at 1 January 2019	18,700,763	182,486	1,357,500	377,894	20,618,643
Net cash flows	403,254	(23,366)	(84,764)	518,117	813,241
Foreign exchange movements	214,696	-	-	-	214,696
Other non-cash movements	(313,402)	9,857	-	-	(303,545)
Balance as at 31 December 2019	19,005,311	168,977	1,272,736	896,011	21,343,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Commitments

(a) Property development expenditure commitments

Property development expenditure committed at each balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Land use rights	1,712,070	1,164,900
Other property development expenditure	2,251,914	1,754,489
	3,963,984	2,919,389

(b) Investment commitments

As at 31 December 2020 and 2019, committed investments are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Committed investments	26,063	18,190

(c) Operating lease rental receivables

As at 31 December 2020 and 2019, the future aggregate minimum rental receipts under non-cancellable operating lease in respect of certain buildings are receivable in the following periods:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	169,576	147,693
1 to 5 years	251,933	313,772
After 5 years	180,625	205,596
	602,134	667,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

37 Financial guarantees and contingent liabilities

(a) Guarantees on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at each balance sheet date:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	5,416,501	4,363,078

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser, or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

(b) Guarantees provided to joint ventures and associates

As at 31 December 2020, the Group provided guarantees for a total of bank borrowings of RMB872,166,000 of its joint ventures and associates (31 December 2019: RMB1,484,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Changes in ownership interests in subsidiaries without change of control

Acquisition of additional interests in subsidiaries

In 2020, the Group acquired additional equity interests of certain subsidiaries from the relevant non-controlling interests for a total cash consideration of RMB256,782,000(2019: RMB980,830,000). The excess of RMB60,124,000 in total over the carrying amount of the non-controlling interests of RMB196,658,000 was recognised in equity attributable to equity holders of the Company.

During 2020 and 2019, major acquisition of additional interests in subsidiaries are as follows:

- (a) In October 2020, the Group acquired an additional 66.24% equity interests of its subsidiary Ningbo Meishan Free Trade Port Youyu Investment Center LLP ("Meishan Youyu") at a consideration of RMB110,782,000. The excess of RMB27,439,000 over the carrying amount of the non-controlling interests of RMB83,343,000 was recognised in equity attributable to equity holders of the Company.
- (b) In July 2020, the Group acquired an additional 40% equity interests of its subsidiary Hangzhou Jingqi Enterprise Management Consulting Co., Ltd. at a consideration of RMB146,000,000. The excess of RMB32,685,000 over the carrying amount of the non-controlling interests of RMB113,315,000 was recognised in equity attributable to equity holders of the Company.
- (c) In April 2019, the Group acquired an additional 15% equity interests of its subsidiary Shanghai Xiaoyi Investment Co., Ltd. at a consideration of RMB15,000. The lower of RMB3,164,000 over the carrying amount of the non-controlling interests of RMB3,179,000 was recognised in equity attributable to equity holders of the Company.
- (d) In July 2019, the Group acquired an additional 49% equity interests of its subsidiary Hangzhou Jinghang Property Co., Ltd. through acquire 100% equity interest of Shanghai Jiacan Investment Co., Ltd. at a consideration of RMB65,213,000. The lower of RMB7,667,000 over the carrying amount of the non-controlling interests of RMB72,880,000 was recognised in equity attributable to equity holders of the Company.
- (e) In August 2019, the Group acquired an additional 30% equity interests of its subsidiary Shanghai Xiaopin Investment Co., Ltd. at a consideration of RMB201,000,000. The excess of RMB36,468,000 over the carrying amount of the non-controlling interests of RMB164,532,000 was recognised in equity attributable to equity holders of the Company.
- (f) In December 2019, the Group acquired an additional 70% equity interests of its subsidiary Taicang Jingrui Business Consulting Co., Ltd. with the carrying amount of the non-controlling interests of RMB700,000,000 at a consideration of RMB700,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Changes in ownership interests in subsidiaries without change of control (continued)

Acquisition of additional interests in subsidiaries (continued)

The following table summarises the carrying amount of non-controlling interests acquired, considerations need to be paid to non-controlling interests and excess of consideration paid recognised within equity at the acquisition date.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Consideration need be paid to non-controlling interests	(256,782)	(980,830)
Carrying amount of non-controlling interests acquired	196,658	956,124
Excess of consideration paid recognised within equity	(60,124)	(24,706)

Disposal of interests in subsidiaries without loss of control

- (g) In March 2020, pursuant to certain agreements, the Group disposed of 21.1% equity interests in Taicang Jinghui Consultant Management Co., Ltd. ("Taicang Jinghui"), a wholly owned subsidiary of the Group, at a total consideration of RMB84,689,000 to a third party. The Group recognised an increase in non-controlling interests of RMB76,473,000 and an increase in equity attributable to equity holders of the Company of RMB8,216,000.
- (h) In September 2020, pursuant to certain agreements, the Group disposed of 10% equity interests in Zhoushan Jingshang Property Co., Ltd. ("Zhoushan Jingshang"), a wholly owned subsidiary of the Group, at a total consideration of RMB35,000,000 to a third party. The Group recognised an increase in non-controlling interests of RMB33,639,000 and an increase in equity attributable to equity holders of the Company of RMB1,361,000.

The following table summarises the carrying amount of non-controlling interests disposed of, considerations received from non-controlling interests and gain on disposal recognised within equity at the disposal date.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Carrying amount of disposal to non-controlling interests	(110,112)	–
Consideration received from non-controlling interests	119,689	–
Gain on disposal recognised within equity	9,577	–

Deemed disposal of interests in subsidiaries without loss of control

In 2020, certain third parties injected capital contribution of RMB181,481,000 to certain subsidiaries which had an effective dilution of the Group's interests in these subsidiaries. The Group recognised an increase in non-controlling interests of RMB143,550,000 and an increase in equity attributable to equity holders of the Company of RMB37,931,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Changes in ownership interests in subsidiaries without change of control (continued)

Deemed disposal of interests in subsidiaries without loss of control (continued)

During 2020, major deemed disposal of interests in subsidiaries without loss of control are as follows:

- (i) In September 2020, pursuant to certain agreements, Jingrui Property Management, a subsidiary of the Group, placed new shares at a total amount of RMB67,907,000 to four third parties in exchange for the 51% equity interests of Hunan Kunpeng and 51% equity interests of Jiangsu Xinxiang, which has an effective dilution of the Group's interests in Jingrui Property Management. After the transaction, four third parties and the Group own equity interests of Jingrui Properties Management as to 15.67% and 84.33% respectively, and the Group still controls Jingrui Property Management. The Group recognised an increase in non-controlling interests of RMB33,954,000 and an increase in equity attributable to equity holders of the Company of RMB33,953,000.

In December 2020, three third parties injected capital contribution of RMB36,850,000 to Jingrui Property Management, which has an effective dilution of the Group's interests in Jingrui Property Management. After the transaction, the Group and other third parties own equity interests of Jingrui Property Management as to 82.04% and 17.96% respectively, and the Group still controls Jingrui Property Management. The Group recognised an increase in non-controlling interests of RMB29,171,000 and an increase in equity attributable to equity holders of the Company of RMB7,679,000.

- (j) In December 2020, a third party injected capital contribution of RMB70,110,000 to Wuxi Jinghang Consultant Management Co., Ltd. ("Wuxi Jinghang"), a wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Wuxi Jinghang. After the transaction, the Group and the third party own equity interests of Wuxi Jinghang as to 71.18% and 28.82% respectively, and the Group still controls Wuxi Jinghang. The Group recognised an increase in non-controlling interests of RMB73,500,000 and a decrease in equity attributable to equity holders of the Company of RMB3,390,000.

- (k) In 2020, certain employees injected capital contribution of RMB6,614,000 (2019: RMB13,360,000) through certain limited liability partnerships established by the Group and employees to certain subsidiaries which have an effective dilution of the Group's interests in these subsidiaries.

- (l) In July 2019, pursuant to certain agreements, Tianjin Huajing Property Co., Ltd. ("Tianjin Huajing") injected capital contribution of RMB165,130,000 to Tianjin Ruijun Commercial Management Co., Ltd. ("Tianjin Ruijun"), a wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Tianjin Ruijun. After the transaction, Tianjin Huajing and the Group own equity interests of Tianjin Ruijun as to 49% and 51% respectively, and the Group still controls Tianjin Ruijun. The Group recognised an increase in non-controlling interests of RMB165,129,000 and a decrease in equity attributable to equity holders of the Company of RMB1,000. Tianjin Ruijun has a wholly-owned subsidiary, namely Tianjin Ruijun Development.

- (m) In August 2019, pursuant to certain agreements, Shanghai International Trust Co., Ltd. ("Shanghai Trust") and Shanghai Shangxin Kunpu Investment Management Co., Ltd. ("Shangxin Kunpu") injected capital contribution of RMB101,444,000 and RMB1,195,000 respectively to Meishan Youyu, a wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Meishan Youyu. After these transactions, Shanghai Trust, Shangxin Kunpu and the Group own equity interests of Meishan Youyu as to 65.47%, 0.77% and 33.76% respectively, and the Group still controls Meishan Youyu. The Group recognised an increase in non-controlling interests of RMB102,635,000 and a decrease in equity attributable to equity holders of the Company of RMB4,000. Meishan Youyu has a subsidiary, namely Ningbo Jingxin Property Co., Ltd..

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

38 Changes in ownership interests in subsidiaries without change of control (continued)

The following table summarises the carrying amount of non-controlling interests disposed of, considerations received from non-controlling interests and loss on disposal recognised within equity at the deemed disposal date.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Carrying amount of non-controlling interests disposed of	(143,550)	(282,012)
Consideration received from non-controlling interests	181,481	281,129
Gain/(loss) on disposal recognised within equity	37,931	(883)

Aggregate effects of all above transactions with non-controlling interests on the equity attributable to equity holders of the Company for the year ended 31 December 2020 and 2019.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Excess of consideration paid recognised within equity	(60,124)	(24,706)
Gain on disposal recognised within equity	9,577	–
Gain/(loss) on disposal recognised within equity for equity attributable to equity holders for the Company	37,931	(883)
Net effects for transactions with non-controlling interests on equity attributable to equity holders for the Company	(12,616)	(25,589)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Business combination and assets acquisitions

Business combination in 2020

- (a) In September 2020, the Group entered into a share purchase agreement with a third party, pursuant to which the Group acquired 51% equity interests of Nanchang Jinle at a consideration RMB145,500,000.

Completion of the share purchase took place on 30 September 2020 and Nanchang Jinle became a non-wholly owned subsidiary of the Group since then.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date of 30 September 2020.

	RMB'000
Consideration in cash	
– Amount paid	25,500
– Amount not yet paid as at 31 December 2020 (Note 21)	120,000
	<u>145,500</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	143,362
Trade and other receivables and prepayments	1,734,774
Contract acquisition costs	16,779
Properties held or under development for sale	1,778,432
Prepaid income taxes	30,794
Intangible assets (Note 8)	358
Trade and other payables	(686,688)
Borrowings	(373,990)
Contract liabilities	(2,262,337)
Deferred tax liabilities (Note 23)	(96,190)
Total identifiable net assets	<u>285,294</u>
Non-controlling interests	(139,794)
	<u>145,500</u>
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2020)	150

The acquired business contributed revenue of RMB742,435,000 and net profit of RMB159,178,000 to the Group for the period from 30 September 2020 to 31 December 2020. Had Nanchang Jinle been consolidated on 1 January 2020, the pro-forma revenue included in the consolidated income statement contributed by Nanchang Jinle would be RMB742,435,000. Nanchang Jinle also would contribute pro-forma net profit of RMB92,217,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

39 Business combination and assets acquisitions (continued)

Business combination in 2020 (continued)

- (b) Changshu Junchun was held as to 33%, 34% and 33% by the Group and the two joint venture partners, respectively. The Group entered into a share purchase agreement with one of the two joint venture partners, pursuant to which the Group acquired 1% equity interests of Changshu Junchun at a consideration of RMB6,500,000 in October 2020. Upon acquisition, the Group entered into an agreement with the two joint venture partners, pursuant to which the two joint venture partners follow the Group on all substantive decision on the operating and financing policies after the agreement during the life of Changshu Junchun. Since then, the directors of the Company consider that the Group has effective control over Changshu Junchun, and Changshu Junchun became a non-wholly owned subsidiary of the Group.

The goodwill of RMB27,545,000 arising from the acquisition of Changshu Junchun is attributable to acquired unsold properties under development. The directors of the Group consider that no impairment charge was required after performing the impairment assessment.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date of 31 October 2020.

	RMB'000
Consideration	
– Amount paid	6,500
– Fair value of the original 33% equity interests in Changshu Junchun	214,500
	<u>221,000</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	237,264
Trade and other receivables and prepayments	524,905
Contract acquisition costs	31,268
Properties held or under development for sale	4,101,960
Prepaid income taxes	31,188
Property, plant and equipment (Note 6)	246
Trade and other payables	(541,590)
Amounts due to non-controlling interests	(754,153)
Current Income tax liabilities	(106,636)
Borrowings	(1,140,000)
Contract liabilities	(1,774,994)
Deferred tax liabilities (Note 23)	(40,473)
	<u>568,985</u>
Total identifiable net assets	<u>568,985</u>
Non-controlling interests	(375,530)
Goodwill (Note 8)	27,545
	<u>221,000</u>
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2020)	130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Business combination and assets acquisitions (continued)

Business combination in 2020 (continued)

(b) (continued)

The acquired business contributed revenue of RMB1,526,740,000 and net profit of RMB243,774,000 to the Group for the period from 31 October 2020 to 31 December 2020. Had Changshu Junchun been consolidated on 1 January 2020, the pro-forma revenue included in the consolidated income statement contributed by Changshu Junchun would be RMB1,537,051,000. Changshu Junchun also would contribute pro-forma net profit of RMB173,308,000.

(c) In September 2020, the Group entered into a share purchase agreement with three third parties, pursuant to which Jingrui Property Management, a subsidiary of the Group, placed new shares and also paid cash consideration amounting to RMB7,573,000 to three third parties in exchange for the 51% equity interests of Hunan Kunpeng. After the transaction, three third parties own equity interests of Jingrui Property Management as 9.9% in total.

Completion of the share purchase took place on 30 September 2020 and Hunan Kunpeng became a non-wholly owned subsidiary of the Group since then.

The goodwill of RMB22,389,000 arising from the acquisition of Hunan Kunpeng is attributable to acquired business of property management service of Hunan Kunpeng. The directors of the Group consider that no impairment charge was required after performing the impairment assessment.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date of 30 September 2020.

	RMB'000
Consideration	
– Amount paid	7,573
– Fair value of 9.9% equity interests in Jingrui Property Management	42,917
	<u>50,490</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	5,151
Trade and other receivables and prepayments	95,191
Intangible assets (Note 8)	1,134
Property, plant and equipment (Note 6)	12,300
Trade and other payables	(45,305)
Contract liabilities	(10,805)
Borrowings	(2,566)
	<u>55,100</u>
Total identifiable net assets	<u>55,100</u>
Non-controlling interests	(26,999)
Goodwill (Note 8)	22,389
	<u>50,490</u>
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2020)	990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

39 Business combination and assets acquisitions (continued)

Business combination in 2020 (continued)

(c) (continued)

The acquired business contributed revenue of RMB32,711,000 and net profit of RMB3,088,000 to the Group for the period from 30 September 2020 to 31 December 2020. Had Hunan Kunpeng been consolidated on 1 January 2020, the pro-forma revenue included in the consolidated income statement contributed by Hunan Kunpeng would be RMB137,514,000. Hunan Kunpeng also would contribute pro-forma net profit of RMB14,337,000.

(d) In September 2020, the Group entered into a share purchase agreement with a third party, pursuant to which Jingrui Property Management, a subsidiary of the Group, placed new shares to a third party in exchange for the 51% equity interests of Jiangsu Xinxiang. After the transaction, the third party own equity interests of Jingrui Property Management as 5.8%.

Completion of the share purchase took place on 30 September 2020 and Jiangsu Xinxiang became a non-wholly owned subsidiary of the Group since then.

The goodwill of RMB20,751,000 arising from the acquisition of Jiangsu Xinxiang is attributable to acquired business of property management service of Jiangsu Xinxiang. The directors of the Group consider that no impairment charge was required after performing the impairment assessment.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date of 30 September 2020.

	RMB'000
Consideration	
– Fair value of 5.8% equity interests in Jingrui Property Management	24,990
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,798
Trade and other receivables and prepayments	21,448
Property, plant and equipment (Note 6)	2,777
Trade and other payables	(15,836)
Contract liabilities	(375)
Borrowings	(3,500)
Total identifiable net assets	8,312
Non-controlling interests	(4,073)
Goodwill (Note 8)	20,751
	24,990
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2020)	410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Business combination and assets acquisitions (continued)

Business combination in 2020 (continued)

(d) (continued)

The acquired business contributed revenue of RMB25,184,000 and net profit of RMB6,292,000 to the Group for the period from 30 September 2020 to 31 December 2020. Had Jiangsu Xinxiang been consolidated on 1 January 2020, the pro-forma revenue included in the consolidated income statement contributed by Jiangsu Xinxiang would be RMB83,325,000. Jiangsu Xinxiang also would contribute pro-forma net profit of RMB7,401,000.

(e) In September 2020, the Group entered into a share purchase agreement with a third party, pursuant to which the Group acquired 50% equity interests of Wenyi Bincheng at a consideration RMB60,000,000.

Completion of the share purchase took place on 7 September 2020 and Wenyi Bincheng became a non-wholly owned subsidiary of the Group since then.

A gain of RMB2,233,000 arose from the acquisition, which was mainly attributable to the increase of the fair value of acquired unsold properties under development upon the completion of the acquisition.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date of 7 September 2020.

	RMB'000
Consideration in cash	
– Amount paid	60,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	136,419
Trade and other receivables and prepayments	1,004,190
Contract acquisition costs	20,701
Properties held or under development for sale	4,268,585
Prepaid income taxes	78,592
Property, plant and equipment (Note 6)	111
Deferred tax assets (Note 23)	9,952
Borrowings	(860,000)
Trade and other payables	(248,671)
Current income tax liabilities	(74,050)
Contract liabilities	(4,211,363)
Total identifiable net assets	124,466
Non-controlling interests	(62,233)
Gain on bargain purchase	(2,233)
	60,000
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2020)	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS . . .

39 Business combination and assets acquisitions (continued)

Business combination in 2020 (continued)

(e) (continued)

The acquired business contributed revenue of RMB2,216,574,000 and net profit of RMB219,759,000 to the Group for the period from 7 September 2020 to 31 December 2020. Had Wenyi Bincheng been consolidated on 1 January 2020, the pro-forma revenue included in the consolidated income statement contributed by Wenyi Bincheng would be RMB2,368,916,000. Wenyi Bincheng also would contribute pro-forma net profit of RMB129,532,000.

Assets acquisitions in 2020

- (f) In April 2020, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 100% equity interests of Chongqing Jiuruixin Trading Co., Ltd. ("Chongqing Jiuruixin") to the Group at a total consideration of RMB217,969,000, which was fully paid as at 31 December 2020. The transaction was regarded as assets acquisition which was completed in May 2020.
- (g) In May 2020, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 100% equity interests of Wuhan Botongshirong Real Estate Development Co., Ltd. to the Group at a total consideration of RMB350,786,000, including liabilities assumed by the Group of RMB302,966,000, and the unpaid amount of total consideration is RMB15,648,000 as at 31 December 2020. The transaction was regarded as assets acquisition which was completed in June 2020.
- (h) In November 2020, the Group entered into a purchase agreement with two third parties, pursuant to which the third parties transferred 100% equity interests of Chengdu Shijichunqiu Property Development Co., Ltd. to the Group at a total consideration of RMB79,373,000, and the unpaid amount of total consideration is RMB70,376,000 as at 31 December 2020. The transaction was regarded as assets acquisition which was completed in November 2020.
- (i) In September 2020, the Group entered into a purchase agreement with two third parties, pursuant to which the third parties transferred 80% equity interests of Chengdu Yaqing Trading Co., Ltd. to the Group at a total consideration of RMB7,040,000, which was fully paid as at 31 December 2020. The transaction was regarded as assets acquisition which was completed in November 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Business combination and assets acquisitions (continued)

Assets acquisitions in 2019

(j) In January 2019, the Group entered into a purchase agreement with three third parties, pursuant to which third parties transferred 100% equity interests in total of Shanghai Yuexia Enterprise Management Co., Ltd. to the Group at a total consideration of RMB2,555,000. The transaction was regarded as assets acquisition which was completed in October 2019.

(k) The Group and Hangzhou Shunguang hold 50% equity interests of a joint venture Hangzhou Xiaoying, a property project company in Hangzhou, respectively.

In November 2019, the Group and Hangzhou Shunguang entered into a shareholder resolution, pursuant to which, Hangzhou Shunguang follows the Group on all substantive decision on the operating and financing policies of Hangzhou Xiaoying thereafter. Since then, the directors of the Company consider that the Group has effective control over Hangzhou Xiaoying, and Hangzhou Xiaoying became a non-wholly owned subsidiary of the Group. The transaction was regarded as assets acquisition.

(l) In December 2019, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 51% equity interests of Shanghai Juanyu Real Estate Development Co., Ltd. ("Shanghai Juanyu") to the Group at a total consideration of RMB25,727,000. The transaction was regarded as assets acquisition which was completed in December 2019.

40 Related-party transactions

(a) Name and relationship with related parties

Name	Relationship with the Group
Ningbo Jiamu	Associate
Ningbo Jinghang Property Co., Ltd. ("Ningbo Jinghang")	A subsidiary of an associate
Nanjing Yuning	Associate
Ningbo Rong'an Education	Associate
Ningbo Kanghua Property Co.,Ltd.	A subsidiary of an associate
Tianjin Ruiyue	Joint venture before July 2019, a subsidiary thereafter (Note 9)
Hangzhou Xiaoying	Joint venture before November 2019, a subsidiary thereafter (Note 9)
Changshu Zhicheng	Joint venture
Tianjin Yuanming	Joint venture
Hangzhou Zhenlu	Associate
Hangzhou Lvcheng Guixi Real Estate Development Co., Ltd. ("Lvcheng Guixi")	A subsidiary of an associate
Suzhou Lingrui	Joint venture
Suzhou Chengrui	Joint venture
Tropica Development	Associate
Nanjing Caicheng	Joint venture
Ningbo Jingfeng	Associate
Tianjin Junyou	Joint venture (Note 9)
Tianjin Xinyou Property Co.,Ltd. ("Tianjin Xinyou")	A subsidiary of a joint venture
Changshu Huihuang	Associate before June 2020, an associate of a joint venture thereafter (Note 9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(a) Name and relationship with related parties (continued)

Name	Relationship with the Group
Nanjing Shansheng	Joint venture (Note 9)
Changshu Junchun	Joint venture before October 2020, a subsidiary thereafter (Note 9)
Changshu Jiangnan Zhongying Real Estate Property Co., Ltd. ("Jiangnan Zhongying")	A subsidiary of a joint venture before October 2020, a subsidiary thereafter
Changshu Jiangnan Guotai Real Estate Property Co., Ltd. ("Jiangnan Guotai")	A subsidiary of a joint venture before October 2020, a subsidiary thereafter
Tianjin Ruihui	Associate (Note 10)
Tianjin Ruihui Real Estate Development Co., Ltd. ("Tianjin Ruihui Development")	A subsidiary of an associate
Shanghai Pinzhai	Associate (Note 10)
Shanghai Jidong Decoration Engineering Co., Ltd. ("Shanghai Jidong")	A subsidiary of an associate
Pinzhuang Jianzhu Design Consulting Co., Ltd. ("Pinzhuang Jianzhu")	A subsidiary of an associate
Shanghai Zhengmin	Associate
Nanjing Yuesheng	Associate (Note 10)
Yangling Guanghui	Associate (Note 10)
Tianjin Xuming	Associate (Note 10)
Tianjin Hesheng Real Estate Development Co., Ltd. ("Tianjin Hesheng")	A subsidiary of an associate
Ningbo Puhong	Joint venture (Note 9)
Tianjin Xinghuacheng Property Co., Ltd. ("Tianjin Xinghuacheng")	Joint venture
Shanghai Puhong Property Co., Ltd. ("Shanghai Puhong")	A subsidiary of a joint venture
Hangzhou Yuerong Real Estate Co., Ltd. ("Hangzhou Yuerong")	A subsidiary of an associate
Shanghai Maglink Enterprise Management Co., Ltd. ("Shanghai Maglink")	A subsidiary of a joint venture
Yangpu Scien-Tech Industry Co., Ltd. ("Yangpu Scien-Tech")	A company wholly owned by Yan Hao
Beyond Wisdom Limited	A company wholly owned by Yan Hao
Sunny King International Limited	A company wholly owned by Chen Xin Ge
Yan Hao	Substantial shareholder, director, co-chairmen, chief executive officer
Chen Xin Ge	Substantial shareholder, director, co-chairmen
Suzhou Jingya	Subsidiary before June 2020, a joint venture thereafter
Tianjin Changxin Decoration Co., Ltd. ("Tianjin Changxin")	Joint venture
Beijing Jingshuo	Subsidiary before May 2020, a joint venture thereafter
Tian'an Huafeng	Subsidiary before May 2020, a joint venture thereafter
Yangzhou Hengyu (i)	Joint venture (Note 9)
Taicang Jingchen (ii)	Joint venture (Note 9)

Note:

- (i) Since December 2020, Yangzhou Hengyu became a joint venture of the Group.
- (ii) Since September 2020, Taicang Jingchen became a joint venture of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(b) Transactions with related parties

The Group has the following related party transactions:

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
(i)	Providing/(repayment of) temporary funding to/(from) related parties		
	– Nanjing Yuning	–	(14,689)
	– Ningbo Jingfeng	–	798
	– Nanjing Caicheng	49,800	861,647
	– Tianjin Junyou	–	40,817
	– Tianjin Xinyou	–	(330)
	– Changshu Huihuang	–	(39,805)
	– Changshu Junchun	–	14,108
	– Nanjing Yuesheng	499,410	1,543
	– Ningbo Puhong	49,557	(17,086)
	– Tianjin Ruihui	–	2
	– Ningbo Jiamu	(14,800)	–
	– Tian'an Huafeng	36,491	–
	– Beijing Jingshuo	40,098	–
	– Shanghai Puhong	24,750	–
	– Shanghai Maglink	7,456	–
	– Yangzhou Hengyu	170,391	–
		863,153	847,005
(ii)	Providing loans to related parties		
	– Tianjin Ruihui Development	–	13,183
	– Tianjin Xuming	–	93,510
		–	106,693

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(b) Transactions with related parties (continued)

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
(iii)	(Repayment)/collection of temporary funding (to)/from related parties		
	– Ningbo Jiamu	–	100,000
	– Changshu Zhicheng	4,000	(16,000)
	– Suzhou Lingrui	10,000	(7,500)
	– Suzhou Chengrui	(4,000)	16,342
	– Nanjing Caicheng	265,059	776,884
	– Lvcheng Guixi	–	10,500
	– Jiangnan Zhongying	–	46,209
	– Jiangnan Guotai	–	38,280
	– Tianjin Xinyou	29,700	15,345
	– Ningbo Jingfeng	137,306	135,000
	– Nanjing Yuning	33,444	27,250
	– Changshu Huihuang	–	399,026
	– Nanjing Shansheng	132,325	47,908
	– Tianjin Hesheng	96,010	82,500
	– Ningbo Puhong	9,035	9,241
	– Hangzhou Yuerong	7,651	24,863
	– Nanjing Yuesheng	384,558	–
	– Taicang Jingchen	40,575	–
	– Tianjin Ruihui Development	84,817	–
	– Shanghai Maglink	(4,000)	–
	– Tianjin Changxin	12,200	–
	– Beyond Wisdom Limited	17,916	–
	– Yangpu Scien-Tech	6,000	–
	– Suzhou Jingya	(354,662)	–
		907,934	1,705,848
(iv)	Collection of shareholder's loan from related parties		
	– Shanghai Pinzhai	4,000	–
	– Tianjin Ruiyue	–	624,892
	– Tianjin Ruihui Development	13,183	–
	– Nanjing Shansheng	–	61,350
	– Yangling Guanghui	19,600	79,946
		36,783	766,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(b) Transactions with related parties (continued)

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
(v)	Expenses paid by the Group on behalf of related parties		
	– Ningbo Jinghang	–	962
	– Ningbo Jingfeng	–	6
	– Changshu Huihuang	–	254
	– Hangzhou Xiaoying	–	1,125
	– Suzhou Chengrui	–	1,731
	– Tianjin Hesheng	1,263	5,086
	– Shanghai Maglink	2,312	1,688
	– Yangling Guanghui	–	8,255
	– Tian'an Huafeng	34	–
		3,609	19,107
(vi)	Providing decoration services to a related party		
	– Nanjing Caicheng	3,837	–
(vii)	Receiving decoration services from related parties		
	– Shanghai Jidong	27,716	–
	– Shanghai Pinzhai	6,216	–
	– Pinzhuang Jianzhu	58	–
		33,990	–
(viii)	Providing property management services to related parties		
	– Changshu Huihuang	–	1,223
	– Shanghai Zhengmin	486	–
	– Shanghai Maglink	739	–
		1,225	1,223
(ix)	Interest income from related parties		
	– Tianjin Ruiyue	–	13,022
	– Nanjing Shansheng	–	10,005
	– Yangling Guanghui	892	9,901
	– Tianjin Yuanming	–	4,233
	– Shanghai Pinzhai	2,247	791
		3,139	37,952
(x)	Interest expense to a related party		
	– Yangpu Scien-Tech	330	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(b) Transactions with related parties (continued)

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
(xi)	Providing consulting service to related parties		
	– Ningbo Jingfeng	3,402	3,774
	– Nanjing Shansheng	777	6,643
	– Suzhou Chengrui	–	1,717
	– Jiangnan Guotai	–	2,566
	– Jiangnan Zhongying	–	1,775
	– Changshu Zhicheng	–	802
		4,179	17,277
(xii)	Senior notes subscribed by a related party Beyond Wisdom Limited		
	– Discounted principal amount (Note 19)	–	–
	– Fully capitalised interest	7,359	8,739
		7,359	8,739
(xiii)	Guarantee provided to joint ventures and associates (Note 37)		
	– Nanjing Caicheng	510,000	344,000
	– Taicang Jingchen	152,100	–
	– Nanjing Yuesheng	109,861	–
	– Tianjin Ruihui Development	100,205	–
	– Changshu Zhicheng	–	31,000
	– Tianjin Hesheng	–	90,000
	– Yangling Guanghui	–	392,000
	– Changshu Junchun	–	627,000
		872,166	1,484,000

(c) Key management compensation

Key management includes directors (executive and non-executive), chief financial officer, vice presidents, head of Capital Platform, head of Jingrui Service, head of Yan Capital Management and secretary of the board of directors. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries and other short-term employee benefits	16,339	17,597
Share award scheme	2,478	4,953
Share option scheme	300	1,312
Post-employment benefits	189	420
	19,306	24,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(d) Related-party balances

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
(i) Amounts due from related parties (Note 15)		
– Ningbo Jinghang	9,787	9,789
– Tianjin Yuanming	145,729	145,729
– Nanjing Caicheng	1,480,722	1,427,085
– Ningbo Jingfeng	3,176	7,111
– Suzhou Chengrui	64,720	64,720
– Tianjin Junyou	85,430	85,430
– Changshu Huihuang	–	356
– Changshu Junchun	–	317,642
– Tianjin Xuming	93,510	93,510
– Ningbo Puhong	58,255	8,698
– Yangling Guanghui (note(1))	129,434	142,941
– Shanghai Maglink	8,195	1,688
– Tianjin Hesheng	3,711	2,710
– Tianjin Ruihui	2	2
– Tianjin Ruihui Development	–	13,183
– Nanjing Yuesheng	500,953	1,543
– Shanghai Pinzhai (note(2))	20,083	24,083
– Tian'an Huafeng	70,927	–
– Yangzhou Hengyu	170,391	–
– Ningbo Jiamu	94,845	–
– Suzhou Jingya	119,026	–
– Beijing Jingshuo	40,098	–
– Shanghai Puhong	24,750	–
– Shanghai Zhengmin	486	–
	3,124,230	2,346,220

Note:

- (1) The balance as at 31 December 2020 includes an amount of RMB121,997,000 (31 December 2019: RMB136,220,000) due from Yangling Guanghui, which represents the outstanding principal for a shareholder's loan granted to Yangling Guanghui and interest receivable. The shareholder loan has an annual interest rate of 10% and unsecured.
- (2) The balance of RMB20,083,000 as at 31 December 2020 (31 December 2019: RMB24,083,000) due from Shanghai Pinzhai, which represents the outstanding principal for a shareholder's loan granted to Shanghai Pinzhai. The shareholder loan has an annual interest rate of 10% and unsecured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(d) Related-party balances (continued)

		As at 31 December	
		2020	2019
		RMB'000	RMB'000
(ii)	Amounts due to related parties (Note 21)		
	– Ningbo Jiamu	205,853	231,008
	– Ningbo Jinghang	11	13
	– Changshu Zhicheng	10,041	6,041
	– Suzhou Lingrui	25,763	15,763
	– Suzhou Chengrui	92,584	96,584
	– Nanjing Caicheng	3,174,888	2,909,829
	– Ningbo Rong'an Education	31,750	31,750
	– Lvcheng Guixi	52,500	52,500
	– Tianjin Xinghuacheng	16,000	16,000
	– Jiangnan Zhongying	–	58,226
	– Jiangnan Guotai	–	66,933
	– Nanjing Yuning	60,694	27,250
	– Ningbo Jingfeng	272,306	135,000
	– Tianjin Xinyou	45,045	15,345
	– Changshu Huihuang	–	399,026
	– Nanjing Shansheng	180,233	47,908
	– Ningbo Puhong	18,276	9,241
	– Shanghai Pinzhai	10,067	3,851
	– Hangzhou Yuerong	32,514	24,863
	– Tianjin Hesheng	178,510	82,500
	– Nanjing Yuesheng	384,558	–
	– Suzhou Jingya	174,588	–
	– Tian'an Huafeng	117,075	–
	– Shanghai Jidong	20,500	–
	– Pinzhuang Jianzhu	10	–
	– Taicang Jingchen	78,336	–
	– Tianjin Ruihui Development	84,817	–
	– Tianjin Changxin	12,200	–
	– Beyond Wisdom Limited	17,916	–
	– Yangpu Scien-Tech (note (1))	6,000	–
		5,303,035	4,229,631

Note:

- (1) The balance as at 31 December 2020 includes an amount of RMB6,000,000 (31 December 2019: Nil) due to Yangpu Scien-Tech represents the outstanding principal for a shareholder's loan received from Yangpu Scien-Tech. The shareholder loan has an annual interest rate of 8.5% and unsecured.

Except for those balances disclosed above, other fundings provided to or from related parties are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2020 and 2019 are as follows:

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Jingrui Properties (Group) Co., Ltd. (景瑞地產(集團)股份有限公司) ("Jingrui Properties") (b)	8 September 1993	1,621,079	1,621,079	100%	100%	Property land investment holding
Ningbo Jingrui Property Co., Ltd. (寧波景瑞置業有限公司)	20 February 2013	620,000	620,000	100%	100%	Property development
Equity International Urban Facilities Development (Tianjin) Co., Ltd. (權益城市設施開發(天津)有限公司) (b)	25 June 2007	USD71,600	USD71,600	100%	100%	Urban infrastructure development
El Urban Facilities Development (Tianjin) Co., Ltd. (天津億安城市設施開發有限公司) (b)	15 August 2007	533,325	533,325	100%	100%	Urban infrastructure development
Shanghai Xiaoyi Investment Co., Ltd. (上海驍意投資有限公司) (Note 38(c))	13 May 2014	100	100	65%	65%	Investment holding
Suzhou Jinghui Property Co., Ltd. (蘇州璟輝置業有限公司)	14 April 2016	600,000	600,000	100%	100%	Property development
Wuhan Ruixiao Real Estate Investment Co., Ltd. (武漢瑞驍房地產投資有限公司)	17 March 2017	1,003,000	1,003,000	100%	100%	Investment holding
Wuhan Ruiqian Business Consulting Co., Ltd. (武漢瑞乾商務諮詢有限公司) ("Wuhan Ruiqian")	12 December 2017	200,000	200,000	60%	60%	Property management
Taicang Jingrui Business Consulting Co., Ltd. (太倉璟睿諮詢有限公司) (Note 38(f))	1 April 2017	1,000,000	1,000,000	100%	100%	Investment holding
Shanghai Shenran Business Consulting Co., Ltd. (上海榮冉商務諮詢有限公司) ("Shanghai Shenran") (c)	17 December 2018	1,000,000	1,000,000	30%	30%	Investment holding
Shanghai Guicui Information Consulting Co., Ltd. (上海晷翠信息諮詢有限公司) ("Shanghai Guicui") (c)	17 December 2018	1,000,000	1,000,000	30%	30%	Investment holding
Shanghai Jingrui Property Management Co., Ltd. (上海景瑞物業管理有限公司) ("Jingrui Property Management") (Note 38(i)), (Note 39(c))	31 December 1996	47,882	47,882	82%	100%	Property management
Shanghai Lichen Building Decoration Engineering Co., Ltd. (上海立臣建築裝飾工程有限公司)	4 November 2011	500,000	500,000	100%	100%	Building decoration engineering
Shanghai Jingrui Investment Co., Ltd. (上海景瑞投資有限公司) (a)	22 July 2003	100,000	100,000	100%	100%	Investment holding
Changzhou Jingshen Property Co., Ltd. (常州景申置業有限公司)	14 April 2006	80,000	80,000	100%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Changzhou Jingshang Property Co., Ltd. (常州景尚置業有限公司)	23 February 2011	620,000	620,000	100%	100%	Property development
Nantong Jingrui Property Co., Ltd. (南通景瑞置業有限公司)	26 January 2010	210,520	210,520	100%	100%	Property development
Zhoushan Jingrui Property Co., Ltd. (舟山景瑞置業有限公司)	16 February 2006	50,000	50,000	100%	100%	Property development
Zhoushan Jingshang Property Co., Ltd. (舟山景尚置業有限公司) ("Zhoushan Jingshang") (Note 38(h))	17 August 2010	200,000	200,000	100%	100%	Property development
Shaoxing Jingrui Property Co., Ltd. (紹興景瑞置業有限公司)	27 June 2011	100,000	100,000	100%	100%	Property development
Shanghai Huajiang Construction and Development Co., Ltd. (上海華江建設發展有限公司) ("Shanghai Huajiang")	16 August 2002	10,000	10,000	67.5%	67.5%	Property development
Hainan Jingshen Investment Management Co., Ltd. (海南景申投資管理有限公司)	14 May 2013	10,000	10,000	100%	100%	Property management and investment holding
Hainan Jingshang Commercial Management Co., Ltd. (海南景尚商業管理有限公司)	17 April 2013	USD2,000	USD2,000	100%	100%	Property management and investment holding
Shanghai Fengxiang Property Development Co., Ltd. (上海鳳翔房地產開發有限公司)	23 June 1998	100,000	100,000	100%	100%	Property Development
Shaoxing Jingming Property Co., Ltd. (紹興景明置業有限公司)	22 January 2014	5,000	5,000	51%	51%	Property development
Shanghai Hefu Investment Co., Ltd. (上海合福投資管理有限公司)	16 October 2015	100,000	100,000	100%	100%	Investment holding
Shanghai Shangpu Investment Fund Management Center LLP (上海上璞股權投資基金管理中心(有限合夥))	23 July 2015	192,030	192,030	100%	100%	Investment holding
Ningbo Gangcheng Business and Trading Co., Ltd. (寧波港程商貿有限公司)	28 February 2014	50,000	50,000	50%	50%	Property development
Suzhou Ailide Trade Co., Ltd. (蘇州艾力得貿易有限公司) ("Suzhou Ailide") (c)	8 January 2015	50,000	50,000	50%	50%	Hardware and building materials
Ningbo Harbour City Business Management Co., Ltd. (寧波海港城商業管理有限公司)	23 April 2014	1,000	50	50%	50%	Investment holding
Hangzhou Jingcheng Property Co., Ltd. (杭州景程置業有限公司)	6 November 2017	5,000	5,000	100%	100%	Property development
Tianjin Tianrui Investment Development Co., Ltd. (天津天瑞投資發展有限公司)	14 October 2011	30,000	30,000	70%	70%	Property development
Ningbo Jingshen Property Co., Ltd. (寧波景申置業有限公司) ("Ningbo Jingshen")	31 May 2016	30,000	30,000	65%	65%	Property development
Ningbo Jingjun Property Co., Ltd. (寧波景鈞置業有限公司) ("Ningbo Jingjun") (c)	21 October 2016	10,000	10,000	44%	44%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Ningbo Xiaoyong Investment Co., Ltd. (寧波驍勇投資有限公司) ("Ningbo Xiaoyong") (c)	19 October 2016	10,000	10,000	44%	44%	Investment holding
Wuhan Yanzhuo Building Decoration Engineering Co., Ltd. (武漢衍琢裝飾工程有限公司) ("Wuhan Yanzhuo") (c)	27 June 2018	20,000	20,000	40%	40%	Property development
Shanghai Xiaoze Investment Co., Ltd. (上海驍澤投資有限公司)	7 May 2014	100,000	100,000	70%	70%	Investment holding
Shanghai Linjia Life Development Co., Ltd. (上海鄰加生活企業發展股份有限公司)	23 December 2015	30,000	30,000	100%	100%	Property Management
Ningbo Xiangjun Investment Co., Ltd. (寧波翔竣投資有限公司) ("Ningbo Xiangjun")	19 October 2016	400,000	400,000	51%	51%	Investment holding
Taicang Jingyu Business Consulting Co., Ltd. (太倉璟譽諮詢管理有限公司) ("Taicang Jingyu")	1 April 2017	10,000	10,000	100%	100%	Property Management
Taicang Jingxia Business Consulting Co., Ltd. (太倉璟瑕諮詢管理有限公司)	1 April 2017	100	100	100%	100%	Property Management
Beijing Jingxiu Business Management Centre (北京景秀商業管理中心)	12 January 2017	1,000	1,000	100%	100%	Property Management
Ningbo Meishan Free Trade Port Youyue Investment Co., Ltd. (寧波梅山保稅港區優越資產管理有限公司)	23 February 2017	100,000	30,000	100%	100%	Investment holding
Ningbo Jingtong Property Co., Ltd. (寧波景通置業有限公司)	23 May 2017	200,000	200,000	100%	100%	Property development
Shanghai Ruiyue Hotel Management Co., Ltd. (上海瑞越酒店管理有限公司)	16 March 2017	100,000	40,000	100%	100%	Property management
Shanghai Shenxin Real Estate Co., Ltd. (上海申信房地產有限公司) ("Shanghai Shenxin") (a)	20 October 1992	10,800	10,800	100%	100%	Property management
Beijing Zhongguan Xinyuan Management LLP (北京中關信苑企業管理有限公司)	8 March 2017	10,000	10,000	100%	100%	Property management
Shanghai Hutai Real Estate Development Co., Ltd. (上海滬泰房地產發展有限公司) ("Shanghai Hutai") (a)	16 November 1992	79,475	79,475	100%	100%	Property management
Shanghai Zhaoliang Advertising Co., Ltd. (上海兆量廣告有限公司)	7 January 2008	10,000	10,000	100%	100%	Property management
Wuhan Yingjin Jiayuan Real Estate Development Co., Ltd. (武漢盈錦嘉園房地產開發有限公司) ("Wuhan Jiayuan") (c)	23 November 2016	60,000	60,000	40%	40%	Property development
Hangzhou Ruimeng Hotel Management Co., Ltd. (杭州瑞夢酒店管理有限公司)	27 December 2017	10,000	10,000	100%	100%	Property management
Zhongguan Yayuan Enterprise Management Co., Ltd. (北京中關雅苑企業管理有限公司)	9 March 2017	10,000	10,000	100%	100%	Property management
Zhongfa Wenchan Property(Wuhan) Co., Ltd. (中法文產置業(武漢)有限公司)	15 June 2017	55,000	55,000	60%	60%	Property Development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Tianjin Ruihua Real Estate Development Co., Ltd. (天津瑞華房地產開發有限責任公司)	14 February 2018	30,000	30,000	100%	100%	Property Development
Tianjin Ruisheng Real Estate Development Co., Ltd. (天津瑞盛房地產開發有限責任公司) ("Tianjin Ruisheng") (a)	7 March 2018	30,000	30,000	100%	100%	Property Development
Hangzhou Jingqi Corporate Management Consulting Co., Ltd. (杭州景祺企業管理諮詢有限公司) (Note 38(b))	17 May 2018	330,000	330,000	100%	60%	Investment holding
Hangzhou Jingsheng Property Co., Ltd. (杭州景勝置業有限公司)	17 May 2018	330,000	330,000	100%	60%	Property Development
Shanghai Shanding Property Management Co., Ltd. (上海山鼎物業管理有限公司)	7 November 2017	1,000	1,000	100%	100%	Property management
Shanghai Shenshi Property Co., Ltd. (上海申實置業有限公司)	28 April 2017	10,000	–	100%	100%	Property management
Tianjin Ruijun Real Estate Development Co., Ltd. (天津瑞駿房地產開發有限責任公司) ("Tianjin Ruijun") (Note 38(l))	13 June 2019	337,000	337,000	51%	51%	Property Development
Ningbo Jingxin Property Co., Ltd. (寧波景心置業有限公司) (Note 38(m))	12 June 2019	1,222,320	1,092,655	100%	33.76%	Property Development
Wuhan Ruiyihongfa Real Estate Development Co., Ltd. (武漢瑞毅弘發房地產開發有限公司) ("Wuhan Ruiyihongfa") (c)	22 July 2019	200,000	200,000	30%	30%	Property Development
Shanghai Yuexia Enterprise Management Co., Ltd. (上海悅瑕企業管理有限責任公司) (Note 39(j))	1 March 2019	10,000	–	100%	100%	Property management
Hangzhou Juanheng Property Co., Ltd. (杭州隽恒置業有限公司)	22 September 2019	350,000	50,000	51%	51%	Property Development
Hangzhou Xiaoying Real Estate Development Co., Ltd. (杭州銷穎房地產開發有限公司) ("Hangzhou Xiaoying") (Note 9(f)), (Note 39(k))	13 January 2011	30,000	30,000	50%	50%	Property Development
Wuhan Botongshirong Real Estate Development Co., Ltd. (武漢博通世融房地產開發有限公司) (Note 39(g))	22 July 2019	10,000	10,000	60%	–	Property Development
Shanghai Jingyao Property Co., Ltd. (上海璟曜置業有限公司)	25 May 2020	285,000	285,000	70%	–	Property Development
Chengdu Jingxu Property Co., Ltd. (成都景旭置業有限公司)	13 March 2020	10,000	–	100%	–	Property Development
Chongqing Jiuruxin Trading Co., Ltd. (重慶九睿鑫貿易有限責任公司) ("Chongqing Jiuruxin") (Note 39(f)), (a)	23 Sept 2019	237,969	217,969	100%	–	Property development
Chengdu Jingyu Property Co., Ltd. (成都景煜置業有限公司)	14 April 2020	10,000	10,000	79%	–	Property Development
Hangzhou Jinghui Property Co., Ltd. (杭州景暉置業有限公司)	11 June 2020	100,000	100,000	100%	–	Property Development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Anhui Wenyi Investment Holding Group Bincheng Property Co., Ltd. (安徽省文一投資控股集團濱城置業有限公司) ("Anhui Wenyi") (Note 39(e)) (a)	25 January 2016	100,000	100,000	50%	-	Property Development
Chongqing Hushenghui Management Consulting Co., Ltd. (重慶滬昇輝企業管理諮詢有限公司)	11 June 2020	10,000	10,000	100%	-	Investment holding
Yangzhou Jingxiao Property Co., Ltd. (揚州景驍置業有限公司)	27 September 2020	20,000	-	100%	-	Property Development
Wuxi Jingyi Property Co., Ltd. (無錫景屹置業有限公司)	9 September 2020	200,000	200,000	83%	-	Property Development
Changzhou Jingrong Property Co., Ltd. (常州景榮置業有限公司)	16 September 2020	20,000	20,000	100%	-	Property Development
Chongqing Jinghuanjin Property Co., Ltd. (重慶景煥金置業有限公司)	12 October 2020	20,000	-	60%	-	Property Development
Chengdu Shijichunqiu Property Co., Ltd. (成都世紀春秋置業有限公司) (Note 39(h))	23 July 2014	20,000	20,000	100%	-	Property Development
Chengdu Yaqing Trading Co., Ltd. (成都亞慶貿易有限責任公司) (Note 39(i))	28 October 1994	8,800	8,800	63%	-	Property development
Tianjin Ruiming Real Estate Development Co., Ltd. (天津瑞明房地產開發有限公司)	11 November 2020	30,000	-	100%	-	Property Development
Wuxi Jinghang Consultant Management Co., Ltd. (無錫璟航諮詢管理有限公司) ("Wuxi Jinghang") (Note 38(j))	13 November 2020	255,000	255,000	71%	-	Investment holding
Changshu Jiangnan Zhongying Real Estate Property Co., Ltd. (常熟市江南中盈房地產置業有限責任公司) (a)	02 April 2011	306,200	306,200	34%	N/A	Property management
Changshu Jiangnan Guotai Real Estate Property Co., Ltd. (常熟市江南國泰房地產置業有限責任公司) (a)	15 March 2011	400,000	400,000	34%	N/A	Property management
Shanghai Youkun Management Consulting Co., Ltd. (上海優昆企業管理有限公司) ("Shanghai Youkun") (d)	19 November 2020	450,000	180,000	79%	-	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Changshu Junchun Trading Co., Ltd. (常熟駿淳貿易集團有限公司) ("Changshu Junchun") (Note 9(h)), (Note 39(b)), (a), (f)	4 September 2018	500,000	500,000	34%	N/A	Investment holding
Taicang Jinghui Consulting Co., Ltd. (太倉璟惠諮詢管理有限公司) ("Taicang Jinghui") (Note 38(g))	1 April 2017	364,000	364,000	79%	100%	Investment holding
Hunan Kungpeng Property Service Co., Ltd. (湖南鯤鵬物業服務有限公司) ("Hunan Kungpeng") (Note 38(i)), (Note 39(c))	31 March 2005	20,000	20,000	51%	–	Property management
Jiangsu Xinxiang Property Co., Ltd. (江蘇欣祥物業有限公司) ("Jiangsu Xinxiang") (Note 38(j)), (Note 39(d))	25 January 2008	10,000	5,000	51%	–	Property management
Nanchang Jinle Property Co., Ltd. (南昌縣錦樂置業有限公司) ("Nanchang Jinle") (Note 39(a))	23 March 2018	50,000	50,000	51%	–	Property Development
Jiaxing Jinghong Property Co., Ltd. (嘉興璟鴻置業有限公司) ("Jiaxing Jinghong") (c)	20 December 2019	300,000	300,000	40%	–	Property Development
Ningbo Meishan Free Trade Port Jingkai investment management Co., Ltd. (寧波梅山保稅港區景凱投資管理有限公司) ("Meishan Jingkai") (e)	21 December 2017	410,000	207,750	51%	100%	Investment holding
Subsidiaries incorporated in Hong Kong						
Jingrui HK Holdings Limited ("EI HK") (b)	25 June 2007	USD10	USD10	100%	100%	Property and investment holding
Sincere Paragon Limited	5 February 2013	HKD380,000	HKD380,000	100%	100%	Investment holding
Subsidiaries incorporated in BVI						
Faithful Gem Limited	18 September 2013	USD50,000	–	100%	100%	Investment holding
Natural Apex Limited	9 January 2013	USD50,000	USD50,000	100%	100%	Investment holding

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

- (a) Certain equity interests in the subsidiaries of the Company were pledged for trust financing arrangement as at 31 December 2020 and 2019 (Note 19). For details, please refer to the table below:

	As at 31 December	
	2020	2019
Percentage of equity interests in Tianjin Ruisheng	–	100%
Percentage of equity interests in Shanghai Shenxin	–	100%
Percentage of equity interests in Shanghai Hutai	100%	–
Percentage of equity interests in Chongqing Jiuruixin	100%	–
Percentage of equity interests in Wenyi Bincheng	100%	–
Percentage of equity interests in Jiangnan Zhongying	90%	–
Percentage of equity interests in Jiangnan Guotai	90%	–

- (b) The companies are investment holding companies without any business other than the holding of 20.3% equity interests in Jingrui Properties. They were acquired by the Group in April 2013 for the purpose of the reorganisation.
- (c) As at 31 December 2020, the Group owned 44% equity interests in Ningbo Xiaoyong, 50% equity interests in Suzhou Alide, 40% equity interests in Wuhan Jiayuan, 40% equity interests in Wuhan Yanzhuo, 30% equity interests in Shanghai Shenran, 30% equity interests in Shanghai Guicui, 50% equity interests in Wuhan Ruiyihongfa and 40% equity interests in Jiaxing Jinghong.

The directors of the Group consider that the Group has effective control over the above-mentioned companies, because according to agreements between the Group and other shareholders of these companies, other shareholders of these companies follow the Group on all substantive decision on the operating and financing policies after the agreements during the life of these companies.

- (d) As at 31 December 2020, Shanghai Youkun was owned as to 78.67% by the Group and 21.33% by an independent third party. The directors of the Group consider that the Group has effective control over Shanghai Youkun because according to the agreement between the two parties, the third party follows the Group on all substantive decision on the operating and financing policies after the agreement during the life of Shanghai Youkun.
- (e) As at 31 December 2020, Meishan Jingkai was owned as to 51.22% by the Group and 48.78% by an independent third party. The directors of the Group consider that the Group has effective control over Meishan Jingkai because according to the agreement between the two parties, the third party follows the Group on all substantive decision on the operating and financing policies after the agreement during the life of Meishan Jingkai.
- (f) As at 31 December 2020, Changshu Junchun was owned as to 34% by the Group and 66% by two independent third parties. The directors of the Group consider that the Group has effective control over Changshu Junchun because according to the agreement among the three parties, the two third parties follow the Group on all substantive decision on the operating and financing policies after the agreement during the life of Changshu Junchun.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

(g) Summarised financial information on subsidiaries with non-controlling interests material to the Group.

The non-controlling interests of the Group are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-controlling interests for		
– Ningbo Xiaoyong	49,122	52,666
– Ningbo Xiangjun	245,836	237,637
– Wuhan Ruiqian	92,130	389,113
– Wuhan Jiayuan	853,759	874,379
– Shanghai Guicui	699,997	699,998
– Shanghai Shenran	699,997	699,998
– Tianjin Ruijun	162,953	164,847
– Meishan Youyu	148,663	93,122
– Tianjin Ruijie Commercial Management Co., Ltd.	76,824	77,515
– Tianjin Ruidong Commercial Management Co., Ltd.	71,839	72,485
– Taicang Jinghui	74,480	30,000
– Shanghai Huajiang	65,181	17,590
– Shanghai Juanyu	164,997	24,734
– Jiaxing Jinghong	176,815	–
– Meishan Jingkai	199,970	–
– Nanchang Jinle	145,109	–
– Wenyi Bincheng	137,632	–
– Changshu Junchun	475,871	–
– Wuxi Jinghang	72,264	–
– Shanghai Youkun	96,000	–
– Zhoushan Jingshang	72,689	–
– Other subsidiaries	348,191	365,830
	5,130,319	3,799,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Set out below are the summarised financial information for the subsidiaries including Shanghai Huajiang, Ningbo Xiaoyong, Wuhan Ruiqian, Wuhan Jiayuan, Ningbo Xiangjun, Changshu Junchun, Shanghai Guicui, Shanghai Shenran, Nanchang Jinle and Wenyi Bincheng that have non-controlling interests that are material to the Group, and the information below is the amounts before inter-company eliminations.

Summarised balance sheet

	Shanghai Huajiang As at 31 December		Ningbo Xiaoyong As at 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Current				
Assets	269,142	73,930	142,667	961,069
Liabilities	(68,734)	(19,958)	(55,013)	(883,292)
Total current net assets	200,408	53,972	87,654	77,777
Non-current				
Assets	150	150	63	16,269
Liabilities	–	–	–	–
Total non-current net assets	150	150	63	16,269
Net assets	200,558	54,122	87,717	94,046

	Wuhan Ruiqian As at 31 December		Wuhan Jiayuan As at 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Current				
Assets	1,818,326	1,583,233	5,748,083	4,923,460
Liabilities	(964,749)	(619,569)	(3,686,531)	(3,244,031)
Total current net assets	853,577	963,664	2,061,552	1,679,429
Non-current				
Assets	4,248	9,117	63,379	41,869
Liabilities	(627,500)	–	(702,000)	(264,000)
Total non-current net (liabilities)/assets	(623,252)	9,117	(638,621)	(222,131)
Net assets	230,325	972,781	1,422,931	1,457,298

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Summarised balance sheet (continued)

	Ningbo Xiangjun		Changshu Junchun
	As at 31 December		As at
	2020	2019	31 December
	RMB'000	RMB'000	2020
			RMB'000
Current			
Assets	532,606	646,136	4,879,893
Liabilities	(30,910)	(161,181)	(3,587,702)
Total current net assets	501,696	484,955	1,292,191
Non-current			
Assets	10	19	29,326
Liabilities	–	–	(600,499)
Total non-current net assets/(liabilities)	10	19	(571,173)
Net assets	501,706	484,974	721,018

	Shanghai Shenran		Shanghai Guicui	
	As at 31 December		As at 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Assets	1,389,755	999,997	1,270,002	999,997
Liabilities	(389,760)	–	(270,007)	–
Total current net assets	999,995	999,997	999,995	999,997
Non-current				
Assets	–	–	–	–
Liabilities	–	–	–	–
Total non-current net assets/(liabilities)	–	–	–	–
Net assets	999,995	999,997	999,995	999,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Summarised balance sheet (continued)

	Nanchang Jinle As at 31 December 2020 RMB'000	Wenyi Bincheng As at 31 December 2020 RMB'000
Current		
Assets	3,045,524	3,520,765
Liabilities	(2,781,443)	(3,255,373)
Total current net assets	264,081	265,392
Non-current		
Assets	37,833	14,406
Liabilities	(5,774)	(4,535)
Total non-current net assets	32,059	9,871
Net assets	296,140	275,263

Summarised statement of comprehensive income

	Shanghai Huajiang Year ended 31 December		Ningbo Xiaoyong Year ended 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	1,467	1,257	920,926	–
Profit/(loss) before income tax	195,248	(301)	140,121	(4,910)
Income tax expense/(credit)	(48,812)	(1,763)	(56,450)	3,282
Post-tax profit/(loss)	146,436	(2,064)	83,671	(1,628)
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss)	146,436	(2,064)	83,671	(1,628)
Profit/(loss) allocated to non-controlling interests	47,592	(671)	46,856	(911)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Summarised statement of comprehensive income (continued)

	Wuhan Ruiqian		Wuhan Jiayuan	
	Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	242,204	–	170	170
Profit/(loss) before income tax	109,898	(20,467)	(45,675)	(38,449)
Income tax (expense)/credit	(52,354)	3,110	11,308	9,483
Post-tax profit/(loss)	57,544	(17,357)	(34,367)	(28,966)
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss)	57,544	(17,357)	(34,367)	(28,966)
Profit/(loss) allocated to non-controlling interests	23,018	(6,943)	(20,620)	(17,380)

	Ningbo Xiangjun		Changshu Junchun
	Year ended 31 December		For the period from 31 October 2020 to 31 December 2020
	2020	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue	11,529	1,198,101	1,526,740
(Loss)/profit before income tax	(6,549)	157,854	278,145
Income tax credit/(expense)	23,281	(61,212)	(126,112)
Post-tax profit	16,732	96,642	152,033
Other comprehensive income	–	–	–
Total comprehensive income	16,732	96,642	152,033
Profit allocated to non-controlling interests	8,199	47,355	100,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Summarised statement of comprehensive income (continued)

	Shanghai Shenran		Shanghai Guicui	
	Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	-	-	-	-
Loss before income tax	(2)	(3)	(2)	(2)
Income tax expense	-	-	-	-
Post-tax loss	(2)	(3)	(2)	(2)
Other comprehensive income	-	-	-	-
Total comprehensive loss	(2)	(3)	(2)	(2)
Loss allocated to non-controlling interests	(1)	(2)	(1)	(2)

	Nanchang Jinle	Wenyi Bincheng
	For the	For the
	period from	period from
	30 September	7 September
	2020 to	2020 to
	31 December	31 December
	2020	2020
	RMB'000	RMB'000
Revenue	742,435	2,216,574
Profit before income tax	47,616	204,533
Income tax expense	(36,770)	(53,736)
Post-tax profit	10,846	150,797
Other comprehensive income	-	-
Total comprehensive income	10,846	150,797
Profit allocated to non-controlling interests	5,315	75,399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Summarised cash flow statement

	Shanghai Huajiang For the year ended 31 December		Ningbo Xiaoyong For the year ended 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Net cash generated from/(used in) operating activities	88,621	(4,076)	(57,201)	327,524
Net cash used in investing activities	-	-	-	-
Net cash used in financing activities	-	-	(90,000)	(198,000)
Net increase/(decrease) in cash and cash equivalents	88,621	(4,076)	(147,201)	129,524
Cash and cash equivalents at beginning of the year	45,830	49,906	170,501	40,977
Cash and cash equivalents at end of the year	134,451	45,830	23,300	170,501

	Wuhan Ruiqian For the year ended 31 December		Wuhan Jiayuan For the year ended 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Net cash (used in)/generated from operating activities	(92,120)	20,491	(255,217)	(159,091)
Net cash generated used in investing activities	-	-	-	-
Net cash generated from/(used in) financing activities	257,500	-	211,000	(153,000)
Net increase/(decrease) in cash and cash equivalents	165,380	20,491	(44,217)	(312,091)
Cash and cash equivalents at beginning of the year	21,459	968	515,118	827,209
Cash and cash equivalents at end of the year	186,839	21,459	470,901	515,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Summarised cash flow statement (continued)

	Ningbo Xiangjun		Changshu Junchun
	For the year ended		For the period from
	2020	2019	31 October
	RMB'000	RMB'000	2020 to
			31 December
			2020
			RMB'000
Net cash (used in)/generated from operating activities	(52,466)	(153,712)	464,831
Net cash used in investing activities	–	–	–
Net cash used in financing activities	–	–	(543,400)
Net decrease in cash and cash equivalents	(52,466)	(153,712)	(78,569)
Cash and cash equivalents at beginning of the year/period	69,358	223,070	237,264
Cash and cash equivalents at end of the year/period	16,892	69,358	158,695

	Shanghai Shenran		Shanghai Guicui	
	For the year ended		For the year ended	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(2)	3	(2)	2
Net cash used in investing activities	–	–	–	–
Net cash generated from financing activities	–	–	–	–
Net (decrease)/increase in cash and cash equivalents	(2)	3	(2)	2
Cash and cash equivalents at beginning of the year	4	1	3	1
Cash and cash equivalents at end of the year	2	4	1	3

	Nanchang Jinle	Wenyi Bincheng
	Period from	Period from
	30 September	7 September
	2020 to	2020 to
	31 December	31 December
	2020	2020
	RMB'000	RMB'000
Net cash generated from operating activities	43,602	126,445
Net cash used in investing activities	–	–
Net cash used in financing activities	(161,250)	(200,000)
Net decrease in cash and cash equivalents	(117,648)	(73,555)
Cash and cash equivalents at beginning of the period	143,362	136,419
Cash and cash equivalents at end of the period	25,714	62,864

The information above is the amounts before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Balance sheet and reserve movements of the Company

Balance sheet of the Company

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	2,798,845	2,797,003
Financial assets at fair value through profit or loss	248,949	230,038
	3,047,794	3,027,041
Current assets		
Amounts due from subsidiaries	4,749,447	6,132,844
Cash at bank and on hand	11,281	54,623
Trade and other receivables and prepayments	204,367	212,858
	4,965,095	6,400,325
Total assets	8,012,889	9,427,366
OWNERS' EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	87,813	86,634
Reserves (note (a))	(1,462,729)	(992,957)
Total equity	(1,374,916)	(906,323)
LIABILITIES		
Non-current liabilities		
Borrowings	5,707,041	5,875,968
Current liabilities		
Trade and other payables	230,220	282,101
Amounts due to subsidiaries	373,673	168,862
Amounts due to a related party	17,916	–
Borrowings	3,058,955	4,006,758
	3,680,764	4,457,721
Total liabilities	9,387,805	10,333,689
Total equity and liabilities	8,012,889	9,427,366

The balance sheet of the Company was approved by the Board of Directors on 23 March 2021 and was signed on its behalf by:

Yan Hao
 Director

Chen Chao
 Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Balance sheet and reserve movements of the Company (continued)

(a) Reserve movements of the Company

	Share premium RMB'000	Treasury shares RMB'000	Share award scheme RMB'000	Share option scheme RMB'000	Contributed surplus RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2020	796,937	(10,073)	90,677	3,181	1,115,742	(2,364)	(2,987,057)	(992,957)
Comprehensive income/(loss)								
Loss for the year 2020	-	-	-	-	-	-	(419,298)	(419,298)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year 2020	-	-	-	-	-	-	(419,298)	(419,298)
Transactions with owners								
Share award scheme (Note 32)	-	500	1,568	-	-	-	-	2,068
Share option scheme (Note 32)	-	-	-	(226)	-	-	-	(226)
2019 final dividend (Note 34)	(309,160)	-	-	-	-	-	-	(309,160)
Place of new shares	256,844	-	-	-	-	-	-	256,844
Balance at 31 December 2020	744,621	(9,573)	92,245	2,955	1,115,742	(2,364)	(3,406,355)	(1,462,729)
Balance at 1 January 2019	1,157,260	(5,848)	80,383	-	1,115,742	(2,364)	(1,974,150)	371,023
Comprehensive income/(loss)								
Loss for the year 2019	-	-	-	-	-	-	(1,012,907)	(1,012,907)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year 2019	-	-	-	-	-	-	(1,012,907)	(1,012,907)
Transactions with owners								
Share award scheme (Note 32)	-	64	10,294	-	-	-	-	10,358
Share option scheme (Note 32)	-	-	-	3,181	-	-	-	3,181
2018 final dividend (Note 34)	(360,323)	-	-	-	-	-	-	(360,323)
Buy-back of shares	-	(4,289)	-	-	-	-	-	(4,289)
Balance at 31 December 2019	796,937	(10,073)	90,677	3,181	1,115,742	(2,364)	(2,987,057)	(992,957)

43 Events after the reporting period

Same as disclosed below and elsewhere in the notes to the consolidated financial statements set out above, there is no other material subsequent event undertaken by the Group after 31 December 2020.

In March 2021, the Company issued the senior notes with principal amount of USD110,000,000, which were listed on the Stock Exchange. These notes are denominated in USD and due for repayment in March 2023 at annual interest rate of 14.5%.

44 Authorisation for issue of the financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 23 March 2021.

FIVE-YEAR FINANCIAL INFORMATION ···

1 Key data of income statement

	2016	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	15,051,277	15,668,404	11,268,203	13,285,127	12,782,429
Cost of sales	(14,440,998)	(13,150,265)	(8,721,010)	(10,599,949)	(10,278,382)
Gross profit	610,279	2,518,139	2,547,193	2,685,178	2,504,047
Appreciation/(depreciation) of investment properties under capital platform	–	38,760	388,051	(21,474)	56,687
Fair value gains/(losses) on investment properties under other platforms	81,059	(2,796)	54,708	96,022	(17,000)
Selling and marketing costs	(408,502)	(363,862)	(307,179)	(385,575)	(522,334)
Administrative expenses	(409,186)	(607,751)	(780,274)	(606,562)	(664,564)
Other income	79,763	290,656	68,338	158,470	223,121
Other gains-net	964,323	136,051	228,830	146,740	327,373
Operating profit	917,736	2,009,197	2,199,667	2,072,799	1,907,330
Finance income	46,124	59,630	53,343	261,507	1,013,552
Finance costs	(142,837)	(170,332)	(337,650)	(526,987)	(752,519)
Finance (costs)/income-net	(96,713)	(110,702)	(284,307)	(265,480)	261,033
Share of results of joint ventures	(35,978)	(70,164)	(47,324)	170,409	40,609
Share of results of associates	–	(8,001)	172,387	172,148	130,034
Profit before income tax	785,045	1,820,330	2,040,423	2,149,876	2,339,006
Income tax expense	(621,621)	(916,398)	(737,532)	(864,866)	(1,065,502)
Profit for the year	163,424	903,932	1,302,891	1,285,010	1,273,504
Attributable to:					
Equity holders of the Company	106,295	805,761	1,031,919	903,591	958,092
Holder of perpetual capital instruments	71,500	20,472	–	–	–
Non-controlling interests	(14,371)	77,699	270,972	381,419	315,412
	163,424	903,932	1,302,891	1,285,010	1,273,504

· · · FIVE-YEAR FINANCIAL INFORMATION

2 Key data of financial position

	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Total non-current assets	5,251,927	7,967,327	9,933,699	11,831,982	12,108,187
Total current assets	32,790,006	31,209,859	37,948,896	40,531,207	56,211,056
Total assets	38,041,933	39,177,186	47,882,595	52,363,189	68,319,243
Total non-current liabilities	10,164,236	10,767,206	13,338,592	11,099,251	13,858,588
Total current liabilities	23,319,628	22,277,059	25,730,856	32,157,188	43,163,789
Total liabilities	33,483,864	33,044,265	39,069,448	43,256,439	57,022,377
Total equity attributable to:					
Equity holders of the Company	3,303,880	3,731,806	4,686,992	5,306,836	6,166,547
Holders of perpetual capital instruments	538,083	–	–	–	–
Non-controlling interests	716,106	2,401,115	4,126,155	3,799,914	5,130,319
Total equity	4,558,069	6,132,921	8,813,147	9,106,750	11,296,866

