



Jiayuan International Group Limited  
佳源國際控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 2768



ANNUAL REPORT **2020**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-executive Directors

Shum Tin Ching (*Chairman*)

Shen Xiaodong

### Executive Directors

Zhang Yi (*Vice Chairman*)\*

Huang Fuqing (*Vice Chairman*)

Cheuk Hiu Nam

Wang Jianfeng (*Vice President*)

### Independent non-executive Directors

Tai Kwok Leung, Alexander

Cheung Wai Bun, Charles, JP

Gu Yunchang

## AUDIT COMMITTEE

Tai Kwok Leung, Alexander (*Chairman*)

Cheung Wai Bun, Charles, JP

Gu Yunchang

## REMUNERATION COMMITTEE

Cheung Wai Bun, Charles, JP (*Chairman*)

Tai Kwok Leung, Alexander

Zhang Yi\*

## NOMINATION COMMITTEE

Shum Tin Ching (*Chairman*)

Cheung Wai Bun, Charles, JP

Gu Yunchang

## PRESIDENT

Shen Hongjie\*

## JOINT COMPANY SECRETARIES

Cheuk Hiu Nam

Lau Yee Wa

## AUTHORISED REPRESENTATIVES

Cheuk Hiu Nam

Lau Yee Wa

## AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

## LEGAL ADVISERS

*As to Hong Kong law:*

Mayer Brown

*As to PRC law:*

Jingtian & Gongcheng

*As to Cayman Islands law:*

Conyers Dill & Pearman

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of China Limited

Banco Tai Fung

Bank of Communications

China Minsheng Bank

Huishang Bank

Agricultural Development Bank of China

SPD Bank

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

## HEADQUARTERS

Room 1403, 9 Queen's Road Central

Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 59, Gu Jia Ying Road

Xuanwu District

Nanjing

China

## PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

## BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

## WEBSITE

[www.jiayuanintl.com](http://www.jiayuanintl.com)

## STOCK CODE

2768

\* Ms. Cheuk Hiu Nam has ceased to act as a member of the Remuneration Committee of the Board since 29 March 2021 while Mr. Zhang Yi was appointed as a member of the Remuneration Committee on the same date.

\* Mr. Zhang Yi has resigned as president of the Company with effect from 12 August 2020 while Mr. Shen Hongjie was appointed as the president of the Company on the same date.

# COMPANY PROFILE

## ABOUT JIAYUAN

Jiayuan International Group Limited (the “Company” and together with its subsidiaries, collectively as the “Group”) (Stock Code: 2768) is an established property developer of large-scale residential complexes and commercial complexes in the People’s Republic of China (“PRC”). As at 31 December 2020, the total land bank of the Group was approximately 17.65 million sq.m..

With over 25 years of experience in property development, the Group develops property projects through comprehensive planning, meticulous quality control, sophisticated operating systems and experienced professional teams to meet the needs of different regions and strengthen the “Jiayuan” brand.

As of 31 December 2020, the Group has a portfolio of 88 property project. Ever since its establishment, the Group has had a deep presence in the property project development in Jiangsu region. Since 2016, the Group has taken the lead in entering Guangdong-Hong Kong-Macao Greater Bay Area, and has successively obtained a number of quality projects in Shenzhen, Jiangmen and Macau. In 2018, it established a joint venture company in Hong Kong to formally enter the Hong Kong real estate market. Also, the Group purchased the quality properties of Shanghai from Mr. Shum Tin Ching (“Mr. Shum”), Chairman, non-executive Director and ultimate controlling shareholder of the Company, thus enhancing its brand influence in the Yangtze River Delta Region. In addition, the Group also succeeded in expanding its business coverage to key provincial capital cities, including Guiyang and Urumqi. The Group also ventured into countries and regions along the “Belt and Road” initiative, such as acquiring fine land parcels in Cambodia. In addition, the Group acquired a property management business, for which property management services of the Group was established in Zhejiang and gradually developed, extending to 20 provinces and municipalities throughout the PRC including Shanghai, Jiangsu, Anhui, Hainan, Chongqing, Beijing etc. In the third quarter of 2019, the Group acquired various projects located in major cities of Anhui Province from Mr. Shum. In 2020, the Group acquired various projects in Yangtze River Delta Region and Guangdong-Hong Kong-Macao Greater Bay Area, signifying a new level in the Group’s international development.

The Group’s residential and commercial complexes in cities with sizeable economies and populations have been or will be developed into mixed-use community centres. The Group strives to infuse the following key values into the developments:

- (i) Education value: The Group believes that education is of paramount importance to customers as parents. Therefore, the Group focuses on selecting locations with relatively mature school nets. In addition, the Group has participated in the construction of five schools in its developed property projects, aiming at building an excellent school net;
- (ii) Leisure value: It is the Group’s general practice to spare a large portion of its site area for the construction of classical landmarks, European or Chinese-style theme parks and plazas, aiming at enhancing the visual attraction of properties and bringing leisure enjoyment to its customers; and
- (iii) Commercial value: The residential properties under the Group also include retail stores and shopping malls, providing a “one-stop” shopping experience to its customers and taking care of the daily needs of residents and citizens nearby.

# CHAIRMAN'S STATEMENT



Dear **Shareholders**,

I am pleased to present to you the Group's business review for the year ended 31 December 2020 and prospects for year 2021.

## REVIEW OF 2020

At the beginning of 2020, the outbreak of Novel Coronavirus ("COVID-19") pandemic struck the PRC's economic development. Facing the pressure of economic downturns, the Central People's Government (the "Central Government") has strengthened the countercyclical adjustment and put emphasis on proactive fiscal policies and more flexible and appropriate monetary policies to keep sufficient liquidity. With various cuts in required reserve ratio and interest rates, the monetary environment has been lenient as a whole.

For the real estate market, the Central Government insisted on stringent control policies. Against the background of the outbreak of COVID-19 especially in the first quarter of 2020, the principle of "housing is for accommodation instead of speculation" remained firmly unchanged. Central ministries and commissions including the China Banking and Insurance Regulatory Commission, the central bank of the PRC and the Ministry of Housing and Urban-Rural Development of the PRC, held several meetings to make remark on the consistency and stability of the property market control policies. As popular cities are expected to experience more volatility in housing and land prices, the Central Government has convened multiple meetings since July to emphasize that real estate should not be exploited for short-term economic stimulus, and efforts should be made to stabilize land and housing prices as well as manage market expectations, to ensure a stable and sound development of the property market. In line with the principle of "housing is for



accommodation instead of speculation”, local governments adopted city-specific policies with more flexibility to mitigate the disruption of property market brought by the pandemic precautionary and control measures. Supportive policies in relation to the real estate market have been introduced from both the demand side and the supply side. With the tightening policy environment in the second half of the year, various local governments have strengthened the property market control policies. However, the control policies introduced in most cities were generally moderate, albeit the exceptions in a limited number of cities.

In response to the complicated market environment, the Group proactively followed the national policies. Internally, the Group reorganized the management structure and optimized its systems and mechanisms. Externally, the Group focused on development, increased land reserves, promoted sales and sped up cash recovery from sales, which in turn resulted in a steady growth trend for overall operating results. For the year ended 31 December 2020, the Group’s revenue amounted to RMB18,363 million, representing a year-on-year increase of 14%; gross profit amounted to RMB5,936 million, representing a year-on-

year increase of 13%; net profit attributable to owners of the Company amounted to RMB3,275 million, representing a year-on-year increase of 60%. In 2020, the management of the Group strived for enhancing its financial discipline by stringently controlling its cash recovery ratio from land acquisitions and emphasizing prudence in expanding its liabilities, and as a result of which, various liquidity indicators and debt structures were constantly optimized. As at 31 December 2020, the Group's net gearing ratio was 60%, representing a year-on-year decrease of 23%, and there was sufficient cash on book to cover the short-term liabilities. Thus, the Group became one of the non-state-owned Chinese residential property enterprises which remained at the "green tier" in the "Three Red Lines" assessment.

In 2020, the Group adhered to its development strategy and focused on cities in Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and potential provincial capital cities in central and western China. By means of tender and bidding, mergers and acquisitions and joint development, etc., the Group had land reserves of approximately 17.65 million sq. m. as at the end of this year, representing a year-on-year increase of 27%, among which 10.13 million sq.m., or 57%, was located at Yangtze River Delta region and 2.63 million sq.m., or 15%, was located at the Guangdong-Hong Kong-Macao Greater Bay Area, showing further development layout on regional focuses.

Benefitting from sufficient land reserves and mature product design and building capacity, the Group achieved contracted sales of RMB30,828 million for the year ended 31 December 2020, representing a year-on-year increase of 7%, and the Group's average selling price was RMB11,237 per sq.m.

In order to seize the opportunity to accelerate the Group's development in property service business in 2020, the Group spun off its property service business and successfully listed Jiayuan Services Holdings Limited ("Jiayuan Services") (1153.hk) on the Stock Exchange, which laid a solid foundation for the continuous and rapid development of the business.

### PROSPECTS OF 2021

It is expected that the major emphasis of the real estate market in 2021 shall remain the same as it always has, and the principles of "housing is for accommodation instead of speculation", "city-specific policies" and "steady and healthy development" will become the norm. For China, whose economy is still in recovery, expanding domestic demand is a fundamental strategy for economic development. The development of the Chinese real estate sector, which spans across upstream and downstream industries, is projected to be in a steadily upward trend; from the perspective of the resident-end, rigid demand and upgraders' needs will be catered for.

In view of the above research and assessment of macro-economic conditions, in 2021, the Group shall continue to follow China's national policy, focus on regional and city development, strengthen the enterprise's fundamentals, enhance the management standard, and promote the improvement and replacement of products. Meanwhile, the Group shall take into consideration the triple bottom lines in economic, social and environmental terms to perform its corporate social responsibilities. At the beginning of the "14th Five-Year Plan" of the PRC, the Group will foster high-quality development in cities and make greater contribution to satisfy people's aspirations for a quality life.

On behalf of the Board, I would like to take this opportunity to express the Group's sincere gratitude to all Shareholders, investors and business partners for their trust and support, and to all staff members for their diligence on their positions.

**Jiayuan International Group Limited**

*Chairman*

**Shum Tin Ching**

29 March 2021





# MANAGEMENT DISCUSSION AND ANALYSIS



# MANAGEMENT DISCUSSION AND ANALYSIS



## BUSINESS REVIEW

### I. Market Review

During the first quarter in 2020, the prevention and control measures for COVID-19 resulted in lockdown and closure of sales offices across the nation, and in turn a decrease in both the selling price and sales volume in the real estate market in the PRC. With the nationwide outbreak of COVID-19 gradually coming under control, major real estate developers enhanced their efforts to launch properties. During the year, the easing of liquidity has given sudden rise to the demand for capital preservation and risk aversion. The real estate market has picked up significantly. With respect to the residential housing market, properties located in Yangtze River Delta, Pearl River Delta, Northwest

China and some regional core cities took the lead in recording an upsurge in both sales volume and selling price. The purchasing interest immediately spread out and led to a stable volume of sales and rising price at the end of the year across the country.

In retrospect, the investment of the PRC real estate development in 2020 amounted to RMB14,144.3 billion, representing a year-on-year increase of 7.0%; the sales area of commodity housing was approximately 1,760.86 million, representing a year-on-year increase of 2.6%; the sales of commodity housing exceeded RMB17 trillion, hitting record high again with a year-on-year increase of 8.7%. The property market in China has gathered momentum and is showing signs of a strong recovery, acting as a pillar role for the recovery of the national economy.



In 2020, land transactions plummeted as a result of the lockdown measures for COVID-19 during the first quarter. With the alleviated epidemic situation and loosened monetary conditions, the sales of commodity housing continued to outperform expectations, which gave confidence to real estate developers to acquire more lands. At the same time, under financial pressure, local governments rolled out more premium land parcels, which led to an increase in both transaction volume and prices in the land market eventually. Meanwhile, the market showed a trend of differentiation, in which the land markets in the core city clusters including Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area were rather robust. In 2020, the total sales value of the land transacted through tender, bidding and listing for sale for the whole year amounted to RMB8.05 trillion, representing a year-on-year increase of 18.8% in China. In particular, the total sales value of residential lands amounted to RMB6.62 trillion, representing a year-on-year increase of 19.2%. The total sales value of residential lands accounted for 82.2% of the total land premiums, which basically remained flat as compared to 2019.

## II. Business review

### Concentration on Core Cities Layout Highlighting Strategic Values

The Group fully understood that land reserves are important foundation for development for property developers. In 2020, the Group delivered an encouraging performance in respect of investment expansion. During the year, the Group achieved a significant increase in its land bank at a low premium by means of tender, bidding and listing for sale, merger and acquisition, joint development, land acquisition by application mechanism, etc. In December 2020, the land bank of the Group reached 18 million sq. m., representing a year-on-year increase of approximately 27%. With effective control of land acquisition costs, new lands were acquired at an average cost of RMB2,727 per sq. m., laying a solid foundation for continuous and robust development. In 2020, the Group streamlined the layout strategies for the core city clusters which were predominant in economic development and population density. Entering the first-tier and second-tier cities including Guangzhou, Zhuhai, Huizhou and Zhengzhou for the first time, the Group extended its brand influence in Guangdong-Hong Kong-Macau Greater Bay Area and Central China. At the end of 2020, the Group's land reserve value at the Yangtze River Delta Region accounted for 58%, land reserve value at the Guangdong-Hong Kong-Macau Bay Area accounted for 26%, among which first-and second-tier land reserve value accounted for 56%.

On 13 January 2021, the Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Mr. Shum Tin Ching ("Mr. Shum") for the purpose of acquiring 5 premium projects in Qingdao and Weihai owned by Mr. Shum privately, which was expected to generate 1,624,854 sq. m. of premium land reserves to the Group. For more details, please see the paragraph entitled "Events after the Reporting Period".

### Solid Growth in Business Scale with High Percentage of Attributable Interests and Sustainable Profitability

Taking an overview of 2020, the Group managed to surmount the difficulties amid the COVID-19 outbreak as well as rigorous real estate regulation and control. Thanks to the development opportunities as a result of the strong foothold in Yangtze River Delta Region in the past and the business layout in Guangdong-Hong Kong-Macau Greater Bay Area in recent years, contracted sales for the year grew steadily. As at 31 December 2020, contracted sales of the Group amounted to approximately RMB30.8 billion, representing a year-on-year increase of approximately 7%. Attributable contracted sales of the Group amounted to approximately RMB25.7 billion, with a attributable interest of 83%. Contracted sales area of the Group amounted to approximately 2,743,384 sq. m., representing a year-on-year increase of approximately 12%. In 2020, the gross profit of the Group increased by 13% to approximately RMB5,936 million with a gross profit margin of 32%, ranking the Group among the forefront of the industry.

**Market Recognition for the Group's Enhancing Financial Discipline and Solidifying Financial Strengths**

In 2020, the management of the Group strived for enhancing its financial discipline by stringently controlling its cash recovery ratio vis-a-vis land acquisitions and emphasizing prudence in expanding its liabilities, and as a result of which, various liquidity indicators and debt structures were constantly optimized. Trust loan balance as a percentage of interest-bearing debts decreased from 44% as at the end of 2019 to 17% as at the end of 2020. In 2020, the management of Group made good use of the overseas market financing window since January 2020 to issue a total of USD807.5 million of senior notes with maximum term up to 2.5 years, which became popular among investors and was highly oversubscribed. Further reduction of its finance costs led to popularity of the Group's bonds in the secondary market. Meanwhile, the management of the Group took the initiative to adjust its debt structures. On 30 October 2020, the Group repurchased and cancelled the USD135 million 11.375% senior notes due May 2022 and the USD60 million 13.75% senior notes due March 2022.

On 1 February 2021, the Company published an announcement to offer to repurchase its 13.75% Senior notes due March 2022 (the "2022 Notes"). A total of approximately USD55.8 million in principal amount of the 2022 Notes have been validly tendered and accepted pursuant to the Company's offer to purchase. On 11 March 2021, a total of approximately USD61.5 million in principal amount of the 2022 Notes were further repurchased by the Company following the exercise of a put option pursuant to the terms of the 2022 Notes. Upon cancellation of the repurchased notes aforementioned, the principal balance of the USD262.5 million 13.75% senior notes due March 2022 decreased to USD145 million. This demonstrated the abundant cash flow ratio, robust financial conditions and proactive debt management capabilities of the Company.

As at 31 December 2020, the Group's liabilities to assets ratio after excluding pre-sale deposit received was 67.44%, representing a decrease of 3.90 percentage points as compared to 71.34% as at 31 December 2019. As at 31 December 2020, the Group's non-restricted cash to current borrowings ratio was 1.27, representing an increase of 5.19% as compared to 1.21 as at 31 December 2019. Net gearing ratio of the Group decreased from approximately 78% as at 31 December 2019 to approximately 60% as at 31 December 2020. The Group became one of the non-state owned Chinese residential property enterprises which remained at the "green tier" in the "Three Red Lines" assessment.

The healthy financial conditions of the Group were also well recognized in the capital market. In 2020, the Group was assigned a long-term foreign currency issuer rating of "B" by Fitch Ratings for the first time, with positive outlook. Moody's Investors maintained the corporate rating of the Group at "B2", with stable outlook, and considered that the asset injection in Shandong by Mr. Shum will have a positive impact on the credit profile of the Group. The Group was assigned a rating of "B" under Standard & Poor's long-term issuer credit rating, with an upward adjustment to a stable outlook. The bonds issued by the Group were also recommended by internationally renowned financial institutions including HSBC, Standard Chartered Bank, Credit Suisse, Nomura Securities, Guotai Junan International and CRIC Securities, with a "purchase" recommendation.

### **Market Recognition for the Group's Overall Performance**

In 2020, the Group achieved bright business performance. The Group was presented with the "Outstanding Listed Companies Award 2020" by the Hong Kong Institute of Financial Analysts and Professional Commentators Limited, the "Excellent Mainland Property Developer Brand in the Hong Kong Leaders' Choice Awards 2020" by Metro Finance in Hong Kong, and, for the fifth time consecutively, the award of "Hong Kong Outstanding Enterprise (Main Board)" and the "Extraordinary Enterprise Award" by Economic Digest. Meanwhile, the Group was conferred the accolades including the "Quality China Real Estate Enterprises Award 2020" at the 2020 Quality China Real Estate Enterprises Award prize-giving ceremony.

In addition, a number of the Group's property projects won accolades from various media and organizations, including "Yangzhou Popular Real Estate 2020" (2020揚州實力人氣樓盤), "Yangzhou Top 10 Premier Properties 2020" (2020揚州十大精品樓盤) and the "17th Internet Popularity List of PRC Real Estate 2020 – Eco-livable Real Estate of the Year" (2020年第十七屆中國房地產網路人氣榜年度生態宜居樓盤) in respect of Yangzhou Jiayuan Xicheng Yinxiang (揚州佳源西城印象), the "Most Attractive Real Estate for Buyers in 2020" (2020年度用戶吸引力樓盤) in respect of Hefei Yuelu Chunxiao (合肥閱廬春曉) and "Fengtai's Internet Popularity Real Estate 2020" (2020年度鳳台網路人氣樓盤) in respect of Fengtai Jiayuan Metropolis (鳳台佳源都市), which were testimony of the influence of the "Jiayuan" brand in the real estate market in the PRC.

#### **Performance of Corporate Social Responsibilities and Fostering Sustainable Development**

With devotion and commitment to the communities in its property projects, the Group performs its corporate social responsibilities to foster the sustainable development of such communities. In 2020, the Group proactively participated in charitable activities organized by charitable organizations, such as organizing our volunteer team to take part in the community visits run by Kwun Tong Methodist Social Service, which conveyed positive energy to and encouraged teenagers and senior citizens to face their life with a positive attitude. The entities and project companies comprising the Group actively visited local welfare houses and nursing homes to show their care. Guoyang Xinggangcheng Project and Guoyang County Land Reserves Development Center jointly worked on poverty alleviation to carry forward the corporate mission and social responsibility of the Group. Meanwhile, the Group pushed ahead with green awareness in the community and encouraged staff members to practice low-carbon living, while fully supporting and participating in charity related to sports and culture.

Besides, during the COVID-19 epidemic in 2020, the Group, its subsidiaries, associates and joint ventures actively participated in epidemic prevention and control in their respective localities and launched warmth-giving service activities in various communities, thereby making proactive contributions in response to the epidemic and showcasing its social responsibility.

#### **Prospects**

Looking ahead to 2021, under the positioning of "housing is for accommodation instead of speculation", the keynote of "city-specific policies" and the effect of "three redlines", the future development direction of the Chinese real estate market will still focus on balance and coordination, i.e. to promote balanced development entailing the financial industry, the property sector and the real economy and to foster coordination among various industries. The property market is gradually returning to normal and will enter a period of stable development. However, the Guangdong-Hong Kong-Macau Greater Bay Area is still a market with growth potential and the market scale in Yangtze River Delta regions will maintain a gradual uptrend. Real estate developers are faced with both opportunities and challenges.

The Group will continue to replenish its premium land bank by adopting practical strategies to optimise the geographical layout of its projects and devise investment portfolios to suit the different urbanisation stages of the PRC with a view to capturing the different demands for the purchase of property in various local markets. In future, on a foundation of solid development, the Group will make flexible adjustments according to various local market situations and achieve high quality and all-rounded development for continuous increase of profitability in order to maximise the value for its Shareholders.



### Contracted Sales

The Group recorded total contracted sales of approximately RMB30,828 million in 2020. The contracted sales attributable to the owners of the Company was RMB25,660 million represented an ownership interest of 83%, respectively.

The following table sets out the contracted sales of the Group's subsidiaries, joint ventures and associates for the year ended 31 December 2020:

	Year ended 31 December 2020			Percentage
	Contracted sales RMB (million) (unaudited)	Contracted gross floor area ("GFA") (sq.m.)	Contracted average selling price ("ASP") (RMB per sq.m.)	
Hefei	5,712	435,479	13,117	19%
Nanjing	2,595	83,623	31,032	8%
Shanghai	1,061	51,120	20,755	3%
Yangzhou	3,911	220,698	17,721	13%
Taizhou	4,093	395,741	10,343	13%
Suqian	2,393	309,954	7,721	8%
Bozhou	2,838	365,788	7,759	9%
Suzhou/Changzhou/Zhenjiang/Yancheng	1,741	155,117	11,224	6%
Bengbu/Huainan/Ma'anshan/Lu'an	2,289	365,467	6,263	7%
<b>Yangtze River Delta Region subtotal</b>	<b>26,633</b>	<b>2,382,987</b>	<b>11,176</b>	<b>86%</b>
<b>Guangdong – Hong Kong – Macao Greater Bay Area subtotal</b>	<b>1,266</b>	<b>95,709</b>	<b>13,228</b>	<b>4%</b>
Zhengzhou	552	37,806	14,601	2%
Urumqi	1,851	191,598	9,661	6%
Hainan	526	35,284	14,908	2%
<b>Other Cities subtotal</b>	<b>2,929</b>	<b>264,688</b>	<b>11,066</b>	<b>10%</b>
<b>Total</b>	<b>30,828</b>	<b>2,743,384</b>	<b>11,237</b>	<b>100%</b>

### Land Reserves

The following table sets out a summary of the Group's land reserves by project as at 31 December 2020:

	Total GFA (sq.m.)	Percentage
Hefei	1,566,267	8.9%
Shanghai	170,944	1.0%
Nanjing	757,408	4.3%
Yangzhou	1,284,568	7.3%
Taizhou	1,506,404	8.5%
Suqian	1,348,112	7.6%
Bozhou	1,115,593	6.3%
Suzhou/Changzhou/Nantong/Zhenjiang/Yancheng	1,223,241	6.9%
Bengbu/Huainan/Ma'anshan/Lu'an	1,154,543	6.6%
<b>Yangtze River Delta Region subtotal</b>	<b>10,127,080</b>	<b>57.4%</b>
Shenzhen	310,544	1.8%
Guangzhou	177,850	1.0%
Hong Kong	48,787	0.3%
Macao	60,969	0.3%
Enping	1,180,000	6.7%
Zhuhai/Huizhou	851,688	4.8%
<b>Guangdong – Hong Kong – Macao Greater Bay Area subtotal</b>	<b>2,629,838</b>	<b>14.9%</b>
Zhengzhou	455,163	2.6%
Urumqi	1,948,426	11.0%
Guizhou	1,098,631	6.2%
Hainan	85,910	0.5%
Cambodia	1,308,092	7.4%
<b>Other cities subtotal</b>	<b>4,896,222</b>	<b>27.7%</b>
<b>Total</b>	<b>17,653,140</b>	<b>100.0%</b>

### Investment Properties

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2020, the Group had investment properties with a total GFA of approximately 887,878 sq.m.. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades, through third-party property management firms, in order to enable the Group to select tenants and determine industry composition.

The following table sets out a summary of the Group's investment properties (excluding car parks) as at 31 December 2020:

Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the year ended 31 December	
			2020 (RMB million)	2019 (RMB million)
<b>Yangzhou</b>				
1. Park Number One 公園一號	721	721	0.3	0.3
2. Jiayuan Centurial Garden 世紀花園	4,025	4,025	0.7	1.2
3. Centurial Honour Mansion 世紀天城榮御府 <sup>(1)</sup>	4,537	4,537	–	–
4. Jiayuan Centurial City 佳源世紀天城	99,991	99,991	9.9	16.4
5. Jiayuan Yurun Guifu 佳源雨潤桂府	1,588	1,588	0.1	–
6. Jiayuan Jiulong Bay 佳源玖龍灣 <sup>(1)</sup>	24,928	–	–	–
<b>Taizhou</b>				
7. Jiayuan Central Plaza 佳源中心廣場	45,888	45,888	4.5	2.4
8. Venice Metropolis 威尼斯城	101,232	62,221	113.2	77.9
9. Jiayuan New World 新天地	24,290	24,290	9.1	3.4
10. Qiangxi Garden 羌溪花苑	2,550	2,550	0.4	0.5
11. Jiayuan Mingfu 佳源名府	14,275	14,275	1.4	0.5
12. Oriental Bright City 東方不夜城	34,419	34,419	3.2	8.8
13. Quexiandao Number One 鵲仙島一號	10,124	10,124	2.0	2.4
14. Guxi Jiayuan Central Plaza 古溪佳源中心廣場	35,308	35,308	0.3	–
<b>Suqian</b>				
15. Rome Metropolis 羅馬都市	37,534	37,534	3.8	1.3
<b>Changzhou</b>				
16. Jiayuan Central Plaza 佳源中心廣場	49,777	49,777	5.2	1.7
<b>Nanjing</b>				
17. Zijin Mansion 紫金華府	55,124	32,539	17.9	12.6
18. Jiayuan Wuxing Plaza 佳源五星廣場 <sup>(1)</sup>	20,000	–	–	–
<b>Shanghai</b>				
19. Jiayuan Dream Square 夢想廣場	21,260	21,260	31.4	38.7
20. Fengcheng Mingdu 奉城名都	13,621	13,621	11.7	10.0
21. Huijing Huating 匯景華庭	7,844	7,844	11.3	13.4
<b>Anhui</b>				
22. Hefei Paris Metropolis 合肥巴黎都市 <sup>(1)</sup>	217,826	67,896	20.6	13.6
23. He County Central City 和縣中央城 <sup>(1)</sup>	29,886	–	–	–
24. Guoyang Jiayuan Xinggangcheng 渦陽佳源星港城 <sup>(1)</sup>	31,130	–	–	–
<b>Others</b>				
	–	–	7.2	5.8
<b>Total</b>	<b>887,878</b>	<b>570,408</b>	<b>254.2</b>	<b>210.9</b>

Note 1: Part of the project is currently under construction.

## FINANCIAL REVIEW

### Operating Results

#### Revenue

Revenue of the Group mainly consists of revenue derived from property development, property management service and property rental, which contributed 95.5%, 3.2% and 1.3% of the Group's revenue for the year ended 31 December 2020, respectively. For the year ended 31 December 2020, revenue of the Group amounted to approximately RMB18,363 million, representing an increase of approximately 14% from approximately RMB16,070 million for the year ended 31 December 2019.

#### (1) Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognises revenue from the sale of properties when the buyer obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and where the collection of the consideration is probable. Revenue derived from property development increased by approximately 14% to approximately RMB17,530 million for the year ended 31 December 2020 from approximately RMB15,374 million for the year ended 31 December 2019. The projects that contributed substantially to the Group's revenue for the year ended 31 December 2020 were mainly the projects located in the established cities such as Hefei and Yangzhou.

#### (2) Property Management Service

The Group's revenue from property management is mainly generated by Jiayuan Services, a subsidiary of the Company. On 9 December 2020, Jiayuan Services successfully listed on the Main Board of the Hong Kong Stock Exchange. Jiayuan Services and its subsidiaries are principally engaged in the provision of property management services, value-added services to property developers and community value-added services in the PRC.

Revenue generated from property management increased by approximately 19% to approximately RMB579 million for the year ended 31 December 2020 from approximately RMB486 million for year ended 31 December 2019. The increase in revenue was primarily driven by the growth of our GFA under management.

#### (3) Property Rental

The Group's property rental mainly consisted of leasing of commercial properties (predominantly shopping arcades, retail shops, office properties and car parks). Revenue generated from property rental increased by approximately 21% to approximately RMB254 million for the year ended 31 December 2020 from approximately RMB211 million for the year ended 31 December 2019. The increase was primarily due to the rapid growth of relevant business circles in Taizhou, Nanjing and Hefei.

### **Gross Profit and Gross Profit Margin**

Gross profit increased by 13% to approximately RMB5,936 million for the year ended 31 December 2020 from approximately RMB5,242 million for the year ended 31 December 2019. The Group's gross profit margin maintained at approximately 32% for the year ended 31 December 2020.

### **Other Income**

The Group had other income of approximately RMB380 million for the year ended 31 December 2020 as compared with approximately RMB308 million for the year ended 31 December 2019, representing an increase of approximately RMB72 million or 23%. The increase was due to an increase in interest income on financial assets at fair value through profit or loss and bank deposits.

### **Other Gains and Losses**

The Group recorded other gains of RMB852 million during the year ended 31 December 2020. The Group's other gains mainly consist of foreign exchange gain of approximately RMB697 million as a result of the RMB exchange rate strengthening against the USD during the same year, fair value gains on derivative financial instruments of approximately RMB54 million as a result of the increase in trading price of the Group's senior notes in the secondary market, fair value gain upon transfer of inventories of properties to investment properties of RMB21 million as well as gains arising from bargain purchase of RMB67 million.

### **Selling and Marketing Costs and Administrative Expenses**

The Group's selling and marketing costs and administrative expenses for the year ended 31 December 2020 amounted to approximately RMB721 million, compared with approximately RMB796 million for the year ended 31 December 2019, representing a decrease of approximately 9%, mainly due to the Group's stringent control over expenses and costs to maximize its Shareholder's interests.

### **Finance Costs**

The Group's finance costs increased to approximately RMB318 million for the year ended 31 December 2020 from approximately RMB283 million for the year ended 31 December 2019. The increase in finance costs of approximately 12% was attributable to the increase in amounts of bank and other borrowings and senior notes in 2020.

### **Income Tax Expenses**

The Group's income tax expenses increased to approximately RMB2,518 million for the year ended 31 December 2020 from approximately RMB2,329 million for the year ended 31 December 2019. The Group's income tax expenses included payments and provisions made for enterprise income tax and land appreciation tax less deferred taxation during the year 2020. The increase by approximately 8% was in line with the increase in the Group's taxable profit in 2020.

### **Profit and Total Comprehensive Income for the Year**

The Group's profit and total comprehensive income for the year increased by approximately 43% to approximately RMB3,529 million for the year ended 31 December 2020 from approximately RMB2,463 million for the year ended 31 December 2019 which was in line with the expansion of the Group's business operation in 2020.

## Liquidity, Financial and Capital Resources

### Cash Position

As at 31 December 2020, the Group's aggregate amount of restricted/pledged bank deposits and cash and cash equivalents was approximately RMB10,941 million (as at 31 December 2019: approximately RMB8,154 million), representing an increase of approximately 34% as compared to that as at 31 December 2019. As at 31 December 2020, restricted/pledged bank deposits of approximately RMB1,938 million (as at 31 December 2019: approximately RMB2,123 million) were restricted for use in specific property development projects or pledged for mortgage guarantees given by the Group.

### Borrowings and the Group's pledged Assets

As at 31 December 2020, the Group had bank and other borrowings of approximately RMB12,633 million (as at 31 December 2019: approximately RMB12,130 million). Amongst the borrowings, approximately RMB1,378 million (as at 31 December 2019: approximately RMB4,668 million) will be repayable within one year and approximately RMB11,255 million (as at 31 December 2019: approximately RMB7,462 million) will be repayable after one year.

As at 31 December 2020, bank and other borrowings of approximately RMB12,633 million (as at 31 December 2019: approximately RMB11,442 million) were secured by bank balances, land use rights and properties of the Group. As at 31 December 2020, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB20,346 million (as at 31 December 2019: approximately RMB13,272 million).

### Net Gearing Ratio

The net gearing ratio of the Group continued to improve during 2020. It decreased to approximately 60% as at 31 December 2020 from 78% as at 31 December 2019, which was mainly attributable to the Group's effort in actively strengthening its control over the degree of leverage and fortifying capital management ability in 2020.

### Foreign currency risk

As most of the Group's operating entities are located in Mainland China, the Group collects most of its revenue in RMB and most of the Group's expenditure including expenditure incurred in property sales as well as capital expenditures are also denominated in RMB.

For the year ended 31 December 2020, the Group recorded a foreign exchange gain in the amount of RMB697 million due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group's management will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimise foreign currency risks.

### Contingent Liabilities

As at 31 December 2020, the Group had provided guarantees amounting to approximately RMB10,776 million (as at 31 December 2019: approximately RMB13,290 million) in respect of mortgage bank loans granted to purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and at relevant reporting dates and accordingly, the Directors consider that the possibility of default by the purchasers of the Group's properties is remote, accordingly, no provision for the guarantee contracts was recognised in the financial statements for the year ended 31 December 2020.

### Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

### Events after the reporting period

On 13 January 2021, the Company entered into a sale and purchase agreement with the Ultimate Shareholder whereby the Company conditionally agreed to acquire and the Ultimate Shareholder agreed to sell the 100% equity interest of Luyuan Investment Holdings Limited (“Luyuan”), a company incorporated in the BVI, at the initial consideration of HKD7,247,560,000 (equivalent to approximately RMB6,142,000,000) which will be settled (i) as to HKD3,420,640,000 (equivalent to approximately RMB2,898,847,458) by way of issue of convertible bonds by the Company; (ii) as to HKD2,772,000,000 (equivalent to approximately RMB2,349,152,542) by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HKD1,054,920,000 (equivalent to approximately RMB894,000,000) by cash. Luyuan and its subsidiaries are engaged in property development business in the PRC.

### Significant investments

Save as those disclosed under the section headed “Management Discussion and Analysis” and notes 16 and 18 to the Consolidated Financial Statements, the Group did not have any significant investment during the year ended 31 December 2020.

### Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2020, the Group had approximately 7,137 employees (as at 31 December 2019: 5,191 employees). For the year ended 31 December 2020, the Group incurred employee costs of approximately RMB598 million (as at 31 December 2019: approximately RMB444 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 as incentive for eligible employees, details of which are set out in the section headed “Share Option Scheme” of this annual report.

### Future Plans for Material Investments

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be funded by internal resources and external borrowings. Save as disclosed above, the Group did not have any future plans for material investments as at the date of this annual report.

# DIRECTORS AND SENIOR MANAGEMENT

## CHAIRMAN AND NON-EXECUTIVE DIRECTOR

**Mr. Shum Tin Ching (沈天晴)**, aged 62, is the chairman of the board of Directors (the “Board”), the non-executive Director, the chairman of the Nomination Committee of the Company and the founder of the Group. He was appointed as a Director on 5 May 2015 and designated as the non-executive Director on 27 July 2015 for the purposes of enhancing management independence and corporate governance. Mr. Shum’s principal responsibilities include overall strategic planning of the Group, and he will not participate in the day-to-day management of the business operations of the Group. He was formerly an executive director of Boyuan Holdings Limited (Stock Code: BHL), a listed company in Australia from October 2015 to June 2018. Mr. Shum graduated from Zhejiang Broadcasting and Television College\* (浙江廣播電視大學) and obtained a diploma in Industrial Enterprise Management in December 1986. He was recognised as a senior economist by Human Resource Department of Zhejiang Province\* (浙江省人事廳) in December 2006. Mr. Shum has over 20 years of experience in the industry of real estate development. In 1995, he founded Jia Yuan Chuangsheng Holding Group Co., Ltd.\* (佳源創盛控股集團有限公司) (“Jia Yuan Chuangsheng”) (formerly known as Jiaying Zujia Property Development Co., Ltd.\* (嘉興足佳房地產開發有限公司)), a company principally engaged in property development in Jiaying, Zhejiang Province of the PRC, and has acted as a director of Jia Yuan Chuangsheng since April 1995. Mr. Shum is also the sole director of the Company’s controlling shareholder, Mingyuan Group Investment Limited (“Mingyuan Investment”) since 4 May 2015. Mr. Shum is the spouse of Ms. Wang Xinmei and the father of Mr. Shen Xiaodong, a non-executive Director of the Company.

## EXECUTIVE DIRECTORS

**Mr. Zhang Yi (張翼)**, aged 49, is the vice chairman, and an executive Director of the Company with effect from 17 February 2019 and is a member of the Remuneration Committee with effect from 29 March 2021. He was appointed as a vice chairman, the president and an executive Director of the company on 17 February 2019 and ceased to be the president of the Company with effect from 12 August 2020. He is primarily responsible for operation and overall management for the Group. Mr. Zhang has extensive experience in corporate management, industrial investment, mergers and acquisitions, operational integration and capital operation of listed companies.

Prior to joining the Group, from August 2016 to January 2019, Mr. Zhang was an executive director and the chief executive officer of Grandland Holdings Group Co., Ltd. (廣田控股集團有限公司); he was also the chairman of Guangtian Investment Co., Ltd. (廣田投資有限公司) and the chairman of Shenzhen Wandong Futong Equity Investment Management Co., Ltd. (深圳萬鼎富通股權投資管理有限公司).

Mr. Zhang served HNA Group Co., Ltd. (中國海航集團有限公司) from July 1995 to August 2016 and held various positions, which included: a project manager, a manager and a general manager assistant of the planning and finance department of Hainan Airlines, the financial controller and the general manager of Haikou Meilan International Airport Co., Ltd. (海口美蘭國際機場有限公司), the financial controller and the general manager of the planning and finance department of Hainan Airlines Holdings Co., Ltd. (海南航空控股股份有限公司) (formerly known as Hainan Airlines Co., Ltd. (海南航空股份有限公司)) (Stock Code: 600221), which is listed on the Shanghai Stock Exchange, a vice president and the financial controller of Haihang Tourism Holdings (Group) Co., Ltd. (海航旅遊控股(集團)有限公司), the chairman and the chief executive officer of HNA Hotel Holdings (Group) Co., Ltd. (海航酒店控股(集團)有限公司), the chairman and the chief executive officer of Haihang Real Estate Holdings (Group) Co., Ltd. (海航置業控股(集團)有限公司), the chairman and the chief executive officer of Haihang Commerce Holdings (Group) Co., Ltd. (海航商業控股(集團)有限公司) and the chairman, the executive chairman, the chief executive officer and the president of Haihang Industry Holdings (Group) Co., Ltd. (海航實業控股(集團)有限公司).

Mr. Zhang obtained his bachelor’s degree in Economics from Wuhan University (武漢大學) in June 1995 and his EMBA from Cheung Kong Graduate School of Business (長江商學院) in December 2006. He is now pursuing his EMBA with Tsinghua University PBC School of Finance (清華大學五道口金融學院). He became a senior accountant in July 2005.



**Mr. Huang Fuqing (黃福清)**, aged 59, is the vice chairman of the Board and an executive Director of the Company. He was appointed as an executive Director on 27 July 2015 and the vice chairman of the Board on 19 August 2016. He is primarily responsible for (i) overseeing the day-to-day operation and overall management of the Group, and (ii) the Group's real estate development projects located in Jiangsu Province of the PRC. He is also a director of certain subsidiaries of the Group. In addition, he is a non-executive director of Jiayuan Services Holdings Limited (Stock Code: 1153) since 11 June 2020. Mr. Huang has over 20 years of experience in the industry of real estate development. He has been working as the general manager (in mainland China) of Hong Kong Jia Yuan Holdings Limited ("Hong Kong Jia Yuan") since December 2014 and the general manager of Nanjing Xinhaoning Property Development Co., Ltd.\* (南京新浩寧房地產開發有限公司) since September 2014. From September 2013 to December 2014, he took up the position of the general manager of Changzhou Jinyuan Property Development Co., Ltd.\* (常州金源房地產開發有限公司) ("Changzhou Jinyuan"). He worked in Zhejiang Jia Yuan Property Group Co., Ltd.\* (浙江佳源房地產集團有限公司) ("Zhejiang Jia Yuan Group") from January 2011 till he resigned from the position of the executive general manager in December 2014. Mr. Huang also participated in the preparation for and was responsible for the day-to-day management of Zijin Mansion, the Group's property development project in Nanjing of the PRC which was completed in 2018. Formerly, Mr. Huang served as the general manager of Changzhou Tian Yu Property Development Co., Ltd.\* (常州天宇房地產開發有限公司) ("Changzhou Tian Yu") from January 2010 to December 2010, the general manager of Changzhou Zhongchuang Property Development Co., Ltd.\* (常州市中創房地產開發有限公司) from December 2002 to December 2009, and the manager of Changzhou City Changxin Property Development Co., Ltd.\* (常州市常信房地產開發有限公司) from December 1998 to December 2002.

**Ms. Cheuk Hiu Nam (卓曉楠)**, aged 46, is an executive Director, and a joint company secretary of the Company. Ms. Cheuk was appointed as an executive Director on 27 July 2015. On 29 March 2021, Ms. Cheuk censed to be a member of the Remuneration Committee. She primarily assists the Group in effective corporate governance and coordinates the business operations of different departments from the compliance perspective. She is also a director of certain subsidiaries of the Group. Ms. Cheuk has over 15 years of experience in management. Ms. Cheuk has been working as the general manager of Hong Kong Jia Yuan since January 2014. From July 2015 to February 2019, she took up the position of the chief executive officer of the Company. Formerly, Ms. Cheuk worked at Hong Kong Institute of Technology and took up the positions of the Dean of Faculty of Business, the vice president, the chairperson of the Quality Assurance Committee, the chairperson of the Student Affairs Committee, a member of the Board of Governors, a member of the Academic Board and a member of Finance Sub-Committee from February 2003 to November 2013, of which she was responsible for overall management, strategic and academic planning as well as supervising the financial matters and the human resource. Ms. Cheuk graduated from Pace University (New York) and obtained a master degree of science in June 2001. She graduated from University of London and obtained a master degree of science in December 1997. Previously, she graduated from The Chinese University of Hong Kong and obtained a bachelor degree in Business Administration in May 1995.

**Mr. Wang Jianfeng (王建鋒)**, aged 53, is the vice president and an executive Director of the Company. Mr. Wang was appointed as an executive Director on 27 July 2015. He is primarily responsible for strategic planning and identifying of new real estate development projects for the Group. He is also a director of certain subsidiaries of the Group. Mr. Wang has over 25 years of experience in the real estate development industry. He has been working as the deputy general manager of Hong Kong Jia Yuan since January 2014. Formerly, Mr. Wang worked as the deputy general manager of the strategic development center of Zhejiang Jia Yuan Group from June 2012 to February 2013, the general manager of Huzhou Xinyuan Construction Management Co., Ltd.\* (湖州鑫源建設管理有限公司) from December 2009 to June 2012, the general manager of Jia Yuan Chuangsheng from July 2009 to November 2009, the general manager of Hangzhou Yinxi Jiulong Property Development Co., Ltd.\* (杭州銀溪九龍房地產開發有限公司) from 2006 to 2008, the deputy general manager of Hangzhou Sanyou Property Development Co., Ltd.\* (杭州三優房地產開發有限公司) from 1998 to the end of 2005, and the construction team leader of Shanghai Branch of Ganjianyi Company\* (甘建一公司上海分公司) from 1991 to 1998. Mr. Wang graduated from Shanghai Architecture and Engineering College\* (上海建築工程學院) and obtained a diploma in Industrial and Civil Architecture in September 1990.

### NON-EXECUTIVE DIRECTOR

**Mr. Shen Xiaodong (沈曉東)**, aged 37, was appointed as a non-executive Director of the Company with effect from 17 February 2019. Mr. Shen is the son of Mr. Shum Tin Ching, the chairman, a non-executive Director and a controlling shareholder of the Company.

Mr. Shen has over 10 years' experience in properties industry. He was a vice president of the Group responsible for corporate strategy from October 2015 to February 2019. Mr. Shen was the general manager of Shanghai Dingyuan Property Development Co., Ltd. (上海定源房地產有限公司), which became a subsidiary of the Group since November 2018, from December 2007 to May 2015.

Mr. Shen obtained his bachelor's degree in civil engineering from Zhejiang University City College (浙江大學城市學院) in 2006 and his master's degree in humanities and social sciences from University of New Castle upon Tyne in 2007.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Tai Kwok Leung, Alexander (戴國良)**, aged 63, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr. Tai graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in Commerce and Administration in April 1982. He became an associate member of the Hong Kong Institute of Certified Public Accountants in October 1983.

Mr. Tai has been working as a partner of VMS Securities Limited, a licensed corporation under the Securities and Futures Ordinance (the "SFO") to conduct Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities since August 2017.

Mr. Tai is an independent non-executive director, the chairman of the audit committee, and a member of the remuneration committee and nomination committee and risk management committee of G & M Holdings Limited (Stock Code: 6038), an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee, nomination committee and strategic development committee of AAG Energy Holdings Limited (Stock Code: 2686), and an independent non-executive director, the chairman of the audit committee, and a member of the related party transactions control committee of Shengjing Bank Co., Ltd. (Stock Code: 2066), which are all listed on the Main Board of the Stock Exchange. Mr. Tai was formerly an independent non-executive director of Luk Fook Holdings (International) Limited (Stock Code: 590) from 2008 to August 2020 and an independent non-executive director of Anhui Conch Cement Company Limited (Stock Code: 914), from May 2013 to May 2019, which is listed on the Main Board of the Stock Exchange. Mr. Tai is a member of Shandong Committee of the Chinese People's Political Consultative Conference.

**Dr. Cheung Wai Bun, Charles (張惠彬)**, JP, aged 84, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company.

Dr. Cheung holds an honorary doctor's degree awarded by John Dewey University of USA in 1984, a master degree in Business Administration and a bachelor of science degree in Accounting and Finance awarded by New York University U.S.A. in June 1962 and February 1960, respectively. He was awarded Listed Company Non-Executive Director Award of 2002 by the Hong Kong Institute of Directors. In December 2010, Dr. Cheung received three awards, namely (1) Outstanding Management Award issued by The Chartered Management Association; (2) Outstanding Director Award issued by The Chartered Association of Directors; and (3) Outstanding CEO Award issued by The Asia Pacific CEO Association.

Dr. Cheung is currently working as a non-executive director and the vice chairman of the executive committee of Metropolitan Bank (China) Ltd. (首都銀行(中國)有限公司). In addition, Dr. Cheung is presently a council member of the Hong Kong Institute of Directors, a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly the chief executive and the executive deputy chairman of Mission Hills Group, Hong Kong from 1995 to 2007, and a former director and an adviser of the Tung Wah Group of Hospitals (東華三院) during the period from April 1981 to March 1983.

Dr. Cheung was formerly an independent non-executive director and director general of audit committee of China Resources Bank of Zhuhai Co. Ltd., from December 2009 to January 2016 and an independent non-executive director of Shanghai Electric Group Company Limited (Stock Codes: 2727 (Hong Kong), which is listed on the Main Board of the Stock Exchange from November 2004 to February 2014, and A Stock 601727 (Shanghai), which is listed on the Shanghai Stock Exchange, from November 2007 to February 2014). He is also an independent non-executive director of Pioneer Global Group Limited (Stock Code: 224), Universal Technologies Holdings Limited (Stock Code: 1026), Modern Dental Group Limited (Stock Code: 3600) which are all listed on the Main Board of the Stock Exchange. Dr. Cheung is a non-executive director of Galaxy Entertainment Group Limited (Stock Code: 27), which is listed on the Main Board of the Stock Exchange. Dr. Cheung is an independent non-executive director of Yin He Holdings Limited (Stock Code: 8260), which is listed on the GEM of the Stock Exchange. Dr. Cheung was formerly an independent non-executive director and chairman (subsequently co-chairman of the board) of Grand T G Gold Holdings Limited (Stock Code: 8299), from July 2009 to March 2016, and an executive director and the chairman of the board of directors of Roma Group Limited (Stock Code: 8072), from June 2017 to December 2017, which are all listed on the GEM of the Stock Exchange. He was formerly an independent non-executive director of China Financial International Investments Limited (Stock Code: 721), from March 2001 to September 2018, and China Taifeng Beddings Holdings Limited (Stock Code: 873), from April 2017 to July 2018 and Fullsun International Holdings Group Co., Limited (formerly known as "U-RIGHT International Holdings Limited") (Stock Code: 627), from December 2017 to December 2020, which are all listed on the Main Board of the Stock Exchange. He possesses extensive banking, finance and commercial experiences.

**Mr. Gu Yunchang (顧雲昌) (alias Gu Yongchuang 顧勇闖)**, aged 77, was appointed as an independent non-executive Director on 12 February 2016 and is a member of each of the Audit Committee and Nomination Committee of the Company. Mr. Gu was the vice chairman of the China Real Estate Research Association\* (中國房地產研究會) from 2006 to May 2013 and the vice chairman and secretary-general of the China Real Estate Association\* (中國房地產業協會) from 1998 to 2006.

Mr. Gu formerly held different positions of the Ministry of Construction of the PRC (中華人民共和國建設部), including the deputy director at the Policy Research Centre of Ministry of Construction of the PRC\* (中華人民共和國建設部政策研究中心) from December 1988 to July 1998, the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction\* (中華人民共和國建設部城市住房局) in 1982 and 1985, respectively.

Mr. Gu graduated from Tongji University (同濟大學) and specialised in Urban Planning in July 1966. Mr. Gu specialises in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

Mr. Gu was an independent non-executive director of E-House (China) Holdings Limited (Stock Code: EJ), which is listed on the New York Stock Exchange, from August 2008 to March 2014 and an independent non-executive director and a member of the audit committee, nomination committee and remuneration committee of Sino-Ocean Group Holding Limited (formerly known as "Sino-Ocean Land Holdings Limited") (Stock Code: 3377), which is listed on the Main Board of the Stock Exchange, from June 2007 to March 2016. Mr. Gu was also an independent non-executive director of COFCO Property (Group) Co., Ltd. (Stock Code: 31), from April 2012 to June 2018 and an independent non-executive director of Zhejiang Yasha Decoration Co., Ltd. (Stock Code: 2375), from May 2013 to May 2019, which are all listed on the Shenzhen Stock Exchange. Mr. Gu is currently an independent non-executive director of CIFI Holdings (Group) Co., Ltd. (Stock Code: 884) and Sunshine 100 China Holdings Ltd. (Stock Code: 2608), and Shimao Services Holdings Limited (Stock Code: 873) which are all listed on the Main Board of the Stock Exchange.

Save as disclosed above, as at the date of this annual report, each of the Directors mentioned above:

- (a) did not hold any other position in the material subsidiaries of the Group;
- (b) did not hold any directorship in any other listed company in the last three years;
- (c) did not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Listing Rules) of the Company; and
- (d) is not a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## SENIOR MANAGEMENT

**Mr. Shen Hongjie (沈宏杰)**, aged 39, was appointed as the president of the Company with effect from 12 August 2020. Mr. Shen has extensive experience in corporate and human resources management.

From December 2005 to October 2011, Mr. Shen worked in the human resources department of Jia Yuan Chuangsheng. From October 2011 to February 2012, Mr. Shen served as a deputy general manager of Jiaying City Jindi Property Development Co., Ltd.\* (嘉興市金地房地產置業有限公司), a subsidiary of Jia Yuan Chuangsheng.

Since then, he served as a deputy general manager and the general manager of various subsidiaries of the Group. He served as a deputy general manager from February 2012 to April 2013 and as the general manager from April 2013 to March 2014, respectively, of Siyang Fengyuan Property Development Co., Ltd.\* (泗陽豐源房地產開發有限公司). From March 2014 to August 2015, Mr. Shen served as the general manager of Suqian City Property Development Co., Ltd.\* (宿遷市佳源房地產開發有限公司). From June 2015 to August 2015, he also served as the general manager of Taixing Xintiandi Property Development Co., Ltd.\* (泰興新天地房地產開發有限公司). From August 2015 to January 2018, Mr. Shen served as the general manager of Taixing City Guanyuan Property Development Co., Ltd.\* (泰興市廣源房地產開發有限公司).

Mr. Shen served as the general manager of the strategic information department from December 2017 to February 2019 and a deputy executive general manager from October 2018 to February 2019, respectively, of Jia Yuan Chuangsheng. Mr. Shen was promoted to the president of Jia Yuan Chuangsheng in February 2019.

Mr. Shen obtained his bachelor's degree in Human Resources Management from Jiaying University (嘉興學院) in July 2005.

**Mr. Zhang Xiang (張翔)**, aged 37, is the chief financial officer of the Group primarily responsible for the overall financial operation of the Group. Mr. Zhang has over 15 years of experience in the fields of audit, accounting, financial management as well as merger and acquisition. Prior to joining the Group in February 2019, he served Ernst & Young from 2006 to 2015 with his last position as a senior manager. Mr. Zhang served as the chief financial officer of Shenzhen Grandland Group Co., Ltd.\* (深圳廣田集團股份有限公司), an enterprise listed on the Shenzhen Stock Exchange (stock code: 002482.SZ), from 2016 to 2018. Meanwhile, from 2017 to 2019, he served as the chairman and executive director of Guangrong Financing Guarantee Co., Ltd.\* (廣融融資擔保有限公司) and Guangrong Microfinance Co., Ltd.\* (廣融小額貸款有限公司).

Mr. Zhang graduated from Shanghai University of Finance and Economics (上海財經大學) and obtained a double bachelor's degree. He became a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 2010 and 2011, respectively.

**Mr. Ma Mingya (馬明亞)**, aged 49, is the assistant executive officer of Jiayuan International Group Limited and the president of Shanghai Jiayuan Hucheng Property Group Co., Ltd.\* (上海佳源滬城房地產集團有限公司) (known as Jiayuan Shanghai Group for short). Mr. Ma has approximately 23 years of experience in the real estate development industry and has been involved in the Group's business since July 2019. Mr. Ma is primarily responsible for management and overseeing the day-to-day operation and expansion of the Group's real estate development projects located in and around Shanghai. Mr. Ma also serves as the legal person and chairman of Shanghai Xiangyuan Property Co., Ltd.\* (上海祥源房地產有限公司), the legal person and chairman of Yancheng Xingzhou Jiayuan Property Development Co., Ltd.\* (鹽城星洲佳源房地產開發有限公司) in Yancheng, Jiangsu Province and the legal person and executive director of Yancheng Xiangyuan Property Co., Ltd.\* (鹽城祥源房地產有限公司), respectively.

Mr. Ma graduated from Nanjing University (南京大學) in June 2009 and obtained a master's degree in project management. He also obtained a degree in Executive Master of Business Administration (EMBA) at China Europe International Business School (中歐國際工商學院) in October 2011. He has been recognised as a senior engineer by Human Resource Department of Jiangsu Province in the PRC\* (中國江蘇省人事廳) since December 2009.

**Mr. Deng Wenping (鄧文平)**, aged 54, has served as the president of Anhui Jiayuan Property Group Co., Ltd.\* (安徽佳源房地產集團有限公司) (known as Jiayuan Anhui Group for short), primarily responsible for management and overseeing the regional property development projects in Anhui Province and Hubei Province since August 2018. Mr. Deng has approximately 13 years of experience in the real estate development industry. He served as the general manager of Qijiang County Guangyuan Real Estate Development Co., Ltd.\* (廬江縣廣源置業發展有限公司) (Qijiang Guangyuan) from January 2008 to December 2012. From August 2012 to December 2012, he was responsible for the preliminary preparation work for Jiayuan Anhui project development. He served as the general manager of Bengbu Mingyuan Real Estate Development Company Limited (蚌埠明源房地產開發有限公司) (Bengbu Mingyuan) from January 2013 to October 2017 and the vice president of Jiayuan Anhui Group from November 2017 to August 2018. Prior to this, Mr. Deng had 20 years of experience in the banking industry where he successively held the posts of the director of real estate credit loan department, the general manager of corporation department and the president of the sub-branch at Chaohu Branch of China Construction Bank.

Mr. Deng graduated from the discipline of civil engineering in Chongqing University (重慶大學) in July 1989. He obtained a graduation certificate in an advanced seminar course on chief executive officer (CEO) in the University of Science and Technology of China (中國科學技術大學) in April 2015.

**Ms. Qiu Xiangming (邱祥明)**, aged 45, is currently the vice president of Ning Gang Jia Yuan Property Group Co., Ltd.\* (寧港佳源房地產集團有限公司) (known as Jia Yuan Ning Gang Group for short). Ms. Qiu had served as the assistant executive officer and the general manager of operation management center for Jia Yuan Ning Gang Group from January 2018 to May 2019, and was promoted to the position of vice president of the Group in May 2019. She served as the general manager of Changzhou Jinyuan from February 2014 to March 2018 and has been involved in the Group's business since January 2011. Ms. Qiu is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Changzhou, Jiangsu Province. Ms. Qiu has approximately 17 years of experience in the real estate development industry. She worked as the manager of Zhejiang Jia Yuan Group from January 2011 to August 2013. Ms. Qiu acted as the vice general manager of Changzhou Jinyuan from August 2013 to December 2014 and was subsequently promoted to the position of general manager in December 2014 and has since acted as the general manager of Changzhou Jinyuan. Ms. Qiu also participated in the preparation for and was responsible for the day-to-day management of Xueyan Jiayuan Central Plaza, the Group's property development project in Changzhou. Formerly, Ms. Qiu worked as the deputy general manager of Changzhou Tian Yu from January 2010 to December 2010 and a director of Changzhou Zhongchuang Real Estate Development Co., Ltd.\* (常州中創房地產開發有限公司), a property developer in the PRC, from December 2003 to December 2009.

Ms. Qiu graduated from Changzhou Institute of Technology\* (常州工學院) and obtained a diploma in Accounting in January 2008. She was recognised as a junior accountant by the Ministry of Finance in the PRC since May 2006.

**Ms. Gao Yan (高艷)**, aged 47, is the general manager of Yangzhou Xiangjiang New City Centre Property Limited\* (揚州香江新城市中心置業有限公司) since June 2016; she is also the assistant executive officer of Ning Gang Jia Yuan Property Group Co., Ltd.\* (寧港佳源房地產集團有限公司) (known as Jia Yuan Ning Gang Group for short) since August 2018. She served as the general manager of Taixing Guangyuan Property Development Co., Ltd.\* (泰興市廣源房地產開發有限公司) (Taixing Guangyuan) from August 2013 to August 2015. Ms. Gao has been involved in the Group's business since July 2003, primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Taixing, Jiangsu Province. Ms. Gao also acts as finance manager of Yangzhou Hengyuan Property Development Co., Ltd.\* (揚州市恆源房地產開發有限公司) (Yangzhou Hengyuan) (formerly known as Jiangdu Guangyuan Property Development Co., Ltd.\* (江都市廣源房地產開發有限公司)).

Ms. Gao graduated from Jiangsu Broadcasting and Television College\* (江蘇廣播電視大學) and obtained a diploma in Finance and Accounting in July 1994. She has been recognised by the Ministry of Finance of the PRC as an intermediate accountant since September 2003.

**Mr. Yang Weidong (楊衛東)**, aged 45, was appointed as the CEO of Jiayuan South (Shenzhen) Group Co. Ltd\* (佳源南方(深圳)集團有限公司) (known as Jiayuan South Group for short) in June 2019. Mr. Yang has over 20 years of experience in investment and management. He was the CEO of Lvjing Holding Co.,Ltd\* (綠景控股股份有限公司) from November 2018 to June 2019. Mr Yang served as the Chief Investment Officer of Grandland Holdings Group Co., Ltd\* (廣田控股有限公司) from October 2016 to November 2018, responsible for dealing with investment and financing issues. Formerly, Mr. Yang worked as the Chief Risk Management Officer of Hainan Airlines Travelling Group Co., Ltd\* (海南航空旅遊集團有限公司) from January 2016 to October 2016, the CEO of Hainan Airlines Innovation Co., Ltd\* (海南航空創新有限公司) from August 2013 to January 2016, GM of Investment Department of Hainan Airlines Travelling Group Co., Ltd. from September 2008 to August 2013 and the Financial Manager of Hainan Airlines Holding Co., Ltd\* (海南航空控股股份有限公司) from July 2000 to September 2008.

Mr. Yang graduated from Zhongnan University of Economics and Law (中南財經政法大學) and obtained the bachelor's degree.

\* For identification purpose only

**Mr. Zhou Runping (周潤平)**, aged 49, has served as the vice president of Shenzhen Jiayuan Pengcheng Property Group Co., Ltd.\* (深圳市佳源鵬城房地產集團有限公司) (known as Jiayuan Shenzhen Group for short) since July 2020. Mr. Zhou has approximately 26 years of experience in the real estate development industry. Mr. Zhou served as the general manager of Shenzhen Xiangyuan Industry Co., Ltd.\* (深圳市翔源實業有限公司) from April 2019 to November 2020, the general manager of Shenzhen Songling Industrial Co., Ltd.\* (深圳市松齡實業有限公司) from October 2017 to April 2019, and the general manager of Changxing Jiayuan Property Development Co., Ltd.\* (長興佳源房地產開發有限公司) from April 2015 to June 2017. Mr. Zhou served as the executive deputy general manager of a subsidiary of Gujia Industrial from July 2014 to March 2015, the general manager of Changxing Xinglong Property Co., Ltd.\* (長興星龍置業有限公司) from February 2011 to March 2014, and the general manager assistant and deputy general manager of Hangzhou White Horse Property Development Co., Ltd.\* (杭州白馬房地產開發公司) from June 2006 to December 2009. Mr. Zhou has experience in engineering management. He served as the chief engineer and manager of engineering management department of Hangzhou Yangqi Real Estate Development Co., Ltd.\* (杭州楊歧房地產開發公司) from March 2004 to May 2006, the manager of engineering department of Hangzhou Universal Real Estate Development Co., Ltd.\* (杭州環球房地產開發有限公司) from June 2000 to March 2004, and the manager of engineering department of Hangzhou Golden Horse Property Development Co., Ltd.\* (杭州金馬房地產開發有限公司) from July 1995 to May 2000.

Mr. Zhou graduated from Tongji University (同濟大學) and obtained a master degree in June 2008. He graduated from Harbin Institute of Technology (哈爾濱工業大學) (formerly as Harbin University of Civil Engineering and Architecture (哈爾濱建築大學)) and obtained a bachelor's degree in June 1995.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2020 Interim Report of the Company are set out below:

Name of Director	Details of Change
Mr. Zhang Yi	Mr. Zhang has ceased to be the president of the Company with effect from 12 August 2020 and has been appointed as a member of the Remuneration Committee with effect from 29 March 2021.
Mr. Huang Fuqing	Mr. Huang has been appointed as a non-executive director of Jiayuan Services Holdings Limited (Stock Code: 1153) since 11 June 2020.
Ms. Cheuk Hiu Nam	Ms. Cheuk has ceased to be a member of Remuneration Committee of the Company with effect from 29 March 2021.
Mr. Wang Jianfeng	Mr. Wang has been appointed as the vice president of the Company with effect from 24 February 2020.
Mr. Tai Kwok Leung, Alexander	Mr. Tai has ceased to be an independent non-executive director of Luk Fook Holdings (International) Limited (Stock Code: 590) on 20 August 2020.
Dr. Cheung Wai Bun, Charles	Dr. Cheung has ceased to be an independent non-executive director of Fullsun International Holdings Group Co., Limited (Stock Code: 627) with effect from 10 December 2020.
Mr. Gu Yunchang	Mr. Gu has been appointed as an independent non-executive director of Shimao Services Holdings Limited (Stock Code: 873) with effect from 13 October 2020.

Saved as disclosed above, the Company is not aware of any other changes which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# REPORT OF THE DIRECTORS

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

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are property development and property investment in the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated income statement on page 88 of this annual report.

## DIVIDENDS

The Company has adopted a dividend policy, which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits, as dividends to the shareholders.

The Board is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for shareholders. After considering the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK15.5 cents per share (2019: HK11 cents per share) to shareholders whose names appear on the register of members of the Company on 18 June 2021.

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting of the Company; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto. A circular containing the details of the scrip dividend arrangement will be despatched to shareholders together with the election form for scrip dividend on or about 28 June 2021. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to shareholders on or about 30 July 2021.

As at the date of this annual report, the Board was not aware that any shareholders of the Company had waived or agreed to any arrangement to waive dividends.

## BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" from pages 8 to 22 of this annual report. Discussion details on the Group's environmental policies and performance are set out in the "Environmental, Social and Governance Report"; the status of the Group's compliance with the relevant laws and regulations that have material impact on the Group is set out in the section headed "Litigation and Compliance" below; and the description of the principal risks and uncertainties facing the Company is set out in the section headed "Management Discussion and Analysis". The aforesaid discussion forms a part of the Directors' Report.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 192 of this annual report.



## **PROPERTY AND EQUIPMENT**

Details of movements in the property and equipment of the Group during the year ended 31 December 2020 are set out in note 17 to the consolidated financial statements.

## **INVESTMENT PROPERTIES**

Details of movements in the investment properties of the Group during the year ended 31 December 2020 are set out in note 16 to the consolidated financial statements.

## **BANK AND OTHER BORROWINGS**

Details of movements in the bank and other borrowings of the Group during the year ended 31 December 2020 are set out in note 27 to the consolidated financial statements.

## **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 29 to the consolidated financial statements.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2020, the Company's reserves available for distribution under the Companies Laws of the Cayman Islands, consisted of share premium amounted to RMB7,110 million less accumulated losses amounted to RMB1,530 million and they are subject to a solvency test.

## **EQUITY-LINKED AGREEMENTS**

Save for the share option scheme of the Company as disclosed herein, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year.

## **SIGNIFICANT RELATIONSHIP WITH STAKEHOLDERS**

### **Employees**

As of 31 December 2020, the Group had a total number of 7,137 employees. During the reporting period, relationship between the Company and the employees remained stable. The Company did not experience any strikes or other labor disputes which would have material impact on the business activities of the Company.

### **Customers**

While continuing to focus on development of large-scale residential and commercial complex projects as well as further increasing land values for its customers, the Company strictly followed the PRC government's spiritual guidance of "property is for living but not for speculation" and "city-specific policies".

### **Suppliers**

During day-to-day operation and management, the Company maintained constant communication with the suppliers to understand their opinions and requirements and responded actively in order to enhance trust in partnering suppliers and strengthen bilateral cooperative relationship.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the percentage of purchases attributable to the Group's five largest suppliers and the percentage of revenue attributable to the Group's five largest customers were less than 30% of the total purchases and total revenue of the Group respectively.

None of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest customers or suppliers.

## DIRECTORS

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

### Non-executive Directors:

Mr. Shum Tin Ching (*Chairman*)

Mr. Shen Xiaodong

### Executive Directors:

Mr. Zhang Yi (*Vice Chairman*)

Mr. Huang Fuqing (*Vice Chairman*)

Ms. Cheuk Hiu Nam (*Joint Company Secretary*)

Mr. Wang Jianfeng (*Vice President*)

### Independent non-executive Directors:

Mr. Tai Kwok Leung, Alexander

Dr. Cheung Wai Bun, Charles, JP

Mr. Gu Yunchang

In accordance with Article 84 of the Articles of Association of the Company, Mr. Zhang Yi, Mr. Shen Xiaodong and Mr. Tai Kwok Leung, Alexander shall retire at the forthcoming annual general meeting of the Company to be held on 9 June 2021 (the "Annual General Meeting"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 23 to 30 of this annual report.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 December 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2020.

## **DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors, other than Mr. Zhang Yi, has entered into a service contract with the Company for a term of three years commencing from 8 March 2019. Mr. Zhang Yi has entered into a service contract with the Company for a term of three years commencing from 17 February 2019. Such service contracts may be terminated in accordance with the terms of the service contracts.

Each of the non-executive Directors and independent non-executive Directors, other than Mr. Shen Xiaodong, was appointed to the Board pursuant to their respective letters of appointment, for a term of three years commencing from 8 March 2019, and such appointment may be terminated in accordance with the terms of the letters of appointment. Mr. Shen Xiaodong has entered into a service contract with the Company for a term of three years commencing from 17 February 2019, and such service contract may be terminated in accordance with the terms of the service contract.

All the Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles of Association of the Company.

Saved as disclosed herein, no Director proposed for re-election at the Annual General Meeting of the Company has a service contract that is not determinable within one year without payment of compensation, other than statutory compensation.

Each of the executive Directors is entitled to a basic salary pursuant to their respective service contracts, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. In addition, each of them is entitled to a bonus of such amount as the Board may determine in respect of each complete financial year of the Company.

Each of the non-executive Directors and independent non-executive Directors is entitled to a director's fee pursuant to their respective letters of appointment or service contracts, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. Save for director's fee, each of the non-executive Directors and independent non-executive Directors is not expected to receive any other remuneration for holding his office as a non-executive Director or an independent non-executive Director respectively.

## **REMUNERATION OF THE DIRECTORS**

Details of remuneration of the Directors during the year ended 31 December 2020 are set out in note 13 to the consolidated financial statements.

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received, from each of the three independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

## **NON-COMPETE UNDERTAKINGS**

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 26 February 2016 (the "Prospectus")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the period commencing from the Deed of Non-Competition and up to the date of this report.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As disclosed in the section headed "Relationship with the Controlling Shareholders" in the Prospectus, Mr. Shum Tin Ching is the ultimate owner of a group of real estate development companies (other than members of the Group) (the "Private Group"). Mr. Shum Tin Ching entered into the Deed of Non-Competition to provide certain non-compete undertakings in favour of the Company. Since 8 March 2016 (the "Listing Date"), the date on which the Company completed the initial public offering with its shares listed on the Main Board (the "Main Board") of the Stock Exchange, and up to the date of this report, the Directors were not aware of any competing business between the Private Group and the Group.

Save as disclosed above, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules since the Listing Date and up to the date of this report.

### **Contracts with Controlling Shareholders**

No contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of their subsidiaries during the year ended 31 December 2020.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE**

Save as disclosed in the sections headed "Connected Transactions" and "Events after the Reporting Period", no other Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its controlling shareholders, or any of its subsidiaries or fellow subsidiaries was a party at any time during the year or subsisted at the end of the year.

### **PERMITTED INDEMNITY PROVISION**

Pursuant to the Articles of Association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Hong Kong Companies Ordinance. Such provision was in force during the year ended 31 December 2020 and remained in force as of the date of this report as required by section 470 of the Hong Kong Companies Ordinance. The Company has also arranged appropriate directors' and officers' liability insurance for the directors and officers of the Group.

### **SHARE OPTION SCHEME**

The Company has conditionally adopted a share option scheme on 12 February 2016 (the "Share Option Scheme"). The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, offer to grant an option to subscribe for ordinary shares with a par value of HK\$0.01 each (the “Shares”) of the Company subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the “Eligible Participants”): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 180,000,000 Shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of Shares available for issue is 180,000,000 Shares, being approximately 4.4% of the Shares in issue as at the date of this report.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders’ approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per Share under the Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

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

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

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

Name of Director	Nature of interest	Number of shares or securities held <sup>(1)</sup>	Percentage of interest in the Company <sup>(5)</sup>
Mr. Shum Tin Ching	Interest of a controlled corporation	2,756,308,418 <sup>(2)</sup> shares (L)	67.96%
	Beneficial owner	72,001,718 <sup>(3)</sup> shares (L)	1.78%
	Interest of a controlled corporation	500,000,000 <sup>(2),(4)</sup> shares (S)	12.33%

Notes:

- (1) The letters "L" and "S" denote the Director's long position and short position in the shares of the Company respectively.
- (2) The disclosed interest represents an interest in the Company held by Mingyuan Group Investment Limited ("Mingyuan Investment"), which is indirectly wholly-owned by Mr. Shum Tin Ching. Therefore, Mr. Shum Tin Ching is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO.
- (3) These shares are wholly owned by Mr. Shum Tin Ching as a beneficial owner.
- (4) On 31 December 2019, Mingyuan Investment entered into a release agreement with CCB International Overseas Limited, pursuant to which, CCB International Overseas Limited agreed to discharge and release 600,000,000 shares out of 2,712,244,324 shares held by Mingyuan Investment in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company indirectly wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited on 29 June 2017. On the same day, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 500,000,000 shares out of 2,712,244,324 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a loan issued to the Company.
- (5) As at 31 December 2020, the total number of issued shares of the Company was 4,055,734,623.

**(b) Interest in shares of Mingyuan Investment**

Name of Director	Nature of interest	Number of shares or securities held <sup>(1)</sup>	Percentage of shareholding
Mr. Shum Tin Ching	Beneficial owner	150,000 shares (L)	100%

Note:

(1) The letter "L" denotes the Director's long position in the share of Mingyuan Investment.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES**

So far as the Directors are aware as of 31 December 2020, the following persons (other than the Directors or chief executive of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held <sup>(1)</sup>	Percentage of interest in the Company <sup>(9)</sup>
Ms. Wang Xinmei <sup>(2)</sup>	Interest of spouse	2,828,310,136 shares (L)	69.74%
	Interest of spouse	500,000,000 <sup>(5)</sup> shares (S)	12.33%
Galaxy Emperor Limited <sup>(3)</sup>	Interest of a controlled corporation	2,756,308,418 shares (L)	67.96%
	Interest of a controlled corporation	500,000,000 <sup>(5)</sup> shares (S)	12.33%
China Jiayuan Group Limited <sup>(3)</sup>	Interest of a controlled corporation	2,756,308,418 shares (L)	67.96%
	Interest of a controlled corporation	500,000,000 <sup>(5)</sup> shares (S)	12.33%

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held <sup>(1)</sup>	Percentage of interest in the Company <sup>(9)</sup>
Mingyuan Investment <sup>(4)</sup>	Beneficial owner	2,756,308,418 shares (L)	67.96%
	Beneficial owner	500,000,000 <sup>(5)</sup> shares (S)	12.33%
CCB International Overseas Limited <sup>(6),(8)</sup>	Person having a security interest in shares	500,000,000 <sup>(5)</sup> shares (L)	12.33%
Design Time Limited <sup>(7)</sup>	Beneficial owner	26,228,771 shares (L)	0.65%
CCBI Investments Limited <sup>(7)</sup>	Interest of a controlled corporation	26,228,771 shares (L)	0.65%
CCB International (Holdings) Limited <sup>(6),(7),(8)</sup>	Person having a security interest in shares	500,000,000 <sup>(5)</sup> shares (L)	12.33%
	Interest of a controlled corporation	26,228,771 shares (L)	0.65%
CCB Financial Holdings Limited <sup>(6),(7),(8)</sup>	Person having a security interest in shares	500,000,000 <sup>(5)</sup> shares (L)	12.33%
	Interest of a controlled corporation	26,228,771 shares (L)	0.65%
CCB International Group Holdings Limited <sup>(6),(7),(8)</sup>	Person having a security interest in shares	500,000,000 <sup>(5)</sup> shares (L)	12.33%
	Interest of a controlled corporation	26,228,771 shares (L)	0.65%
China Construction Bank Corporation <sup>(6),(7),(8)</sup>	Person having a security interest in shares	500,000,000 <sup>(5)</sup> shares (L)	12.33%
	Interest of a controlled corporation	26,228,771 shares (L)	0.65%
Central Huijin Investment Ltd. <sup>(6),(7),(8)</sup>	Person having a security interest in shares	500,000,000 <sup>(5)</sup> shares (L)	12.33%
	Interest of a controlled corporation	26,228,771 shares (L)	0.65%

## Notes:

- (1) The letters "L" and "S" denote a person's/an entity's long position and short position in the shares of the Company respectively.
- (2) Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching, is deemed to be interested in Mr. Shum Tin Ching's interest in the Company.
- (3) China Jiayuan Group Limited is a wholly-owned subsidiary of Galaxy Emperor Limited, which is wholly-owned by Mr. Shum Tin Ching.



- (4) These shares are held by Mingyuan Investment, which is wholly-owned by China Jiayuan Group Limited.
- (5) On 31 December 2019, Mingyuan Investment entered into a release agreement with CCB International Overseas Limited, pursuant to which, CCB International Overseas Limited agreed to discharge and release 600,000,000 shares out of 2,712,244,324 shares held by Mingyuan Investment in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company indirectly wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited on 29 June 2017. On the same day, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 500,000,000 shares out of 2,712,244,324 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a loan issued to the Company.
- (6) Based on the public records, these security interest in shares are held by CCB International Overseas Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.
- (7) Design Time Limited is a wholly-owned subsidiary of CCBI Investments Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.
- (8) CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited, which is in turn a wholly-owned subsidiary of CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation, which is owned as to 57.11% by Central Huijin Investment Ltd..
- (9) As at 31 December 2020, the total number of issued shares of the Company was 4,055,734,623.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any person who had an interest or short position in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## CONNECTED TRANSACTIONS

The Group entered into certain related party transactions with related parties during the year ended 31 December 2020 which constituted connected transactions or continuing connected transactions of the Group, details of which are set out in notes 38 to the consolidated financial statements. They do not constitute notifiable connected transaction under the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Group had entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules. All the continuing connected transactions during the year that need to be disclosed herein are in compliance with the Listing Rules. The transaction amount of the continuing connected transactions of the Group for the year ended 31 December 2020 is set out below:

Connected Person	Nature of Transaction	Transaction Amount for Year Ended 31 December 2020 RMB'000
<i>Non-exempt continuing connected transactions</i>		
1. Zhejiang Xigu Digital Technology Co., Ltd. ("Zhejiang Xigu") <sup>(1)</sup> and Jiaxing City Deyu Electronics Technology Co., Ltd. ("Jiaxing Deyu") <sup>(1)</sup>	Procurement of intelligent system equipment	<b>63,521</b>
2. Jiaxing City Boyuan Architecture Design Co., Ltd. ("Jiaxing Boyuan") <sup>(2)</sup>	Procurement of architecture design services	<b>9,351</b>
3. Jiayuan Chuangsheng Holdings Group Co., Ltd. ("Jiayuan Chuangsheng") <sup>(3)</sup>	Provision of property management services	<b>47,340</b>

Notes:

- (1) Zhejiang Xigu is a company indirectly controlled by Ms. Wang Xinmei, the spouse of Mr. Shum. Jiaxing Deyu is a wholly-owned subsidiary of Zhejiang Xigu. Both of Zhejiang Xigu and Jiaxing Deyu are principally engaged in the manufacture, installation and sale of software and system equipment.

In 2015, the Group entered into intelligent system equipment procurement agreements and purchased a variety of intelligent system equipment including security monitoring equipment, video intercom system, access control equipment and alarm system for some of the Group's property development projects.

On 31 December 2018, the Company entered into an intelligent system equipment procurement framework agreement with Zhejiang Xigu and Jiaxing Deyu to govern the procurement of intelligent system equipment by the Group for its property development projects to renew the transactions for a term of three years from 1 January 2019 to 31 December 2021.

The annual cap for the year ended 31 December 2019 was RMB60 million. The annual caps for the years ending 31 December 2020 and 2021 will be approximately RMB75 million and RMB90 million, respectively.

\* For identification purpose only

- (2) Jiaxing Boyuan is a company indirectly wholly-owned by Mr. Shum, and is principally engaged in project design and decoration.

In 2015, the Group engaged Jiaxing Boyuan for providing the Group with architecture design services for some of the Group's property development projects including (i) formulating the proposal, the preliminary design plan and the construction plan; and (ii) supervising the implementation of relevant design plan and construction plan for projects under construction.

On 31 December 2018, the Company entered into an architecture design service framework agreement with Jiaxing Boyuan to govern the provision of architecture design services by Jiaxing Boyuan to the Group for its property development projects to renew the transactions for a term of three years from 1 January 2019 to 31 December 2021.

The annual cap for the year ended 31 December 2019 was RMB40 million. The annual caps for the years ending 31 December 2020 and 2021 will be approximately RMB65 million and RMB90 million, respectively.

- (3) Jiayuan Chuangsheng is a company beneficially wholly-owned by Mr. Shum, and is principally engaged in property development, equity investment, enterprise investment and enterprise management consulting services.

On 19 September 2018, Jiayuan Chuangsheng, Zhejiang Jia Yuan Property Management Co., Ltd.\* (浙江佳源物業管理有限公司) and the Company entered into the property management services framework agreement (the "Property Management Services Framework Agreement"), pursuant to which the parties agreed and confirmed that provision of the property management services (including but not limited to (i) the provision of on-site security, cleaning, greening and gardening as well as customer service to the property sales centre of Jiayuan Chuangsheng and its subsidiaries at the pre-delivery stage; and (ii) the provision of property management services for the unsold portion of the property units, in respect of certain properties developed or owned by Jiayuan Chuangsheng and its subsidiaries) by the Group to Jiayuan Chuangsheng and its subsidiaries have been and will continue to be conducted on terms set out therein, from the day on which the condition precedent of the Property Management Services Framework Agreement having been satisfied (i.e. 21 January 2019) to 31 December 2020 (both days inclusive) subject to the annual caps.

The annual cap for the year ended 31 December 2019 was RMB66 million (equivalent to approximately HK\$75,160,800). The annual cap for the year ending 31 December 2020 will be RMB91 million (equivalent to approximately HK\$103,630,800).

The independent non-executive Directors confirmed that the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors further confirmed that the annual caps in respect of the above continuing connected transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions abovementioned:

- (i) have not been approved by the Board;
- (ii) are not in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
- (iii) have not been entered into in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the respective annual caps.

### **EMOLUMENT POLICY**

A Remuneration Committee was set up to make recommendations on the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Group on the basis of their merit, qualifications and competence.

The Company has adopted the Share Option Scheme as incentive to eligible employees, details of which are set out in the section headed "Share Option Scheme" of this report.

None of the Directors waived any emoluments during the year ended 31 December 2020.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **TAX RELIEF AND EXEMPTION**

The Board is not aware of any tax relief available to shareholders of the Company by reason of their holding of the Company's securities.

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **LITIGATION AND COMPLIANCE**

To the best knowledge of the Board, the Group has complied with all relevant laws and regulations that have a significant effect on the Group in all material respects. No litigation or claim of material importance is pending or threatened against any member of the Group.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year ended 31 December 2020, the Company redeemed part of its US\$322,500,000 13.75% senior notes due March 2022 in the aggregate principal amount of US\$60,000,000 and part of its US\$250,000,000 11.375% senior notes due May 2022 in the aggregate principal amount of US\$135,000,000.

The Company cancelled the repurchased senior notes in accordance with the terms of the notes and indentures. After cancellation, as of 31 December 2020, the aggregate principal amount of the 13.75% senior notes due March 2022 that remains outstanding is US\$262,500,000 and the aggregate principle amount of the 11.375% senior notes due May 2022 that remains outstanding is US\$115,000,000.

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

### **DONATIONS**

During the year, the Group made charitable and other donations amounting to RMB3,883,713.

### **AUDIT COMMITTEE**

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company. Information on the work of the Audit Committee and its composition are set out in section headed "Corporate Governance Report" on pages 45 to 56 of this annual report.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct for securities transactions by Directors and employees who are likely to be in possession of unpublished inside information of the Company (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2020.

### **CORPORATE GOVERNANCE**

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" in this annual report.

### **AUDITOR**

The consolidated financial statements of the Group for the years ended 31 December 2019 and 2020 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the Annual General Meeting.

The consolidated financial statements of the Group for the years ended 31 December 2017 and 2018 have been audited by Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu resigned as auditor of the Company on 13 December 2019. On 16 December 2019, the Company appointed PricewaterhouseCoopers as its auditor.

On behalf of the Board

**Shum Tin Ching**

*Chairman*

Hong Kong, 29 March 2021

# CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the “Board”) is pleased to report to the shareholders on the corporate governance of the Company for the year ended 31 December 2020.

## CORPORATE GOVERNANCE PRACTICES

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is committed to achieving high corporate governance standards.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2020.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by directors and employees who are likely to be in possession of unpublished inside information of the Company (the “Code of Conduct”) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2020.

No incident of non-compliance of the Code of Conduct by the relevant employees was noted by the Company during the year ended 31 December 2020. In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its Directors and relevant employees in advance.

## BOARD OF DIRECTORS

The Board oversees the Group’s businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

## THE GROUP’S PERFORMANCE

A fair review of the Group’s business and a discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position are included in the section headed “Management Discussion and Analysis” from pages 8 to 22 of this annual report.

## Board Composition

The Board currently comprises the following Directors:

### Chairman and non-executive Director:

Mr. Shum Tin Ching (*chairman of Nomination Committee*)

### Vice Chairmen and executive Directors:

Mr. Zhang Yi (*ceased to be the president w.e.f. 12 August 2020 and appointed as a member of Remuneration Committee w.e.f. 29 March 2021*)

Mr. Huang Fuqing

### Executive Directors:

Ms. Cheuk Hiu Nam (*joint company secretary and ceased to be a member of Remuneration Committee w.e.f. 29 March 2021*)

Mr. Wang Jianfeng (*Vice president*)

### Independent non-executive Directors:

Mr. Tai Kwok Leung, Alexander  
(*chairman of Audit Committee and member of Remuneration Committee*)

Dr. Cheung Wai Bun, Charles, JP  
(*chairman of Remuneration Committee and member of Audit Committee and Nomination Committee*)

Mr. Gu Yunchang  
(*member of Audit Committee and Nomination Committee*)

### Non-executive Director:

Mr. Shen Xiaodong

Mr. Shen Xiaodong, a non-executive Director of the Company, is the son of Mr. Shum Tin Ching, the Chairman and a non-executive Director of the Company. Save as disclosed, there are no financial, business, family or other material/relevant relationships among members of the Board.

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 23 to 30 of this annual report.

### Chairman and President/Chief Executive Officer

The position of Chairman is held by Mr. Shum Tin Ching. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board.

Mr. Shen Hongjie was appointed as the President of the Company and Mr. Zhang Yi ceased to be the President of the Company with effect from 12 August 2020. Mr. Shen also carries out the responsibilities of the Chief Executive. The President focuses on the Company's business development and daily management and operations generally.

### Independent non-executive Directors

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

### **Appointment and Re-election of Directors**

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The retiring Directors shall be eligible for re-election.

### **Responsibilities of the Directors**

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

### **Continuous Professional Development of Directors**

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.



Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2020, the Company organized one training session for all Directors. The training session covered a wide range of relevant topics including directors' duties and responsibilities etc.

The record of continuous professional development relating to directors' duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2020 are summarized as follows:

Directors	Type of Training <sup>Note</sup>
<b>Non-executive Directors</b>	
Mr. Shum Tin Ching	A
Mr. Shen Xiaodong	A
<b>Executive Directors</b>	
Mr. Zhang Yi	A
Mr. Huang Fuqing	A
Ms. Cheuk Hiu Nam	A
Mr. Wang Jianfeng	A
<b>Independent non-executive Directors</b>	
Mr. Tai Kwok Leung, Alexander	A
Dr. Cheung Wai Bun, Charles, JP	A
Mr. Gu Yunchang	A

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

### Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2020.

The attendance record of each Director at the Board and Board Committee meetings and general meetings of the Company held during the year ended 31 December 2020 is set out in the table below:

Name of Director	Attendance / Number of Meetings				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Shum Tin Ching <sup>(Note 1)</sup>	4/4	N/A	N/A	1/1	1/1
Zhang Yi <sup>(Note 2)</sup>	4/4	N/A	N/A	N/A	1/1
Huang Fuqing	4/4	N/A	N/A	N/A	1/1
Cheuk Hiu Nam <sup>(Note 3)</sup>	4/4	N/A	1/1	N/A	1/1
Wang Jianfeng	4/4	N/A	N/A	N/A	1/1
Tai Kwok Leung, Alexander <sup>(Note 4)</sup>	4/4	3/3	1/1	N/A	1/1
Cheung Wai Bun, Charles, JP <sup>(Note 5)</sup>	4/4	3/3	1/1	1/1	1/1
Gu Yunchang	4/4	3/3	N/A	1/1	1/1
Shen Xiaodong	4/4	N/A	N/A	N/A	1/1

#### Notes:

1. Chairman of the Board and chairman of Nomination Committee
2. Appointed as a member of Remuneration Committee on 29 March 2021
3. Ceased to be a member of Remuneration Committee on 29 March 2021
4. Chairman of Audit Committee
5. Chairman of Remuneration Committee

None of the meetings set out above was attended by any alternate Director.

### Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang. Mr. Tai Kwok Leung, Alexander is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Board has also delegated the corporate governance duties to the Audit Committee for performing the functions set out in the code provision D.3.1 of the CG Code.

The Audit Committee held three meetings to review, in respect of the year ended 31 December 2020, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions, arrangements for employees to raise concerns about possible improprieties, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Company's corporate governance report.

The Audit Committee also met the external auditors twice without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor.

### Remuneration Committee

During the year ended 31 December 2020, the Remuneration Committee consisted of three members, namely Ms. Cheuk Hiu Nam, Mr. Tai Kwok Leung, Alexander and Dr. Cheung Wai Bun, Charles, JP, and the majority of them are independent non-executive Directors. Dr. Cheung Wai Bun, Charles, JP is the chairman of the Remuneration Committee. On 29 March 2021, Ms. Cheuk Hiu Nam has ceased to act and Mr. Zhang Yi, and executive Director, has been appointed as a member of the remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2020 is set out below:

Remuneration Band (RMB)	Number of Person
1,200,000 – 1,500,000	3
1,500,001 – 1,800,000	3
1,800,001 – 2,200,000	1
2,200,001 – 3,000,000	1

### Nomination Committee

The Nomination Committee consists of three members, namely Mr. Shum Tin Ching, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang, and the majority of them are independent non-executive Directors. Mr. Shum Tin Ching is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy and directors' nomination procedures, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary as set out in the Director Nomination Policy that are to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy.

### **Board Diversity Policy**

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

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

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

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

### Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code.

The Board is responsible for reviewing the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and the disclosure in this Corporate Governance Report. The Board has performed the above duties during the period from 1 January 2020 to 31 December 2020.

### Director Nomination Policy

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

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

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

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2020, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The Company has developed and adopted various risk management procedures, systems and guidelines with defined authority for implementation by key business processes, management systems and office functions, including clear management rules and work guidelines covering investment and development, operation management, sales management, human resources and administration, financial management, capital and finance operation, and internal audit.

The Company has established a comprehensive risk management system, which specifies the roles and responsibilities of the management and the Board in risk management work. On the basis of the system, continuous monitoring has taken place in relation to the risk management and internal control systems. The management of the Company continues to identify and evaluate the risks of the Group. The management has analysed the changes to core and key risks by paying attention to market and industry changes and communicating with the executive directors and chief financial officer. In addition, the control of various core and key risks is also under continuous monitoring by respective departments from the headquarter through monthly meeting, in which the Group combined feedback from self-inspection and evaluation of each property company, reported to the headquarter regarding respective core risks, discussed various core and key risks with them and concluded discussion on combined feedback.

The Company has the procedures and internal controls for the handling and dissemination of inside information. When employees of the Company who become aware of any events and/or matters which may consider potentially inside information, they will report to the designated personnel of the Company who, if considered appropriate, will pass such information to the Board for the purpose of considering and deciding whether or not such information constitutes inside information and notify external lawyers and company secretaries and disclosure of which shall be made immediately.

The Group's internal audit team plays a role in monitoring the internal governance of the Company, mainly monitors and reviews the matters relating to the internal control and compliance of the Company, and provides regular risk-oriented internal audits for its companies in the real estates and properties segment yearly. The internal audits cover company's responsibilities from project obtainment, procurement tendering, project management, costing, sales, financial reporting, human resources management and information security etc.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

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

The internal audit department of the Company is responsible for providing internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

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

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed an inside information policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

### **DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

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

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 82 to 87 of this annual report.

### **AUDITOR'S REMUNERATION**

The remuneration in respect of services provided by the external auditors of the Company for the year ended 31 December 2020 is summarized as follows:

<b>Service category</b>	<b>Fee Paid/Payable (RMB'000)</b>
<b>PricewaterhouseCoopers*</b>	
Audit services	<b>8,260</b>
Non-audit services in relation to:	
– Major acquisitions	<b>3,800</b>
– Senior notes issuance related	<b>3,790</b>
– Listing of a subsidiary	<b>5,000</b>
– Others	<b>1,297</b>

## JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Ms. Lau Yee Wa of Tricor Services Limited, an external service provider, and Ms. Cheuk Hiu Nam, an executive Director of the Company, who is also the primary contact person of the Company.

The Company is of the view that this joint company secretary arrangement (one external with requisite qualification and one internal with in-house knowledge) is suitable and beneficial to the Company's management of its company secretarial and corporate governance matters, in particular, compliance with the Listing Rules and other relevant laws, regulations or codes applicable to the Company.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Each of the joint company secretaries has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2020 pursuant to Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

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

### Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals

Pursuant to Article 58 of the Company's 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 joint company secretaries of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Putting Forward Enquiries to the Board

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



### Contact Details

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

Address: Room 1403, 9 Queen's Road Central, Hong Kong  
(For the attention of the Board of Directors)  
Fax: (852) 3951 8899  
Email: info@hkjiayuan.com.hk

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

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

#### Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

### CONSTITUTIONAL DOCUMENTS

No change has been made to the Company's Memorandum and Articles of Association during the year ended 31 December 2020.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

As the society is attaching greater importance to sustainable development, the Group issues the Environmental, Social and Governance (“ESG”) Report (the “Report”) regularly, to allow stakeholders’ better understanding of the development directions, progress and work of the Group in terms of sustainability, with a view to enhancing the disclosure level and transparency. The Board acknowledges its responsibility for the Group’s ESG strategy and reporting.

## SCOPE OF REPORT

Unless otherwise specified, the Report focuses on the operations of property development business segment of the Group, including the sale of residential and commercial properties, from 1 January to 31 December 2020 (“the year”). The revenue from this business segment accounted for 95.5% of the Group’s total revenue. There is no significant change in the Report as compared to the ESG report last year. Addressing on the environmental and social key performance indicators (KPIs), the reporting scope of the Report mainly covers the marketing centers operated by Yangzhou Xiangjiang New City Center Property Co., Ltd. (“Yangzhou Xiangjiang”) and Nanjing Xinhaoning Property Development Co., Limited (“Nanjing Xinhaoning”), and other parts directly operated by them (collectively, the “Points of Business”). Sales projects under Yangzhou Xiangjiang and Nanjing Xinhaoning are as follows:

Company	Respective Sale Projects	Total GFA (‘000 sq.m.)	Ownership Interest (%)	Total Area of Marketing Centers (‘000 sq.m.)
Yangzhou Xiangjiang	Yangzhou Jiayuan Centurial City	720	100	1.8
Nanjing Xinhaoning	Nanjing Zijin Mansion	510	70	3

The Group understands that this report has not yet covered all our property development projects<sup>1</sup> and the operations of other business segments (including property investment and property management segments). We are communicating with the related units to gradually expand the scope of report in the future so as to provide more comprehensive information to our stakeholders.

<sup>1</sup> As of 31 December 2020, the Group had 88 property projects, with a total GFA of 17.65 million sq.m.

**REPORTING STANDARDS AND REPORTING PRINCIPLES**

This Report is prepared under the Environmental, Social and Governance Reporting Guide (the “Guide”) set out in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited and is based on four reporting principles: Materiality, Quantitative, Balance and Consistency. To provide our stakeholders with a comprehensive understanding of the ESG performance of the Group, this Report not only discloses the environmental KPIs pursuant to the “comply or explain” provisions, but also reports some of the social KPIs specified in the “Recommended Disclosures” under the Guide.

Reporting Principle	Definition	Response
<b>Materiality</b>	Issuers should report on ESG issues which have important impacts on investors and other stakeholders.	The Group has identified important ESG issues based on factors including the Group’s business nature and stakeholders’ expectations.
<b>Quantitative</b>	<p>Key performance indicators of historical data should be measurable. The issuers should set targets to reduce a particular impact, so that the effectiveness of the ESG policies and management systems can be evaluated and validated.</p> <p>Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.</p>	<p>Data of the Group’s social KPIs are sourced from statistics of relevant departments. In addition, to ensure the accuracy of the environmental KPIs, the Group has commissioned Carbon Care Asia, a professional consulting firm, to conduct a carbon assessment in accordance with the guidelines prepared by Environmental Protection Department of Hong Kong and Electrical and Mechanical Services Department and by reference to ISO14064–1 and international standards such as Corporate Accounting and Reporting Standards of GHG Accounting System.</p> <p>The Group includes forward-looking statement when applicable. Quantitative information accompanies descriptions and standards, method, assumptions and/or calculating tools adopted.</p>
<b>Balance</b>	The issuers shall provide an unbiased picture of its performance and should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgment made by the report readers.	The Group fully reports the ESG performance in the Report to avoid giving biased information.
<b>Consistency</b>	The issuers should adopt consistent disclosure and statistical approach to enable meaningful comparison on ESG data in the future.	Unless otherwise stated, the method used in preparing the Report are generally the same as last year. The Group will make sure that a consistent method is used to make statistics on future ESG data for comparison between the data of the Year and the past.

### CONFIRMATION AND APPROVAL

The Group has developed a set of internal controls and formal review procedures, striving to ensure the accuracy and reliability of all information presented in this Report. This Report was reviewed and approved by the Board on 29 March 2021.

### FEEDBACK

Opinions and recommendations from stakeholders are beneficial for the Group to establish more detailed and sound sustainability strategies in the future. If you have any questions or suggestions on our work in relation to ESG or the content of this Report, you are welcome to contact our sustainability taskforce via [info@hkjiayuan.com.hk](mailto:info@hkjiayuan.com.hk).

### OVERVIEW OF SUSTAINABILITY PERFORMANCE

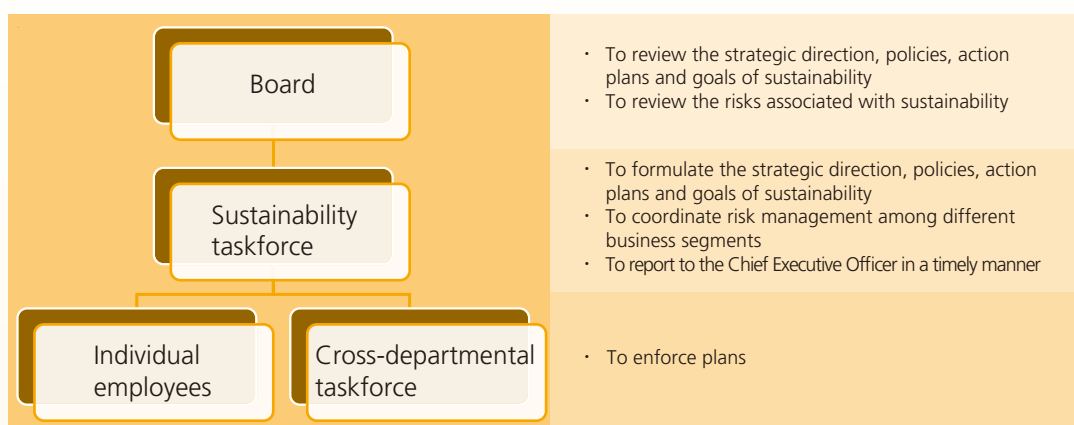
With the establishment of the sustainability taskforce, the Group works proactively with its employees and all stakeholders to provide the public with comfortable environment suitable for living by adhering to the development notion of "To create quality life".

<b>Governance</b>	A sustainability taskforce has been formed and its structure, composition and terms of reference have been formulated to lay a key foundation for the establishment of long-term sustainability strategies and goals in the future
<b>Employment</b>	73 employees had been hired at the Points of Business, with a new recruit rate of 10% and employee turnover rate of 15%
<b>Health and safety of employees</b>	No fatality or injury cases at any of the Points of Business
<b>Training</b>	Training was provided to 63 employees at the Points of Business, at 13.07 hours of training per employee on average
<b>Greenhouse gas emissions</b>	291.43 tCO <sub>2</sub> e in total at the Points of Business
<b>Energy consumption</b>	543.56 MWh in total at the Points of Business
<b>Water consumption</b>	6,486.00 m <sup>3</sup> in total at the Points of Business

## MANAGEMENT PRINCIPLES OF SUSTAINABLE DEVELOPMENT

### GOVERNANCE STRUCTURE

The Group is dedicated to maintaining an effective and highly transparent governance structure, in order to lay a solid foundation for establishing and achieving long-term strategies and goals. The Board represents the decision maker of the Group in executing corporate social responsibilities, and the sustainability taskforce will be responsible for planning and supervising the efforts of each business segment in respect of environmental protection and social care, as well as summarizing and reviewing these works periodically. The taskforce will report to the Board through the Chief Executive Officer regularly about the performance and work progress.



### RISK MANAGEMENT

Members of the Board have a wide spectrum of valuable business experience, knowledge and professionalism and lead the management in formulating strategies to address risks, capture opportunities and, with the assistance of the Audit Committee, ensure that internal control and risk management system are sound and effective. Risk management procedures and guidelines have been adopted to delineate the duties and power of the relevant units. All departments are required to undergo regular internal control assessment to identify risks which can potentially affect the Group's business, including environmental and social risks.

The management reports to the Board and the Audit Committee on the effectiveness of Group's risk management and internal control system for the year. The internal audit department of the Company is responsible for performing independent review of the adequacy and effectiveness of the respective systems. Based on the abovementioned report and audit outcome, the Board conducts further review and ascertains the effectiveness and adequacy of the respective systems.

## COMPLIANCE OPERATION

Compliance operation is the foundation for the Group to continue our operations in various regions. The Group recognises that violations will result in relevant law enforcement actions taken by regulatory authorities and ensures that clear guidance is provided to employees by reviewing work practices and compliance. Business operation of the Group is regulated by different laws and regulations, include but not limited to those set out in the table below. If there are violations of relevant laws and regulations, reputation of the Group may be harmed, and there will be material adverse effect on its business, operating results or financial position.

Aspect	Relevant Laws	Compliance Disclosure
Emissions	The Environmental Protection Law of the PRC 《中華人民共和國環境保護法》 The Water Pollution Prevention and Control Law of the PRC 《中華人民共和國水污染防治法》 The Atmospheric Pollution Prevention and Control Law of the PRC 《中華人民共和國大氣污染防治法》	During the year, the Group identified no noncompliance with relevant laws and regulations that have a significant impact on us at the Points of Business.
Employment	The Labour Law of the PRC 《中華人民共和國勞動法》 The Labour Contract Law of the PRC 《中華人民共和國勞動合同法》 The Law on Protection of Women's Interests of the PRC 《中華人民共和國婦女權益保護法》 The Social Insurance Law of the PRC 《中華人民共和國社會保險法》	During the year, the Group identified no noncompliance with relevant laws and regulations that have a significant impact on us at the Points of Business.
Health and Safety	The Production Safety Law of the PRC 《中華人民共和國安全生產法》 The Prevention and Control of Occupational Diseases Law of the PRC 《中華人民共和國職業病防治法》 The Fire Prevention Law of the PRC 《中華人民共和國消防法》	During the year, the Group identified no noncompliance with relevant laws and regulations that have a significant impact on us at the Points of Business.
Labour Standards	The Labour Law of the PRC 《中華人民共和國勞動法》 The Law on Protection of Minors of the PRC 《中華人民共和國未成年人保護法》	During the year, the Group identified no noncompliance with relevant laws and regulations that have a significant impact on us at the Points of Business.
Product Responsibility	The Product Quality Law of the PRC 《中華人民共和國產品質量法》 The Urban Real Estate Administration Law of the PRC 《中華人民共和國城市房地產管理法》 The Advertising Law of the PRC 《中華人民共和國廣告法》 The Copyright Ordinance 《版權條例》	During the year, the Group identified no noncompliance with relevant laws and regulations that have a significant impact on us at the Points of Business.
Anti-corruption	The Criminal Law of the PRC 《中華人民共和國刑法》 The Anti-Unfair Competition Law of the PRC 《中華人民共和國反不正當競爭法》	During the year, the Group identified no noncompliance with relevant laws and regulations that have a significant impact on us at the Points of Business.

## COMMUNICATION WITH THE STAKEHOLDERS

The Group recognized the need to understand how stakeholders are affected by our business regarding each of the sustainability issues, before it can reach its business decision that fully reflects their opinions and balances the interest of different parties. Therefore, the Group proactively maintains periodic and bilateral communication with stakeholders including employees, investors, suppliers, customers, regulatory authorities and community groups.

Stakeholders may reflect their views via the following diverse communication channels, to facilitate the Group’s review of potential risks and opportunities in respect of sustainable development, identification of the priorities of different issues, and formulation of corresponding policies and measures.

Employees	Suppliers	Regulatory authorities
The employees may express their difficulties at work or views towards the Group through platforms such as performance appraisals, corporate communications, training, seminars and whistle-blowing mechanism.	The Group conducts supplier inspection to ensure the suppliers satisfy the requirements of the Group.	The Group makes disclosures of the matters including operating statistics, material transactions and inside information of the Company to the Hong Kong Stock Exchange in a timely manner to ensure information transparency.
Investors	Customers	Community groups
The Group encourages shareholders to participate in annual general meetings to collect and respond to their feedback.	The Group holds appreciation receptions for customers and makes periodic customer visits. Trained staff members provide customers with sales services according to marketing management procedures and guidelines to ensure that they are satisfied with our services and products.	The Group launches voluntary activities and organizes donations to serve and contribute to the community.

## MATERIALITY ASSESSMENT

The materiality assessment is beneficial to the systematic review of the operating environment and collation of the opinions of stakeholders, as well as identifying environmental and social issues that are of utmost importance to the business and the stakeholders, ensuring that the overall sustainability strategies and the principles of management are in line. The following environmental and social issues are the focus of this Report.

Environmental protection	Employment and Labour Practices	Operation practices	Community
<ul style="list-style-type: none"> <li>Emissions</li> <li>Use of Resources</li> <li>The Environmental and Natural Resources</li> <li>Climate Change</li> </ul>	<ul style="list-style-type: none"> <li>Employment</li> <li>Health and Safety</li> <li>Development and Training</li> <li>Labour Standards</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> <li>Product Responsibility</li> <li>Anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>Community Investment</li> </ul>

## JIAYUAN INTERNATIONAL AND ITS EMPLOYEES

Staff development is not only pivotal to the success of corporate development but is also a duty owed to the employees. As stated in its Employment and Labour Practices Declaration (僱傭及勞工常規政策聲明), the Group undertakes to provide a workplace free from any form of discrimination or harassment and to give priority to safeguard health and safety of its employees in its business operation, to ensure peace of mind among employees in utilizing their strengths and developing their potentials.

### Employment Management and Labour Standards

The Group has been growing hand in hand with its employees and strived to establish an equal and trusted relationship with its employees, which in turn helps to build an inclusive and diversified corporate culture. To maintain the transparency of employment management, the Group has formulated policies such as Staff Handbook (員工手冊) and Human Resources Administration Guidelines (人事行政工作指引) setting out the terms of compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare for convenient access by its staff.

#### Employment and Labour Rules

##### Remuneration and dismissal

The Group conducts regular performance assessment to assess performance of each employee objectively, and award them bonus and adjust their remuneration based on their assessment result.

The Group has set out the procedures and rules for termination of contract in its Staff Handbook.

##### Recruitment and promotion

The Group has developed a set of guidelines for recruitment which requires interview with applicants and objective analysis on applicants' overall strengths.

The Group appraises all employees' performance in an objective manner and promotion criteria are based on employees' capabilities.

##### Working hours and holidays

The Group set out the working hours and holidays, as well as procedures for leave application in its Staff Handbook.

##### Anti-discrimination, equal opportunity and diversity

The Group is committed to providing a diverse workplace free from discrimination or harassment and enhancing the awareness of the issue of equality. The Group will never treat employees differently by virtue of their gender, age, ethnic origin, race, color, religion, physical shape, illness, mental or physical disability, family status and composition, sexual orientation, political belief or social status.

##### Benefits and welfare

Employees of the Group are entitled to various benefits and welfare, including medical benefits programs, festival allowance, communication fee allowance, and meal allowance.

##### Prevention of forced labour

The Group ensures that employees are employed on a voluntary basis and prohibits employment of forced labour in any form. To ensure that employees' overtime working hours comply with legal standards and regulations, the Group formulated guidelines to regulate overtime hours and provides employees who work overtime with compensatory leave and reasonable rest time.

##### Prevention of child labour

The human resources department will check the identity document of new employees to verify their actual age and to ensure compliance with minimum legal working age requirement.

In addition to the aforesaid employment and labour rules, the Group conducts employee satisfaction survey regularly and arranges an exit interview with the leaving employee to obtain his/her feedback.



## DEVELOPMENT AND TRAINING

The Group highly regards employees' knowledge and skills in performing their duties, and encourages them to keep abreast with the latest industrial trend, learn from each other through knowledge sharing and discussions, to uplift personal performance and in turn performance of the team. In this regard, the Group established a training system and implemented various measures during the year, to ensure that employees have sufficient and timely training and development opportunities. The Group's human resources administration centre is responsible for formulating annual training plans and organizing regular activities to address the needs of staff from different departments. The human resources administration centre is also responsible for supervising the implementation of the annual training plans. To encourage its employees to pursue continuing education, the Group offers them full-pay or no-pay study leave based on established criteria, during which the employees are entitled to fringe benefits.

### Types of major training

#### Induction training

Within 10 days upon joining the Group, new recruits are required to attend the training at Jiayuan College. The training topics include principal businesses, management system and operational standards of the Group.

#### Training for senior management

In accordance with the annual training program and practical operational needs, the human resources administration centre provides management training to employees at assistant manager level or above from all business divisions, branches and subsidiaries of the Group in July each year.

#### Sales management training

Marketing planning department is responsible for conducting training and assessment of customer managers and onsite customer managers. Employees who have not attended the training or failed the assessment shall not be on duty.

#### System training

All staff will be arranged for the ERP (enterprise resource planning) system training organised by the human resources administration centre when they receive training at the college.

#### Training for financial personnel

The financial center of the Group and Jiayuan College provides training sessions to financial personnel twice a year and reviews their training results on a regular basis.

#### Study tour

Employees from different departments participate in tours to visit domestic and international benchmark companies to learn from their experience in project development and operation and management, to further assist the Group in identifying the areas of improvement.

### Case story: Jiayuan College

#### *“A Huangpu Military Academy for Quasi-entrepreneur of Jiayuan International”*

Established in 2009, Jiayuan College has engaged experienced management members from Jiayuan International as its lecturers and cooperated with external training institutes to commence a series of personnel training. At present, Jiayuan College works with a number of domestically renowned training institutes, including National School of Development at Peking University, Yangtze Delta Region Institute of Tsinghua University, Jinggangshan Cadre Training Academy, Foretell Business School of Fudan University and Golden Finance and Tax College, as well as institutions of higher education, including Peking University, Zhejiang University, Jiao Tong University and Tongji University, in the provision of more enhanced training courses to employees.

### Curriculum system of Jiayuan College

#### *Yuan Power Curriculum System*

Target: New recruits

Purpose: To familiarize with the culture, systems and processes of the Group

#### *New Joiner Curriculum System*

Target: Young employees in different departments including mid-level management

Purpose: To enhance general capability, such as management skills and business skills

#### *Quasi-entrepreneur Curriculum System*

Target: General managers, and senior management of functional units

Purpose: To enhance management skills such as leadership and operational capability

#### *Pilot EMBA Curriculum System*

Target: General managers, assistant executive officers, and employees of higher ranks

Purpose: To enhance management skills such as strategic thinking, resources integration capability and leadership

## HEALTH AND SAFETY

The Group is responsible for ensuring the physical and mental health and work-life balance among its team members. To effectively manage occupational health and safety, the Group sets out its commitments in an Employment and Labour Practices Declaration (僱傭及勞工常規政策聲明) and adopts a series of measures to ensure health and safety in different work positions.

The Points of Business provide appropriate and adequate protective gears to its employees to minimize the risks of employees sustaining injuries or contracting diseases or encountering occupational hazards at the workplace. Nanjing Xinhaoning provides regular body check-up and arranges events on safety education including firefighting and health seminars for its employees every year, so as to enhance their awareness of health and safety.

As a property developer, the Group’s construction projects are undertaken by contractors. Therefore, construction safety is a prominent part of its risk management and supply chain management. For the sake of occupational health and safety at construction sites, the Group has devised its Guidelines for Safe and Civilized Construction Management (安全文明施工管理工作指引), to set out all work safety rules for all construction units in order to strengthen the on-site safety management at each and every construction project.

Safe and Civilized Construction Management			
Preparing safe construction plan	Implementing safe and civilized construction plan		Formulating regulations on the handling of safety incidents
In compliance with regulatory and contractual requirements, the construction unit shall prepare safe and civilized construction plan for projects, which shall be reviewed and approved by an external supervision unit and the engineering design department of the Group. The construction unit must obtain approval before construction commences.	External supervision unit is responsible for regulating the rules for safe construction and inspecting the implementation of safe and civilized construction plan by the construction unit. The supervision unit is also responsible for supervising construction sites and worker quarters in respect of sanitary condition, fire safety and security.	The engineering design department of the Group, together with the supervision unit, head of the construction unit and safety officers carry out a monthly safety inspection of the construction site. If any construction that violates the safety standards is identified, the construction unit must carry out rectification within a specified period.	If a safety incident occurs in the construction site, the Group will immediately take measures to assist the construction unit in handling the incident. The construction unit shall submit a safety incident report to the supervision unit and the engineering design department of the Group after handling the incident.

## JIAYUAN INTERNATIONAL AND ITS OPERATIONS

The Group takes every customer very seriously and has formulated the Supply Chain Management, Product Responsibility and Anti-corruption Policy Declaration (供應鏈管理、產品責任及反貪污政策聲明), seeking for ongoing uplift of the quality of the Group's projects and services, proper management of its supply chain, and prevention of corruptive behaviours.

## PROJECT QUALITY MANAGEMENT

The Project Operation Work Guidance (項目運營工作指引) sets out details of the various quality safety management regime, providing specific work guidelines for employees and performing the Group's commitments to its customers.

### Key areas

#### *Design elaboration*

Meetings on design elaboration are held by the engineering design department. On such meetings, persons in charge of projects are briefed on the plan concepts, key points on landscape design, preliminary design standards adopted and cost control targets etc.

#### *Design inspection and conclusion*

The engineering design department supervises the construction process and ensures that materials and equipment are in compliance with design standards. Upon completion and acceptance, the engineering design department compares the planned effect based on the design layout and the actual outcome upon completion, to identify room for product improvement.

#### *Project renovation and refurbishment*

The Group enhanced management of the renovation and refurbishment works at the display area of projects, the renovation and refurbishment work at the public area, and other renovation and refurbishment works.

#### *Materials and equipment acceptance management*

The quality of materials and equipment used by the projects shall satisfy pre-determined parameters, requirements under the project undertaking contract and requirements under prevailing industry standards.

#### *Project acceptance management*

The Group regulated the process of acceptance management to ensure that acceptance upon project completion proceeds as scheduled.

#### *Landscaping works management*

The Group supervised construction progress of landscaping works, and regulated management of landscaping works, to ensure product quality and timely delivery.

Conducting regular monitoring and acceptance through its internal team and an independent monitoring company, the Group seeks to ensure that all standards are met at each stage of construction. Project completion and acceptance certificates are issued to those compliant construction units, while non-compliant construction units are required to adopt rectification measures according to the acceptance recommendation.

## SUPPLY CHAIN MANAGEMENT

As a property developer, the Group's major suppliers include contractors for construction, contractors for electricity projects and supply, and contractors for landscaping and greenery works. Due to its business nature, the Group's construction activities are undertaken by contractors, therefore a long-lasting collaborative relationship endorsing mutual benefits with the supply chain can facilitate uplifting of performance in sustainable development. The Group's Supply Chain Management, Product Responsibility and Anti-corruption Policy Declaration (供應鏈管理、產品責任及反貪污政策聲明) sets out the Group's commitments to identifying environmental and social risks in the supply chain.

The Group has formulated its tendering processes and suppliers assessment criteria that cover environmental protection and care for society. Apart from establishing the Guidelines for Safe and Civilized Construction Management (安全文明施工管理工作指引) to regulate safety management in respect of all construction units, the Group selects suppliers and contractors on the principles of fair and open competition. For the risks of corruption and bribery in the course of procurement and tendering, the Group has established a monitoring system to prevent corruption, fraud or other malpractice.

## CORPORATE INTEGRITY

Corruption is not only detrimental to an enterprise's competitiveness and reputation, but also conducive to serious livelihood-related and social issues. The Regulation Management Work Guideline (規範管理工作指引) of the Group defines misbehaviours and prohibits corruption and bribery in any form.

The employees shall avoid behaviours or relationships that may be in conflict with the company's interest or their respective work duties. For example, employees are not allowed to request any form of benefits or gifts from business partners. Employees are required to declare in writing to the Group before engaging in activities that would constitute a conflict of interest. Terms relating to anti-corruption are also included in the staff handbook, employment contracts and tendering documents to ensure that the employees and business partners are aware of the Group's principles and policies in the prevention of corruption and bribery.

The Group has established a whistle-blowing mechanism to encourage the employees to report, on an identified basis, acts which are in violation of the Regulation Management Work Guideline. The identity of the whistle-blowers will be kept confidential. Once reported, an issue will be investigated thoroughly and appropriate actions will be taken, including disciplinary actions, termination of employment or precautionary measures. Where cases of suspected corruption or other criminal offences are identified, the Group will report such cases to regulatory bodies or other competent authorities.

In addition, the Group respects intellectual property rights. Employees are prohibited from using any unlicensed software.

## SAFEGUARDING CUSTOMER INTEREST

The Group attaches great importance to forging and maintaining sound relationship with its customers. The Marketing Management Guidelines (營銷管理工作指引) has been formulated to specify relevant management system to ensure that appropriate guidelines and trainings are provided to the sales staff. In its Supply Chain Management, Product Responsibility and Anti-corruption Policy Declaration, the Group commits to the provision to customers of product information in an accurate and open manner, covering advertisements and descriptions on product labels.

### Case story: customer relationship management

To duly manage customer relationship and ensure customers' satisfaction with its services, Nanjing Xinhaoning devised a series of new plans during the year, including:

- Regularly organizing activities such as appreciation receptions for existing customers and birthday parties for property owners
- Returning customer phone calls and paying on-site visits to customers, to know and understand the needs of property owners and uplift service quality
- Replacing carpark signage and installing parking barriers to regulate car-parking and prevent misuse of car parks and effectively manage car parks

The Group seeks to protect customer privacy. Employees are prohibited from disclosing customer information to any third party in the absence of express consent. Employees should also keep themselves informed of the hierarchy and duration of confidentiality of information and the proper methods of shredding information for information security. The Group encrypts digital confidential documents.

## JIAYUAN INTERNATIONAL AND ITS ENVIRONMENT

Environmental sustainability is one of the Group's key issues in its fulfilment of social responsibility. The Group complies with the relevant environmental laws and regulations for each Point of Business. By implementing the Environmental Protection Policies Declaration, it also injects the concept of environmental sustainability into its business operations, manages the emissions and the use of resources properly as well as protects the environmental and natural resources.

## EXHAUST GAS EMISSIONS

Exhaust gas emissions from our Points of Business include nitrogen oxides, sulfur oxides and respirable suspended particles, which are mainly from gasoline vehicles and burning of liquefied petroleum gas in canteen kitchen equipment. In particular, the exhaust gas produced from the gasoline consumed by vehicles is the main source of emissions. To reduce the exhaust gas emissions from vehicles, the Points of Business select and purchase vehicles in compliance with the emissions standard of exhaust gas as well as carry out regular checks and maintenance of vehicles based on the schedule suggested by manufacturers.

Indicator	2020
Nitrogen Oxides (kg)	6.45
Sulfur Oxides (kg)	1.16
Respirable Suspended Particles (kg)	0.45

## GREENHOUSE GAS EMISSIONS

During the year, the Group continued to entrust the carbon assessment to a consulting firm to quantify the greenhouse gas emissions (or “carbon emissions”) produced during its operations. In the process of quantification, references are made to the guidelines<sup>2</sup> issued by the National Development and Reform Commission and the international standards such as ISO14064-1 and the Greenhouse Gas Protocol. During the year, the total carbon emissions produced from the Points of Business amounted to approximately 291.33 tCO<sub>2</sub>e, mainly attributable to the use of electricity which accounted for 91.0% of the total carbon emissions.

Indicator	2020
Scope 1 <sup>3</sup> : Direct Greenhouse Gas Emissions (tCO <sub>2</sub> e)	26.33
Scope 2 <sup>4</sup> : Indirect Greenhouse Gas Emissions by Consumption of Energy (tCO <sub>2</sub> e)	265.00
Scope 3 <sup>5</sup> : Other Indirect Greenhouse Gas Emissions (tCO <sub>2</sub> e)	–
<b>Total Greenhouse Gas Emissions (tCO<sub>2</sub>e)</b>	<b>291.34</b>
<b>Density of Greenhouse Gas (per '000 sq.m.) (tCO<sub>2</sub>e/'000 sq.m.)</b>	<b>60.16</b>

Since the use of electricity is the main source of greenhouse gas emissions, for the measures to reduce greenhouse gas emissions, please see the section headed “Use of resources” below for details. The Group will continue to assess, record and annually disclose its greenhouse gas emissions and other environmental data, to review the effectiveness of its current measures and further formulate its carbon reduction targets and work plans.

## WASTE AND SEWAGE DISCHARGE

The domestic wastes produced from the Points of Business are all non-hazardous wastes, and there is no hazardous waste produced. Non-hazardous wastes were handed over to the relevant municipal departments for disposal. During the year, the Point of Business produced in total 23 tonnes of non-hazardous wastes. Looking ahead, the Group shall review of the effectiveness of the measures in place and formulate future waste reduction targets.

Indicator	2020
Total non-hazardous wastes (tonnes)	23.00
Density of non-hazardous wastes (tonnes/'000 sq.m.)	4.75

To effectively manage the waste discharge, the Group adopts the principles of “reduce”, “reuse” and “recycle”. Waste classification and recycling areas are set up at the Points of Business and employees are discouraged from using disposable products to promote source reduction. The domestic sewage generated from the Points of Business will be discharged at sewage treatment plants through sewage pipelines, to ensure that the surrounding ecological environment is not affected.

<sup>2</sup> Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Public Building Operating Enterprises

<sup>3</sup> Source of Scope 1 is the liquefied petroleum gas cooking stoves and the gasoline consumed by vehicles

<sup>4</sup> Source of Scope 2 is the externally purchased electricity

<sup>5</sup> Source of Scope 3 is the business trips taken by air

## USE OF ENERGY

The Group's Environmental Protection Policies Declaration confirms that energy saving is the basic direction of our operation. All staff must take the established measures, which include the procurement of energy efficient products and services, and be responsible for the overall energy saving efficiency of the Group. During the year, a total of 543.56 MWh of energy were consumed at the Points of Business, which most consumed energy is electricity, accounting for approximately 79.9% of the total energy consumption.

Indicator	2020
Liquefied petroleum gas (MWh)	16.56
Gasoline (MWh)	92.64
Electricity (MWh)	434.36
<b>Total energy consumption (MWh)</b>	<b>543.56</b>
<b>Density of energy (MWh/'000 sq.m.)</b>	<b>112.24</b>

To reduce energy consumption, the following measures have been implemented on sales activities and other office activities at the Points of Business:

Key measures for energy management		
<p><b>Lighting</b></p> <ul style="list-style-type: none"> <li>Switching off the unnecessary lighting facilities in shared areas (such as reception, pantry, washrooms and corridors) when there are few people around (such as during lunch hours and outside office hours)</li> <li>Separating the areas, flexible control over the individual lighting system</li> </ul>	<p><b>Air conditioning</b></p> <ul style="list-style-type: none"> <li>Setting the temperature of air conditioners to 24-26 degrees celsius</li> <li>Switching off part of the air conditioning appliances when there are few people around (such as during lunch hours and non-office hours)</li> </ul>	<p><b>Computers</b></p> <ul style="list-style-type: none"> <li>Changing computer settings and activating standby or sleeping modes in computers</li> <li>Requesting our staff to switch off their personal computers after office hours</li> </ul>

## WATER CONSUMPTION

Total water consumption of the Group for this year was 6,486 m<sup>3</sup>.

Indicator	2020
Total water consumption (m <sup>3</sup> )	6,486.00
Density of water consumption (m <sup>3</sup> /'000 sq.m.)	1,339.25

As a precaution to lower the risk of water wastage, regular checks on water pipes and taps at the Points of Business were carried out to identify any leakage in a timely manner. During the year, there arose no significant issue in connection with the Group's water usage.



## RAW MATERIAL CONSUMPTION

Paper is consumed for the Group’s sales activities and other office activities. To reduce usage, electronic communication and electronic filing are adopted at the marketing centres of the Points of Business, and a paperless system is also in place for tendering process.

**Case story: Green project management**  
*“Environmental management in respect of the life cycle of projects”*

To mitigate environmental impact, at each stage of the development of Nanjing Zijin Mansion and Yangzhou Jiayuan Centurial City, the Group has formulated and executed its environmental policies and measures to foster environmental management in respect of the life cycle of projects.

Key measures for environmental management in respect of the life cycle of projects		
Stage	Nanjing Zijin Mansion	Yangzhou Jiayuan Centurial City
Planning and design	<p><b>Project design</b></p> <ul style="list-style-type: none"> <li>Planning and design shall be commenced based on Jiangsu Star 1 Energy-saving Standard</li> </ul> <p><b>Product procurement</b></p> <ul style="list-style-type: none"> <li>Environment-friendly construction products such as plastic injection plates (XPS<sup>6</sup>), foamed cement plates and insulation mortar</li> </ul>	<p><b>Project design</b></p> <ul style="list-style-type: none"> <li>Green and ventilated roof are used to reduce electricity consumption for airconditioning</li> <li>Reasonable design of the window-wall ratio of projects to maximize the use of natural light through windows and ensure natural ventilation to reduce electricity consumption for light and air-conditioning</li> <li>Heat supply using solar energy and geothermal heat pumps technology</li> <li>Collection and purification of rainwater as well as production and domestic sewage, and water recycling</li> </ul> <p><b>Procurement of products</b></p> <ul style="list-style-type: none"> <li>Procurement of environment-friendly products such as water-saving tools, and highly durable and recyclable products or products containing recyclable materials</li> <li>Procurement of locally available materials</li> </ul>
Construction management	<p>Based on the Project Operation Work Guidance (項目運營工作指引):</p> <ul style="list-style-type: none"> <li>Remote monitoring and region-segmented control are conducted on public areas to reduce energy consumption</li> <li>Water and electricity meters shall be in place for all junctions of segments at landscaping works in progress, to calculate the consumption level of water and electricity at each project</li> <li>Unified entrances and exits shall be in place to strictly manage the logistics of materials</li> <li>Measures for dust and noise reduction shall be implemented</li> <li>Centralized piling up of construction wastes and disposals, and delivery of wastes and disposals to designated piling venues according to relevant governmental requirements</li> <li>Re-use of scrap materials to make fences and protective facilities</li> <li>Recycling and processing of old plate materials by dedicated labour force</li> </ul>	

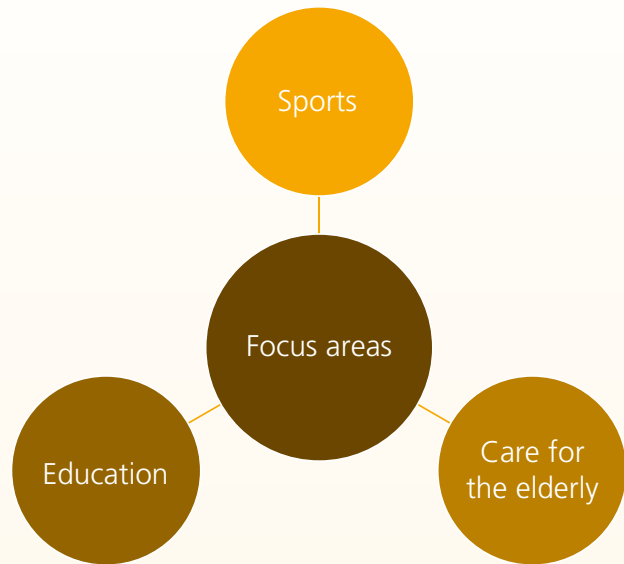
<sup>6</sup> The full name of XPS (extruded polystyrene) is extruded polystyrene board.

**THE ENVIRONMENT AND NATURAL RESOURCES**

As 3D printing technology becomes more sophisticated and prevalent, it has been applied to many construction projects in recent years to shorten construction time and reduce energy consumption and waste production during construction. Besides, as 3D printers puts together various materials such as sand, concrete, fibre and recyclable materials, it can extend the use of environment-friendly materials in construction. The Group will continue to explore and utilize 3D construction printing technology and will seek to extend the use of the technology from gardening and outdoor products to other projects of the Group. The Group will also continue to uplift the environmental awareness among its employees and boost the environmental performance of the Group.

**JIAYUAN INTERNATIONAL AND THE COMMUNITY**

In order to show our dedication to perform our corporate social responsibilities and determination to make contribution to the community where the Group operates, the Group has formulated the Community Investment Policy Declaration for proper planning of community investment efforts. Our community investment focused on the following three areas: sports, education and care for the elderly. Under the guidance of the Community Investment Policy Declaration (社區投資政策聲明), the Group took part in various donation campaigns.



**Case story: Supporting frontline of epidemic prevention**

Regarding the ongoing COVID-19 epidemic, sufficient and stable protective supplies are crucial to frontline medical personnel. The Group has placed great concerns on the epidemic prevention frontline situation and donated preventive supplies to frontline personnel at Xiaolingwei Road, Xuanwu District.

Looking ahead, the Group will continue to advocate a corporate culture of taking up our responsibilities and ensure ongoing communication with parties in the community where it operates.

## ESG PERFORMANCE AT A GLANCE

## Environmental Performance

Environmental Key Performance		2020	2019
Indicators <sup>7</sup> (KPIs)	Unit		
<b>Category of emission and relevant emission data</b>			
Nitrogen Oxides	kg	6.45	7
Sulfur Oxides	kg	1.16	1
Respirable Suspended Particles	kg	0.45	0.6
<b>Total greenhouse gas emission</b>			
Scope 1	tCO <sub>2</sub> e	26.33	37
Scope 2	tCO <sub>2</sub> e	265.00	2,289
Scope 3	tCO <sub>2</sub> e	–	0.1
Total greenhouse gas emission	tCO <sub>2</sub> e	291.34	2,326
Density of Greenhouse Gas (per '000 sq.m.)	tCO <sub>2</sub> e/'000 sq.m.	60.16	N/A
<b>Hazardous wastes</b>			
Total hazardous wastes	tonnes	–	–
Density of hazardous wastes (per sq.m.)	tonnes/'000 sq.m.	–	–
<b>Non-hazardous wastes</b>			
Total non-hazardous wastes	tonnes	23.00	20 <sup>8</sup>
Density of non-hazardous wastes (per '000 sq.m.)	tonnes/'000 sq.m.	4.75	7
<b>Total energy consumption</b>			
Liquefied petroleum gas	MWh	16.56	15
Gasoline	MWh	92.64	133
Electricity	MWh	434.36	3,752
Total energy consumption	MWh	543.56	3,900
Density of energy consumption	MWh/'000 sq.m.	112.24	N/A
<b>Water consumption</b>			
Total water consumption	m <sup>3</sup>	6,486.00	81,875
Density of water consumption	m <sup>3</sup> /'000 sq.m.	1,339.25	N/A

<sup>7</sup> As compared to 2019, portions of the projects under Yangzhou Xiangjiang (Yangzhou Jiayuan Centurial City) not directly controlled by the Group were no longer included in the reporting scope of the year. Hence, data could not be directly compared.

<sup>8</sup> Data only covered marketing center of Yangzhou Xiangjiang.

## Social Performance

### Employment structure

	Yangzhou Xiangjiang	Nanjing Xinhaoning	Overall
Total workforce	48	25	73
<b>By Gender</b>			
Male	24	15	39
Female	24	10	34
<b>By Age</b>			
Below 30	5	7	12
31-40	26	15	41
41-50	13	3	16
Above 50	4	0	4
<b>By Position</b>			
C-level senior management	1	0	1
Senior management	3	3	6
Mid-level management	9	6	15
General staff	35	16	51
<b>By Employment Type</b>			
Full-time	48	26	73
Part-time	0	0	0

## New employees and employee turnover

	Yangzhou Xiangjiang		Nanjing Xinhaoning		Overall	
New employees and rate <sup>9</sup>	6	13%	1	4%	7	10%
<b>By Gender</b>						
Male	2	8%	1	7%	3	8%
Female	4	17%	0	0%	4	12%
<b>By Age</b>						
Below 30	2	40%	1	14%	3	25%
31-40	3	12%	0	0%	3	7%
41-50	1	8%	0	0%	1	6%
Above 50	0	0%	0	N/A	0	0%
Employee turnover and rate <sup>10</sup>	1	2%	10	40%	11	15%
<b>By Gender</b>						
Male	1	4%	8	53%	9	23%
Female	0	0%	2	20%	2	6%
<b>By Age</b>						
Below 30	0	0%	3	43%	3	25%
31-40	1	4%	7	47%	8	20%
41-50	0	0%	0	0%	0	0%
Above 50	0	0%	0	N/A	0	0%

## Health and safety

	2020			2019			2018		
	Yangzhou Xiangjiang	Nanjing Xinhaoning	Overall	Yangzhou Xiangjiang	Nanjing Xinhaoning	Overall	Yangzhou Xiangjiang	Nanjing Xinhaoning	Overall
Number of employee suffering from work-related fatality	0	0	0	0	0	0	0	0	0
Rate of employee suffering from work-related fatality	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lost days due to work injury	0	0	0	0	0	0	0	0	0

<sup>9</sup> New employee rate of specified employee type = new employee of specified type/employee of specified type

<sup>10</sup> Employee turnover rate of specified employee type = employee turnover of specified type/employee of specified type

## Training and development

	Yangzhou Xiangjiang		Nanjing Xinhaoning		Overall	
Total number and rate of employees trained <sup>11</sup>	22	79%	25	100%	63	86%
<b>By Gender</b>						
Male	18	75%	15	100%	33	85%
Female	20	83%	10	100%	30	88%
<b>By Position</b>						
C-level senior management	1	100%	0	N/A	1	100%
Senior management	3	100%	3	1	6	100%
Mid-level management	9	100%	6	1	15	100%
General staff	25	71%	16	1	41	80%
Total training hours and average training hours per person <sup>12</sup>	408	8.50	440	17.60	954	13.07
<b>By Gender</b>						
Male	192	8.00	254	16.93	510	13.08
Female	216	9.00	186	18.60	444	13.06
<b>By Position</b>						
C-level senior management	20	20.00	0	N/A	20	20.00
Senior management	48	16.00	55	18.33	109	18.17
Mid-level management	90	10.00	110	18.33	200	13.33
General staff	250	7.14	275	17.19	625	12.25

<sup>11</sup> Training rate of specified employee type = number of employees trained of specified type/employee of specified type

<sup>12</sup> Average training hours of specified employee type = average training hours of employees of specified type/employee of specified type

**Review of performance and career development**

	Yangzhou Xiangjiang		Nanjing Xinhaoning		Overall	
Number and rate of employees for whom performance and career development is reviewed regularly	0	0%	25	100%	25	34%
<b>By Gender</b>						
Male	0	0%	15	100%	15	38%
Female	0	0%	10	100%	10	29%
<b>By Position</b>						
C-level senior management	0	0%	0	N/A	0	0%
Senior management	0	0%	3	100%	3	50%
Mid-level management	0	0%	6	100%	6	40%
General staff	0	0%	16	100%	16	31%

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX OF THE REPORT

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<sup>13</sup> The water is provided by municipal authorities. The Points of Business have no difficulty in acquiring water source

<sup>14</sup> Relevant information is not important as no packaging material was used at the Point of Business.



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<sup>15</sup> In terms of the Group's business type and the countries and regions where its operations located, the Group is not aware that the relevant business and its suppliers are considered to have significant child and forced labour risks.

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B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	68
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General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities take into consideration the communities' interests.	73

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Jiayuan International Group Limited

*(incorporated in the Cayman Islands with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Jiayuan International Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 88 to 191, which comprise:

- the consolidated statement of financial position 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 statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

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

### BASIS FOR OPINION

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

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

### 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.

.....  
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## KEY AUDIT MATTERS

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

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

- Assessment of net realisable value of inventories of properties
- Valuation of investment properties

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Assessment of net realisable value of inventories of properties

Refer to Note 5 'Critical accounting estimates and judgements' and Note 22 'Inventories of properties' to the consolidated financial statements.

Inventories of properties of the Group comprised properties under development ("PUD") and properties held for sale ("PHS") which in total amounted to RMB42,339 million as at 31 December 2020. The carrying amounts of inventories of properties are stated at the lower of cost and net realisable value ("NRV").

Determination of NRV of inventories of properties involved critical accounting estimates on the selling prices, variable selling expenses and, for PUD, the estimated costs to completion.

Given the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.

Based on the management's estimation of the NRV of the inventories of properties, a total provision for impairment of RMB436 million was made as at 31 December 2020.

We performed the following audit procedures:

- (i) Obtained an understanding of the management's internal control over the process in determination of NRV of inventories of properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity and subjectivity.
- (ii) Assessed the reliability of management's historical NRV assessment by comparing the parameters adopted in previous year to actual sales data in the current year, on a sample basis.
- (iii) Tested management's key accounting estimates, on a sample basis, for:
  - Selling prices – we compared the estimated selling prices to the prevailing market prices of comparable properties with similar type, size and location.
  - Variable selling expenses – we compared the estimated selling expenses to selling price percentage with the actual average selling expenses to revenue ratio of the Group in the current year.
  - Estimated costs to completion for PUD – we compared the amounts to budget approved by management and inspected the related construction contracts; and compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group.

We found the key accounting estimates used in the assessment of NRV of inventories of properties were supportable by available evidence.

**KEY AUDIT MATTERS (CONTINUED)**

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Valuation of investment properties</b></p>	
<p>Refer to Note 5 'Critical accounting estimates and judgements' and Note 16 'Investment properties' to the consolidated financial statements.</p>	<p>We performed the following audit procedures:</p>
<p>Investment properties of the Group amounted to RMB7,927 million as at 31 December 2020. Change in fair value of investment properties of RMB178 million was recognised in the consolidated income statement for the year.</p>	<p>(i) Obtained an understanding of the management's internal control over the process in determination of the fair value of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity and subjectivity;</p>
<p>The Group's investment properties are measured at fair value model. Management engaged an independent external valuer to assist them to measure the fair values of investment properties. Valuation of investment properties is considered a key audit matter because the determination of fair values for investment properties involved critical accounting judgements and estimates in selection of valuation methodologies and inputs including monthly rentals, term yields, reversionary yields and, for investment properties under construction, the construction costs to be incurred.</p>	<p>(ii) Evaluated the competence, capabilities, and objectivity of the independent external valuer engaged by the Group;</p> <p>(iii) Assessed the appropriateness of the valuation methodologies applied with the assistance of our internal valuation experts;</p> <p>(iv) Assessed the reasonableness of relevant key assumptions used in the valuations of investment properties including the monthly rental, term yields and reversionary yields, by benchmarking them to relevant comparable data;</p> <p>(v) Compared the construction costs to be incurred to budget approved by the management and inspected the related construction contracts; and</p> <p>(vi) Tested the key inputs used in the valuations, on a sample basis, to supporting evidence including rental contracts, market data and market information of comparable properties obtained from various sources.</p>
	<p>We found the key judgements and accounting estimates used in the valuation of the investment properties were supportable by available evidence.</p>

## OTHER INFORMATION

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

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND THE 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.

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

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

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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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.

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The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 29 March 2021



# CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Revenue</b>	6	<b>18,363,185</b>	16,070,171
Cost of sales	12	<b>(12,427,653)</b>	(10,828,170)
<b>Gross profit</b>		<b>5,935,532</b>	5,242,001
Other income	8	<b>380,098</b>	308,478
Other gains and losses	9	<b>852,383</b>	(221,777)
Net impairment (losses)/reversal on financial assets	3	<b>(27,974)</b>	19,942
Fair value change on investment properties	16	<b>(177,503)</b>	437,238
Selling and marketing costs	12	<b>(297,942)</b>	(303,407)
Administrative expenses	12	<b>(422,990)</b>	(492,296)
Finance costs	10	<b>(317,641)</b>	(282,698)
Share of results of investments accounted for using the equity method	18	<b>125,041</b>	82,056
<b>Profit before taxation</b>		<b>6,049,004</b>	4,789,537
Income tax expenses	11	<b>(2,517,811)</b>	(2,329,054)
<b>Profit for the year</b>		<b>3,531,193</b>	2,460,483
<b>Profit for the year attributable to:</b>			
– Owners of the Company		<b>3,275,473</b>	2,050,664
– Non-controlling interests		<b>255,720</b>	409,819
		<b>3,531,193</b>	2,460,483
<b>Earnings per share attributable to owners of the Company</b> <b>(expressed in RMB cents per share)</b>			
Basic and diluted	15	<b>82.07</b>	52.03

The notes on pages 95 to 191 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>Profit for the year</b>	<b>3,531,193</b>	2,460,483
<b>Other comprehensive (loss)/income</b>		
<i>Items that may be reclassified to profit or loss:</i>		
– Exchange differences arising on translation of foreign operations	(1,821)	2,511
<b>Total comprehensive income for the year</b>	<b>3,529,372</b>	2,462,994
Total comprehensive income for the year attributable to:		
– Owners of the Company	3,273,652	2,053,175
– Non-controlling interests	255,720	409,819
	<b>3,529,372</b>	2,462,994

The notes on pages 95 to 191 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>			
Investment properties	16	7,926,545	7,841,906
Property and equipment	17	123,671	132,880
Intangible assets		38,670	31,328
Right-of-use assets		9,624	10,694
Investments accounted for using the equity method	18	2,289,700	985,051
Financial assets at fair value through profit or loss	19	961,039	668,204
Deposits paid for acquisitions	20	1,150,157	1,167,684
Deferred tax assets	21	668,841	597,494
Trade and other receivables	23	38,450	124,934
		<b>13,206,697</b>	11,560,175
<b>Current assets</b>			
Inventories of properties	22	42,338,765	34,112,077
Trade and other receivables	23	5,286,935	7,177,335
Financial assets at fair value through profit or loss	19	131,880	168,775
Prepaid income tax		383,901	563,705
Restricted/pledged bank deposits	24	1,938,081	2,123,101
Cash and cash equivalents	24	9,002,740	6,030,412
		<b>59,082,302</b>	50,175,405
<b>Total assets</b>		<b>72,288,999</b>	61,735,580
<b>Current liabilities</b>			
Trade and other payables	25	7,283,549	6,395,483
Pre-sale deposits received	26	18,136,057	19,940,467
Current income tax liabilities		6,558,589	4,628,119
Bank and other borrowings	27	1,377,858	4,667,930
Derivative financial instruments	28	190,913	–
Senior notes	28	5,687,872	314,084
Lease liabilities		6,638	3,597
		<b>39,241,476</b>	35,949,680
<b>Net current assets</b>		<b>19,840,826</b>	14,225,725
<b>Total assets less current liabilities</b>		<b>33,047,523</b>	25,785,900

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
<b>Non-current liabilities</b>			
Bank and other borrowings	27	11,254,769	7,462,249
Derivative financial instruments	28	–	238,387
Pre-sale deposits received	26	540,412	500,510
Deferred tax liabilities	21	726,512	779,587
Senior notes	28	3,065,145	4,960,692
Lease liabilities		2,957	7,317
		<b>15,589,795</b>	13,948,742
<b>Equity attributable to owners of the Company</b>			
Share capital	29	34,876	33,870
Reserves	30	13,583,354	9,825,610
		<b>13,618,230</b>	9,859,480
<b>Non-controlling interests</b>		<b>3,839,498</b>	1,977,678
<b>Total equity</b>		<b>17,457,728</b>	11,837,158
<b>Total equity and non-current liabilities</b>		<b>33,047,523</b>	25,785,900

The notes on pages 95 to 191 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 88 to 191 were approved by the Board of Directors on 29 March 2021 and were signed on its behalf:

**Zhang Yi**  
Director

**Cheuk Hiu Nam**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				
		Share capital RMB'000	Reserves (Note 30) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>At 1 January 2020</b>		<b>33,870</b>	<b>9,825,610</b>	<b>9,859,480</b>	<b>1,977,678</b>	<b>11,837,158</b>
Profit for the year		–	3,275,473	3,275,473	255,720	3,531,193
Other comprehensive income for the year		–	(1,821)	(1,821)	–	(1,821)
Total comprehensive income for the year		–	3,273,652	3,273,652	255,720	3,529,372
Dividends	14	–	(391,651)	(391,651)	–	(391,651)
Issue of shares upon scrip dividend scheme	29	1,006	312,371	313,377	–	313,377
Capital injection from non-controlling interests	36	–	592,377	592,377	866,677	1,459,054
Acquisitions of non-controlling interests	36	–	(29,005)	(29,005)	(30,995)	(60,000)
Acquisitions of subsidiaries	37	–	–	–	768,061	768,061
Transfer of joint ventures to subsidiaries	37	–	–	–	5,857	5,857
Dividends to non-controlling interests	36	–	–	–	(3,500)	(3,500)
Transactions with owners		<b>1,006</b>	<b>484,092</b>	<b>485,098</b>	<b>1,606,100</b>	<b>2,091,198</b>
<b>At 31 December 2020</b>		<b>34,876</b>	<b>13,583,354</b>	<b>13,618,230</b>	<b>3,839,498</b>	<b>17,457,728</b>
<b>At 1 January 2019</b>		21,083	9,045,432	9,066,515	1,470,165	10,536,680
Profit for the year		–	2,050,664	2,050,664	409,819	2,460,483
Other comprehensive income for the year		–	2,511	2,511	–	2,511
Total comprehensive income for the year		–	2,053,175	2,053,175	409,819	2,462,994
Dividends	14	–	(248,054)	(248,054)	–	(248,054)
Issue of shares upon scrip dividend scheme	29	45	15,571	15,616	–	15,616
Capital injection from non-controlling interests		–	28,644	28,644	31,356	60,000
Dividend paid by entities under common control before acquisition		–	(751,766)	(751,766)	(42,259)	(794,025)
Issue of shares for acquisitions of entities under common control		12,742	(12,742)	–	–	–
Acquisitions of non-controlling interests		–	(304,650)	(304,650)	–	(304,650)
Acquisitions of subsidiaries		–	–	–	116,492	116,492
Dividends to non-controlling interests		–	–	–	(7,895)	(7,895)
Transactions with owners		<b>12,787</b>	<b>(1,272,997)</b>	<b>(1,260,210)</b>	<b>97,694</b>	<b>(1,162,516)</b>
<b>At 31 December 2019</b>		<b>33,870</b>	<b>9,825,610</b>	<b>9,859,480</b>	<b>1,977,678</b>	<b>11,837,158</b>

The notes on pages 95 to 191 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31(a)	2,624,551	8,829,870
Income tax paid		(628,951)	(828,531)
<b>Net cash generated from operating activities</b>		<b>1,995,600</b>	<b>8,001,339</b>
<b>Cash flows from investing activities</b>			
Deposits paid for trust financing arrangements		–	(157,620)
Refund from deposits paid for trust financing arrangements		–	377,612
Additions of property and equipment	17	(9,085)	(25,675)
Additions of intangible assets		(12,230)	–
Proceeds from disposal of property and equipment	31(b)	526	1,265
Net cash flow on disposal of subsidiaries		–	(11,971)
Additions of investment properties	16	(232,490)	(180,590)
Advances to related parties		(487,330)	(1,825,715)
Advances to non-controlling interests		(286,776)	(562,614)
Repayment from related parties		538,511	3,479,249
Repayment from non-controlling interests		33,470	34,978
Interest received		362,289	318,923
Refund from deposits paid for acquisitions		–	79,686
Payment for deposits paid for acquisitions		(7,169)	–
Net cash flow on acquisition of subsidiaries	37	222,553	223,100
Capital injection to investments accounted for using the equity method		(1,303,496)	(447,116)
Proceeds from disposal of intangible asset		–	11,300
Placement of restricted/pledged bank deposits		(800,000)	(930,123)
Withdrawal of restricted/pledged bank deposits		860,650	965,974
Purchase of financial assets at fair value through profit or loss		(152,992)	(609,014)
Disposal of financial assets at fair value through profit or loss		9,747	475,393
<b>Net cash generated from/(used in) investing activities</b>		<b>(1,263,822)</b>	<b>1,217,042</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Cash flows from financing activities</b>			
Proceeds from bank and other borrowings		5,948,205	7,819,614
Repayment of bank and other borrowings		(7,495,093)	(10,490,267)
Principal elements of lease payments		(7,619)	(2,641)
Interest paid		(2,462,801)	(1,776,490)
Proceeds from issuance of senior notes	28	5,178,336	2,730,999
Repayment of senior notes	28	(1,394,203)	(4,644,144)
Contribution from ultimate shareholder		–	300,000
Payment for acquisitions of entities under common control		–	(300,000)
Advances from related parties		1,464,523	234,960
Repayment to related parties		(103,555)	(682,959)
Advances from non-controlling interests		68,860	148,362
Repayment to non-controlling interests		(189,546)	(262,307)
Acquisitions of non-controlling interests		(60,000)	–
Dividend paid by entities under common control before acquisition		–	(794,025)
Dividends paid to non-controlling interests in subsidiaries		(3,500)	(7,895)
Dividends paid		(78,274)	(232,438)
Payment of share issuance costs for a subsidiary		(21,847)	–
Capital contribution from non-controlling interests		1,491,409	60,000
<b>Net cash generated from/(used in) financing activities</b>		<b>2,334,895</b>	<b>(7,899,231)</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,066,673</b>	<b>1,319,150</b>
Cash and cash equivalents at beginning of year		6,030,412	4,599,433
Exchange (losses)/gains on cash and cash equivalents		(94,345)	111,829
<b>Cash and cash equivalents at end of year</b>	24	<b>9,002,740</b>	<b>6,030,412</b>

The notes on pages 95 to 191 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION

### 1.1 General information

Jiayuan International Group Limited (the “Company”) was incorporated on 5 May 2015 and registered in the Cayman Islands 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. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability. Its ultimate holding company is Galaxy Emperor Limited, a company incorporated in the BVI with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the “Ultimate Shareholder”).

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, property investment and provision of property management services.

These consolidated financial statements for the year ended 31 December 2020 are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2021.

On 9 December 2020, a subsidiary of the Group, Jiayuan Services Holdings Limited (“Jiayuan Services”) issued 150,000,000 new ordinary shares in its initial public offering and listing on the Stock Exchange at the price of HKD3.86 per share, and raised gross proceeds of HKD579,000,000 (equivalent to approximately RMB486,964,000). On 6 January 2021, 11,709,900 additional shares were issued upon the exercise of the over-allotment option in connection with the listing of Jiayuan Services at a price of HKD3.86 per share. Gross proceeds from the additional offering amounted to HKD45,200,214 (equivalent to approximately RMB40,465,000).

### 1.2 Basis of preparation

#### (a) Compliance with Hong Kong Financial Reporting Standards (“HKFRSs”) and the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRSs and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

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

#### (b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss (“FVTPL”) and investment properties, which are carried at fair value.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, except for a change of accounting policies explained in Note 2.3 below.

### 2.1 New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2020. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

### 2.2 New and amended standards and interpretations not yet adopted

New standards and amendments to existing standards which have been issued but not yet effective and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase two	1 January 2021
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKFRS 3	Update reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
HKFRS 17	Insurance contract	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Change in accounting policies

In the consolidated financial statements for the year ended 31 December 2019, individual reserve items were presented separately in the consolidated statement of changes in equity. In preparing the consolidated financial statements for the year ended 31 December 2020, the Group, for easy reading and reducing voluminous details, combined all reserve items into one single item to simplify the presentation of the consolidated statement of changes in equity. Comparative information for the consolidated statement of changes in equity for the year ended 31 December 2019 has been retrospectively restated to conform to the current period presentation. This change in accounting policies has no impact on the results and cashflow of the Group.

### 2.4 Principles of consolidation and equity accounting

#### 2.4.1 Subsidiaries

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.

#### 2.4.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

#### 2.4.3 Joint arrangements

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Principles of consolidation and equity accounting (Continued)

#### 2.4.4 Equity method

Under the equity method of accounting, investments in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of joint ventures and associates in profit or loss, and the Group's share of movements in other comprehensive income of joint ventures and associates in other comprehensive income. When the Group's share of losses in a joint venture and associates equals or exceeds its interests in the joint ventures and associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures and associates), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures and associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture and associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and associates and its carrying value and recognises the amount adjacent to 'share of results of investments accounted for the equity method' in profit or loss.

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

#### 2.4.5 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.

#### 2.4.6 Disposals of interest in 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Business combinations

#### 2.5.1 Non-common control business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Business combinations (Continued)

#### 2.5.2 Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated income statement includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

#### 2.5.3 Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

### 2.6 Separate financial statements

Investments in subsidiaries are accounted for 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 dividends 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Segment reporting

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

### 2.8 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"). The consolidated financial statements are presented in RMB which is the Company's functional currency.

#### (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 profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within 'other gains and losses'.

#### (c) Group companies

The results and financial positions 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:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Property and equipment

Property and equipment are stated at historical cost less 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 profit or loss during the financial period in which they are incurred.

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

Leasehold land and building	Shorter of the term of lease or 50 years
Leasehold improvements	5 years
Office equipment	5 years
Furniture, fittings and equipment	5–10 years
Computer equipment	3–5 years
Motor vehicles	4 years

The assets' residual values and useful lives 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 (Note 2.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other gains and losses' in the consolidated income statement.

### 2.10 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.

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. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Investment properties (Continued)

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

### 2.11 Intangible assets

#### (a) Goodwill

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

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

#### (b) Property management contracts

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date. The property management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts (6 years).

### 2.12 Impairment of non-financial assets

Assets that have an indefinite useful life 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.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Financial assets

#### (a) Classification

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

- those to be measured subsequently at fair value through profit or loss ('FVTPL');
- those to be measured subsequently at fair value through other comprehensive income ('FVOCI'); 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 financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, 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 FVOCI.

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

#### (b) Recognition and measurement

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

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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Financial assets (Continued)

#### (b) Recognition and measurement (Continued)

##### *Debt instruments (Continued)*

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other gains and losses'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statement within 'other gains and losses' in the period in which it arises. Interest income from these financial assets is included in the 'other income'.

##### *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 the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statement as 'other income' when the Group's right to receive payments is established.

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

### 2.14 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3(b) details how the Group determines whether there has been a significant increase in credit risk.

For cash and cash equivalents and restricted/pledged bank deposits, trade and other receivables, deposits paid for acquisitions and financial guarantees contracts, the Group measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Impairment of financial assets (Continued)

A number of significant judgements are required in measuring the ECL, such as:

- i) Determining criteria for significant increase in credit risk;
- ii) Choosing appropriate models and assumptions for the measurement of ECL including exposure at default (EAD), probability of default (PD), loss given default (LGD), etc.; and
- iii) Establishing the number and relative weightings of forward-looking scenarios for the associated ECL.

For the financial instruments subject to ECL measurement, the Group assesses the significant increase in credit risk since initial recognition or whether an instrument is considered to be credit impaired, outlines a 'three-stage' model ECL models are established and staging definition are set for each of these financial assets class. Incorporating forward-looking information, ECL for financial assets are recognised into the different stages and measured the impairment provisions respectively.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The impairment provisions are measured at an amount equal to the 12-month ECL for the financial assets which are not considered to have significantly increased in credit risk since initial recognition.

Stage 2: If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The impairment provisions are measured based on ECL on a lifetime basis.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The impairment provisions are measured based on ECL on lifetime basis.

For the financial assets at Stage 1 and Stage 2, the interest income is calculated based on its gross carrying amount (i.e. amortised cost) before adjusting for impairment provision using the effective interest method. For the financial assets at Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the ECL for the entire lifetime since initial recognition as purchased or originated credit-impaired financial assets.

There is no significant classification impact of the impairment of financial assets under HKFRS 9 and HKAS 39 at the date of initial application.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period, the change of fair value is recognised immediately in profit or loss within 'other gains and losses'.

### 2.16 Offsetting financial instruments

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

### 2.17 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

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

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

### 2.18 Properties held for sale

Properties remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Cash and cash equivalents

For purpose of presentation in the consolidated of statement of cash flows, cash and cash equivalent comprise cash on hand held by the Group, deposits held at call with financial institutions, other short-term, highly liquid investments, demand deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

### 2.20 Contract assets and contract liabilities

Upon entering into a contract with a buyer, the Group obtains rights to receive consideration from the buyer and assumes performance obligations to transfer goods or provide services to the buyer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The contract liabilities are presented as pre-sale deposits received on the consolidated statement of financial position.

### 2.21 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.

### 2.22 Borrowings

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

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.

### 2.23 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.23 Borrowing costs (Continued)

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 adjustments to interest costs include the interest rate differences 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 is 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.

### 2.24 Senior notes

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

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

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

### 2.25 Current and deferred income tax

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

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 Current and deferred income tax (Continued)

#### (b) Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### 2.26 Employee benefits

#### (a) Short-term obligations

Liabilities for wages and salaries and performance related bonus, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Performance related bonus is determined by reference to the performance of individuals and market trend. The liabilities are presented within "Trade and other payables" in the consolidated statement of financial position.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 Employee benefits (Continued)

#### (b) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

### 2.27 Contingent liabilities

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.

### 2.28 Revenue recognition

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

#### Revenue from contracts with customers

Revenues are recognised when or as the control of the asset is transferred to the buyer. 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 buyer; or
- creates and enhances an asset that the buyer 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.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.28 Revenue recognition (Continued)

#### Revenue from contracts with customers (Continued)

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 buyer obtains control of the asset.

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 prices 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.

#### (i) Sales of properties

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract 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 from sales of property is recognised at a point in time.

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

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

#### (ii) Property management

The Group provides property management services which including property management services, value-added services to property developers and community value-added services. Revenue is recognised in the accounting period in which the services are rendered or goods are delivered, and the collectability of related consideration is reasonably assured.

For property management services, the Group bills a fixed amount for services provided on a regular basis and recognises as revenue the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to customers, the Group recognises the fee received or receivable from customers as its revenue. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by pre-determined percentage of the total property management fee or amounts received or receivable from customers, as its revenue as an agent for arranging and monitoring the services.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.28 Revenue recognition (Continued)

#### Revenue from contracts with customers (Continued)

##### (ii) Property management (Continued)

Value-added services to property developers mainly includes consultancy services to property developers and cleaning, greening, repair and maintenance services to property developers at the property pre-delivery stage. The Group agrees the price for each service with the customers upfront and issue the monthly bill to the customers which varies based on the actual level of service completed in that month.

Community value-added services include home living services, community area services such as catering services and sales of goods (mainly groceries and home appliances) to customers. For provision of home living services, revenue is recognised when the related services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered. For provision of community area services such as sales of goods and catering, revenue is recognised when the Group has delivered the goods and catering to the purchaser.

#### Revenue from other sources

##### Rental income

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

### 2.29 Interest 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).

### 2.30 Dividend income

Dividend income is recognised when the right to receive payment is established.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.31 Leases

The Group leases various properties. These property lease agreements do not impose any covenants, but leased properties may not be used as security for borrowing purposes.

Long-term operating 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 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.

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

To determine the incremental borrowing rate, the Group:

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.31 Leases (Continued)

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

- the amount of the initial measurement of lease liabilities;
- 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 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. While the Group revalues its land and buildings that are presented within property and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles 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 (Note 16). 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 consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

### 2.32 Dividend distribution

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

## 3 FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, deposits paid for acquisition restricted/pledged bank deposits, cash and cash equivalent, trade and other payables, bank and other borrowings, senior notes and derivative financial instruments. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risk (mainly including interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures during the year reported.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk

##### (i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to interest bearing financial assets at FVTPL.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, cash and cash equivalent, variable-rate bank and other borrowings which carry interest at prevailing market interest rates.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk.

However, the management will consider hedging significant interest rate exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for floating-rate bank and other borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the respective reporting period. A 100 basis points (2019:100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

For the years ended 31 December 2020 and 2019, if the floating interest rate had been higher/lower by 100 basis points with all other variables held constant, the profit before taxation would have changed as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
<b>Increase/(decrease)</b>		
– 100 basis point higher	<b>(29,322)</b>	(20,625)
– 100 basis point lower	<b>29,322</b>	20,625

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's restricted/pledged bank deposits and cash and cash equivalents as the directors of the Company consider that the exposure is minimal.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (Continued)

##### (ii) Foreign currency risk

The Group collects most of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are mainly denominated in RMB.

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2020 and 2019, the Group has certain financial assets and liabilities denominated in foreign currencies, which expose the Group to foreign currency risk and mainly concentrated on the exposure to United States Dollar ("USD"), Hong Kong Dollar ("HKD") and Australian Dollar ("AUD").

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
USD	467,077	1,888,234	10,005,379	6,085,279
HKD	1,960,370	479,830	2,887,886	2,503,467
AUD	680,574	545,511	–	–
	<b>3,108,021</b>	2,913,575	<b>12,893,265</b>	8,588,746

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the Group's financial assets and liabilities denominated in the foreign currency at the end of each reporting period. A positive/negative number below indicates an increase/decrease in profit where RMB strengthen 5% (2019: 5%) against the relevant currency. For a 5% (2019: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before taxation for the year.

	USD Impact		HKD Impact		AUD Impact	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Increase/(decrease) in profit before taxation for the year	467,915	209,852	46,376	101,182	(34,029)	(27,276)

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk

Credit risks refer to the risk of losses incurred by the inability of debtors or counterparties to fulfil their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risk in relation to its cash and cash equivalents and restricted/pledged bank deposits, trade and other receivables, deposits paid for acquisitions and financial guarantees contracts.

#### **Cash and cash equivalents and restricted/pledged bank deposits**

The credit risks on cash and cash equivalent, restricted/pledged bank deposits are limited because the counterparties are banks/financial institutions with acceptable credit ratings.

#### **Trade receivables**

For trade receivables from customers, the Group has large number of customers and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade receivables collectively. In this regard, the directors of the Company consider that the Group's credit risk is effectively managed.

#### **Other receivables and deposits paid for acquisition**

The credit risks of other receivables and deposits paid for acquisitions are managed through an internal process. The credit quality of each counterparty is investigated before credit is granted. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group reviews the recoverable amount of these receivables at the end of each reporting period.

#### **Financial guarantee contracts**

For the financial guarantee contracts provided by the Group to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Group measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre-sale deposits already received and the forward looking information. The directors of the Company considered that the loss allowances on financial guarantee contracts at 1 January 2020 and 31 December 2020 were insignificant to the Group. For properties which have been pre-sold, or for the completed properties that sold but the building ownership certificate not yet issued, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk (Continued)

##### Impairment assessment

The Group formulates the credit losses of cash and cash equivalents and restricted/pledged bank deposits, trade and other receivables, deposits paid for acquisitions and financial guarantees contracts using ECL models according to HKFRS 9 requirements.

##### *Parameters of ECL model*

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime ECL are provided respectively. The ECL is the result of discounting the product of Exposure at Default (EAD), Probability of Default (PD) and Loss given Default (LGD).

- i) EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- ii) The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- iii) LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the Lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

##### *Judgement of significant increase in credit risk ("SICR")*

Under HKFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period. The Group considers various reasonable supporting information to judge if there is significant increase in credit risk when determining the ECL staging for financial assets. Major factor being considered include solvency and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with those at initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly include the PD changes of the debtors, changes of credit risk categories and other indicators of SICR, etc.



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk (Continued)

##### Impairment assessment (Continued)

###### *The definition of credit-impaired assets*

Under HKFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debt has overdue for more than 90 days after the contract payment date.
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender.
- The debtor has significant financial difficulties.
- The debtor is likely to go bankrupt or needs other financial restructuring.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable events.

###### *Forward-looking information*

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macro-economic variables associated with credit risk and ECL for each portfolio. Through regression analysis, the relationship among economic indicators in history with EAD, PD and LGD is determined, and the EAD, PD, LGD are then determined through forecasting economic indicator.

The Group established the values used for different scenarios. In addition to the base economic scenario, the Group also considers other possible scenarios and relative weightings. The Group regularly reassess the number of scenarios and their attributes. The Group combined statistical analysis results to determine the weights of different scenarios, and also considered the range of possible outcomes represented by each scenario, to determine the final macro-economic assumptions and weights for measuring the relevant ECL.

The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the relationship between economic indicators with PD and LGD. The Group evaluates and forecasts these economic indicators at least annually, provides the best estimates for the future, and regularly evaluates the results.

Similar to other economic forecasts, the estimates of economic indicators have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk (Continued)

##### Impairment assessment (Continued)

###### *Sensitivity analysis*

ECL are sensitive to the parameters used in the model, the macro-economic variables of the forward-looking forecast, the weight probabilities in different scenarios, and other factors considered in the application of expert judgement. Changes in these input parameters, assumptions, models, and judgments do not have significant impact on the measurement of ECL.

###### *Credit exposure*

Without considering the impact of collateral and other credit enhancements, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements. The Group also assumes credit risk due to financial guarantee contracts.

The following table presents the credit risk exposure of the financial assets under the scope of ECL. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the gross carrying amount of the financial assets:

	Stage	As at 31 December	
		2020 RMB'000	2019 RMB'000
<b>Financial assets at amortised cost</b>			
Restricted/pledged bank deposits	Stage 1	<b>1,938,081</b>	2,123,101
Cash and cash equivalents	Stage 1	<b>9,002,740</b>	6,030,412
Trade and other receivables	Stage 1	<b>4,719,349</b>	6,278,923
Deposits for acquisitions	Stage 1	<b>1,161,656</b>	1,176,508
Financial guarantee contracts	Stage 1	<b>10,776,325</b>	13,289,638

- (i) For restricted/pledged bank deposits and cash and cash equivalents, the Group determines the ECL by referring to external credit rating of the related banks
- (ii) For trade and other receivables and deposits paid for acquisitions, the Group assesses the ECL with reference to the credit status of the recipients and the past due status of doubtful debtors.
- (iii) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

The following tables explain the changes in the gross carrying amount and impairment provision of trade and other receivables and deposits for acquisition of land use right between the beginning and the end of the annual period due to these factors:

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk (Continued)

##### Impairment assessment (Continued)

###### Trade and other receivables

	Stage	For the year ended 31 December 2020			
		1 January RMB'000	Net increase/ (decrease) RMB'000	Write-offs RMB'000	31 December RMB'000
Gross carrying amount	Stage 1	6,278,923	(1,559,574)	–	4,719,349
Impairment provision	Stage 1	74,654	25,299	–	99,953

	Stage	For the year ended 31 December 2019			
		1 January RMB'000	Net increase/ (decrease) RMB'000	Write-offs RMB'000	31 December RMB'000
Gross carrying amount	Stage 1	10,632,798	(4,353,850)	(25)	6,278,923
Impairment provision	Stage 1	92,141	(17,462)	(25)	74,654

###### Deposits paid for acquisitions

	Stage	For the year ended 31 December 2020			
		1 January RMB'000	Net increase/ (decrease) RMB'000	Write-offs RMB'000	31 December RMB'000
Gross carrying amount	Stage 1	1,176,508	(14,852)	–	1,161,656
Impairment provision	Stage 1	8,824	2,675	–	11,499

	Stage	For the year ended 31 December 2019			
		1 January RMB'000	Net increase/ (decrease) RMB'000	Write-offs RMB'000	31 December RMB'000
Gross carrying amount	Stage 1	1,946,727	(770,219)	–	1,176,508
Impairment provision	Stage 1	11,304	(2,480)	–	8,824

No impairment allowance was made on cash and cash equivalents, restricted/pledged bank deposits and financial guarantee contracts at the end of each reporting period as the directors of the Company consider the effect is minimal.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, banks and other borrowings and senior notes which are repayable on demand are included in the earliest time band. The maturity dates for other non-derivative financial liabilities are based on the agreed/expected repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>At 31 December 2020</b>					
Trade and other payables (excluding business and other tax payables, payroll payable)	6,479,826	–	–	6,479,826	6,479,826
Lease liabilities	7,179	3,061	94	10,334	9,595
Bank and other borrowings	2,716,196	10,117,136	1,992,805	14,826,137	12,632,627
Senior notes	6,180,809	1,701,528	2,152,124	10,034,461	8,753,017
	15,384,010	11,821,725	4,145,023	31,350,758	27,875,065
Financial guarantee – Mortgage guarantees	10,776,325	–	–	10,776,325	–

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk (Continued)

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019					
Trade and other payables (excluding business and other tax payables, payroll payable)	5,792,343	–	–	5,792,343	5,792,343
Lease liabilities	5,501	3,631	4,280	13,412	10,914
Bank and other borrowings	5,883,119	5,378,078	2,897,981	14,159,178	12,130,179
Senior notes	805,328	670,805	5,743,048	7,219,181	5,274,776
	12,486,291	6,052,514	8,645,309	27,184,114	23,208,212
Financial guarantee – Mortgage guarantees	13,289,638	–	–	13,289,638	–

#### (d) Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The difference levels are defined as follows:

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

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (d) Fair value measurements of financial instruments (Continued)

	Fair value as at 31 December		Fair value hierarchy	Valuation techniques, key inputs and relationships of unobservable inputs to fair value
	2020 RMB'000	2019 RMB'000		
Financial assets at fair value through profit or loss:				
Debt instrument in Hong Kong (i)	<b>263,875</b>	107,827	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.  The higher internal rate of return, the lower fair value.
Debt instrument in overseas (i)	<b>680,560</b>	545,511	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.  The higher internal rate of return, the lower fair value.
Deposits paid for life insurance policies (i)	<b>16,604</b>	14,866	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.  The higher internal rate of return, the lower fair value.
Listed equity investment in Hong Kong	<b>131,880</b>	168,775	Level 1	Quoted bid prices in an active market.
<b>Total</b>	<b>1,092,919</b>	836,979		
Derivative financial instruments				
Put options of senior notes recognised	<b>132,887</b>	202,910	Level 2	The fair value of put options are determined by assessing the difference between the fair values of the bonds by quoted price based on observable inputs and the pure bond value.
Put options of senior notes recognised (ii)	<b>58,026</b>	35,477	Level 3	The fair value of put options are determined by assessing the difference between the fair values of the bonds by quoted price based on unobservable inputs (including discount rate) and the pure bond value.  The higher discount rate, the lower fair value.
<b>Total</b>	<b>190,913</b>	238,387		

There were no transfers between Level 1, 2 and 3 during the years ended 31 December 2020 and 2019.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (d) Fair value measurements of financial instruments (Continued)

##### (i) Reconciliation of Level 1 fair value measurements of financial assets

	2020 RMB'000	2019 RMB'000
Balance at 1 January	168,775	287,612
Additions	7,174	14
Disposals	(8,991)	(40,292)
Fair value change	(24,508)	(82,146)
Exchange differences	(10,570)	3,587
Balance at 31 December	<b>131,880</b>	168,775

##### (ii) Reconciliation of Level 3 fair value measurements of financial assets

	2020 RMB'000	2019 RMB'000
Balance at 1 January	668,204	500,758
Additions	145,818	609,013
Disposals	–	(517,247)
Fair value change	28,202	1,768
Interest income	107,670	80,572
Insurance expenses	(51)	(295)
Exchange differences	11,196	(6,365)
Balance at 31 December	<b>961,039</b>	668,204

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (d) Fair value measurements of financial instruments (Continued)

##### (iii) Reconciliation of Level 2 fair value measurements of the financial liabilities which is the put options of senior notes recognised as derivative financial instruments

	2020 RMB'000	2019 RMB'000
Balance at 1 January	202,910	72,902
Additions	51,434	–
Fair value change	(108,154)	129,327
Extinguish upon repurchase of senior notes	(2,756)	–
Exchange differences	(10,547)	681
Balance at 31 December	132,887	202,910

##### (iv) Reconciliation of Level 3 fair value measurements of the financial liabilities which is the put options of senior notes recognised as derivative financial instruments

	2020 RMB'000	2019 RMB'000
Balance at 1 January	35,477	106,995
Fair value change	54,101	(73,970)
Extinguish upon repurchase of senior notes	(27,829)	–
Exchange differences	(3,723)	2,452
Balance at 31 December	58,026	35,477

The Group consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

The fair value of financial assets and financial liabilities other than financial assets at FVTPL and derivative financial instruments of the Group is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or the quoted prices in the active market.



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (e) Financial instruments by category

	As at 31 December 2020	
	At FVTPL RMB'000	At amortised cost RMB'000
<b>Assets as per consolidated statement of financial position</b>		
Trade and other receivables (excluding prepayments)	–	4,619,396
Deposits paid for acquisitions	–	1,150,157
Restricted/pledged bank deposits	–	1,938,081
Cash and cash equivalent	–	9,002,740
Financial assets at fair value through profit or loss	1,092,919	–
Total	1,092,919	16,710,374
<b>Liabilities as per consolidated statement of financial position</b>		
Trade and other payables (excluding business and other tax payables, payroll payables)	–	6,479,826
Lease liabilities	–	9,595
Bank and other borrowings	–	12,632,627
Senior notes	–	8,753,017
Derivative financial instruments	190,913	–
Total	190,913	27,875,065

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (e) Financial instruments by category (Continued)

	As at 31 December 2019	
	At FVTPL	At
	RMB'000	amortised cost RMB'000
<b>Assets as per consolidated statement of financial position</b>		
Trade and other receivables (excluding prepayments)	–	6,204,269
Deposits paid for acquisitions	–	1,167,684
Restricted/pledged bank deposits	–	2,123,101
Cash and cash equivalent	–	6,030,412
Financial assets at fair value through profit or loss	836,979	–
Total	836,979	15,525,466
<b>Liabilities as per consolidated statement of financial position</b>		
Trade and other payables (excluding business and other tax payables, payroll payables)	–	5,792,343
Lease liabilities	–	10,914
Bank and other borrowings	–	12,130,179
Senior notes	–	5,274,776
Derivative financial instruments	238,387	–
Total	238,387	23,208,212

#### 4 CAPITAL MANAGEMENT

The directors of the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debts include bank and other borrowings and senior notes, as disclosed in respective notes, net of cash and cash equivalent and restricted/pledged bank deposits.

The directors of the Company review the gearing ratio and capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The calculation of net debts as at 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Bank and other borrowings	12,632,627	12,130,179
Senior notes	8,753,017	5,274,776
Total	21,385,644	17,404,955
Less: Cash and cash equivalents	(9,002,740)	(6,030,412)
Restricted/pledged bank deposits	(1,938,081)	(2,123,101)
Net debts	10,444,823	9,251,442
Total equity	17,457,728	11,837,158
Gearing ratio	59.8%	78.2%

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (a) Valuation of inventories of properties

The Group's inventories of properties are stated at the lower of cost and the net realisable value ("NRV"). The management of the Group make significant judgment on the estimation in determining the NRV of these inventories of properties.

Based on the experience of the management of the Group and the nature of the subject properties, management of the Group determines the NRV of these inventories of properties by reference to the estimated costs to completion, selling prices, variable selling expense and, for properties under development, the estimated costs to completion which takes into account a number of factors including the selling prices of pre-sale units in the same project or comparable properties with similar type, size and location, and market conditions in the prevailing real estate markets.

If there is an increase in costs to completion or a decrease in estimated selling prices, this may result in write-downs for these inventories of properties. Such write-downs require the use of estimates of the management of the Group. Based on the management's estimation of the NRV of the inventories of properties, a provision for impairment of RMB436 million (2019: nil) is recognised as expense and included in cost of sales (Note 12).

### (b) Valuation of investment properties

The fair value of the investment properties was determined by reference to valuations conducted on these properties by independent property valuers using property valuation techniques which involve certain estimates under prevailing market conditions. Changes to these estimates may result in changes in the fair value of the investment properties, which will lead to the change of profit for the year.

### (c) Estimate of income taxes expenses

Significant judgements are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax expense in the year which such determination is made.

The Group is subject to the land appreciation tax ("LAT") in the PRC. The details of the implementation have been announced by local tax bureaux in certain major cities, however, the Group is in the process of finalising the LAT calculation and payments with local tax bureaux in certain major cities in the PRC. Significant judgements are required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

## 6 REVENUE

Revenue is stated net of sales related tax and is analysed as follows:

	2020 RMB'000	2019 RMB'000
<b>Types of goods and services</b>		
Sales of properties	17,529,537	15,373,501
Property management services	579,479	485,778
Property rental	254,169	210,892
	<b>18,363,185</b>	16,070,171
<b>Revenue is recognised:</b>		
Contracts with customers:		
– At a point in time	17,538,529	15,373,501
– Over time	570,487	485,778
	<b>18,109,016</b>	15,859,279
Other source: rental income	254,169	210,892
	<b>18,363,185</b>	16,070,171

There was no individual customer contributing over 10% of the total revenue for the years ended 31 December 2020 and 2019.

## 6 REVENUE (CONTINUED)

### Performance obligations for contracts with customers

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable. The Group receives certain percentage of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining amount of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognised.

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

### Revenue recognised in relation to contract liabilities

The following table shows the amount of the revenue recognised in the current year which relates to carried-forward contract liabilities.

	31 December 2020 RMB'000	31 December 2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	<b>14,780,312</b>	13,864,156

## 7 SEGMENT INFORMATION

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. All operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group is principally engaged in property development revenue of which accounted for over 90% of total turnover.

No segment assets and liabilities are presented as they were not provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

During the years ended 31 December 2020 and 2019, the board of directors concluded that the Group has only one reportable segment – Property development. The other segments are individually and collectively insignificant for segment reporting purpose. As such, no segment information is presented.

No geographical segment analysis is shown as more than 90% of the Group’s revenue are derived from activities in and from customers located in the PRC and more than 90% of the carrying values of the Group’s non-current assets excluding financial instruments and deferred tax assets are situated in the PRC.

## 8 OTHER INCOME

	2020 RMB'000	2019 RMB'000
Interest income on bank deposits	125,011	79,860
Interest income on loans receivable	109,287	132,597
Interest income on financial assets at fair value through profit or loss (Note 3 (d)(ii))	107,670	80,572
Compensation income	17,786	–
Government grant	4,371	592
Others	15,973	14,857
	<b>380,098</b>	<b>308,478</b>

## 9 OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Foreign exchange gains/(losses), net	697,355	(61,144)
Fair value change on derivative financial instruments	54,053	(55,357)
Revaluation gain upon transfer of inventories of properties to investment properties	21,152	–
Fair value change on financial assets at fair value through profit or loss	3,694	(80,378)
Gains on disposal of investments accounted for using the equity method	7,674	21,712
Gains arising from bargain purchase	67,453	–
Gains/(losses) on disposals of financial assets at fair value through profit or loss	756	(15,232)
Losses on disposals of property and equipment	–	(5)
Losses on deemed disposal of a subsidiary	–	(39,709)
Others	246	8,336
	<b>852,383</b>	<b>(221,777)</b>

## 10 FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expenses:		
– Bank and other borrowings	1,277,268	1,243,160
– Senior notes	1,222,730	621,541
– Lease liabilities	806	550
	<b>2,500,804</b>	<b>1,865,251</b>
Loss on exchange of senior notes	–	22,146
	<b>2,500,804</b>	<b>1,887,397</b>
Less: amounts capitalised on qualifying assets	<b>(2,183,163)</b>	<b>(1,604,699)</b>
	<b>317,641</b>	<b>282,698</b>

Finance costs have been capitalised for investment properties under construction and inventories of properties under development at an average rate of 10.22% (2019: 8.11%) per annum for the year ended 31 December 2020.



**11 INCOME TAX EXPENSES**

	2020 RMB'000	2019 RMB'000
Current income tax		
– Corporate income tax	<b>1,744,597</b>	1,131,003
– Land appreciation tax	<b>1,058,612</b>	1,130,859
	<b>2,803,209</b>	2,261,862
Deferred income tax (Note 21)	<b>(285,398)</b>	67,192
	<b>2,517,811</b>	2,329,054

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during the year (2019: nil).

Hong Kong profits tax has been provided at the rate of 16.5% (2019:16.5%) on the estimated assessable profits of the Group's subsidiaries operating in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

All gains arising from the sale or transfer of real estate in the PRC are subject to land appreciation tax at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and certain expenses for the development of the land. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

## 11 INCOME TAX EXPENSES (CONTINUED)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2020 RMB'000	2019 RMB'000
Profit before income tax	6,049,004	4,789,537
Tax calculated at income tax rate of 25% (2019: 25%)	1,512,251	1,197,384
Effects of different tax rates applicable to different subsidiaries of the Group	(24,326)	(16,301)
Utilisation of tax losses not previously recognised as deferred income tax assets	(33,636)	(22,431)
Effects of share of post-tax results of investments accounted for using the equity method	(31,261)	(20,514)
Income not subject to tax	(136,675)	(49,303)
Tax losses not recognised as deferred income tax assets	55,012	24,358
Temporary differences not recognised as deferred income tax assets	73,103	–
Expenses not deductible for tax purpose	309,384	367,717
	1,723,852	1,480,910
Land appreciation tax	1,058,612	1,130,859
Tax effect of land appreciation tax	(264,653)	(282,715)
Income tax expenses	2,517,811	2,329,054

**12 EXPENSE BY NATURE**

	2020 RMB'000	2019 RMB'000
Cost of inventories sold	11,448,604	10,480,894
Employee benefit expenses	530,545	422,230
Provision for impairment of inventories of properties	436,305	–
Advertising and promotion expenses	214,787	198,852
Tax and surcharges	151,629	99,032
Office expenses	129,796	88,079
Professional service fees	55,851	83,701
Travelling and entertainment expenses	40,190	53,636
Bank charges	35,266	57,860
Depreciation and amortisation charges	31,507	15,294
Listing expenses of a subsidiary	27,085	–
Auditors' remuneration		
– Audit services	8,260	5,500
– Non-audit services	8,887	5,238
Rental expenses	5,973	18,737
Other expenses	23,900	94,820
Total cost of sales, selling and marketing costs and administrative expenses	<b>13,148,585</b>	<b>11,623,873</b>

\* The auditor was also the reporting accountant for the listing of Jiayuan Services and provided other non-audit services. A total of RMB5 million (2019: nil) has been paid and payable for its services in connection with the issue and listing of shares of Jiayuan Services which has been included in share issuance costs and listing expenses of a subsidiary as appropriate.

**13 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS****(a) Directors' emoluments**

Details of the emoluments paid/payable to the directors and the chief executive of the Company during the years are as follows:

	2020 RMB'000	2019 RMB'000
Directors' fees	750	750
Other emoluments		
– Salary and other allowances	7,375	6,973
– Performance related bonus	2,915	3,427
– Retirement benefit scheme contributions	97	86
	<b>11,137</b>	<b>11,236</b>

### 13 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

#### (a) Directors' emoluments (Continued)

The remuneration of every director and chief executive officer of the Company is set out below:

	Fees RMB'000	Salary and other allowances RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<b>Year ended 31 December 2020</b>					
<b>Executive directors</b>					
Mr. Zhang Yi (i)	-	3,060	1,080	15	4,155
Ms. Cheuk Hiu Nam	-	183	-	1	184
Mr. Huang Fuqing	-	1,109	1,085	36	2,230
Mr. Wang Jianfeng	-	1,383	250	15	1,648
<b>Non-executive director</b>					
Mr. Shum Tin Ching	-	785	-	15	800
Mr. Shen Xiaodong	-	855	500	15	1,370
<b>Independent non-executive directors</b>					
Mr. Tai Kwok Leung, Alexander	250	-	-	-	250
Dr. Cheung Wai Bun, Charles, JP	250	-	-	-	250
Mr. Gu Yunchang	250	-	-	-	250
	750	7,375	2,915	97	11,137

### 13 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

#### (a) Directors' emoluments (Continued)

	Fees RMB'000	Salary and other allowances RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<b>Year ended 31 December 2019</b>					
<b>Executive directors</b>					
Mr. Zhang Yi (i)	–	2,824	1,102	11	3,937
Ms. Cheuk Hiu Nam	–	176	–	–	176
Mr. Huang Fuqing	–	979	1,321	27	2,327
Mr. Wang Jianfeng	–	1,286	602	16	1,904
<b>Non-executive director</b>					
Mr. Shum Tin Ching	–	829	–	16	845
Mr. Shen Xiaodong	–	879	402	16	1,297
<b>Independent non-executive directors</b>					
Mr. Tai Kwok Leung, Alexander	250	–	–	–	250
Dr. Cheung Wai Bun, Charles, JP	250	–	–	–	250
Mr. Gu Yunchang	250	–	–	–	250
	750	6,973	3,427	86	11,236

- (i) Mr. Zhang Yi resigned as president of the Company with effect from 12 August 2020 while Mr. Shen Hongjie was appointed as the president of the Company on the same date.

#### (b) Directors' retirement benefits

During the year ended 31 December 2020, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries (2019: nil).

### 13 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

#### (c) Directors' termination benefits

During the year ended 31 December 2020, no payments to the directors of the Company as compensation for the early termination of appointment (2019: nil).

#### (d) Consideration provided to or receivable by third parties for making available directors' services

During the year ended 31 December 2020, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company. (2019: nil).

#### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

During the year ended 31 December 2020, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2019: nil).

#### (f) Directors' material interests in transactions, arrangements or contracts

Except for the transactions disclosed in Note 38(a), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: nil).

#### (g) Five highest paid employees' emoluments

The five highest paid individuals included 2 directors for the year ended 31 December 2020 (2019: 3 directors). The remunerations of the remaining 3(2019: 2) highest paid individuals for the year are as follows:

	2020 RMB'000	2019 RMB'000
Employees		
– Salaries and other allowances	4,241	2,195
– Performance related bonus	1,730	1,420
– Retirement benefit scheme contributions	63	47
	<b>6,034</b>	<b>3,662</b>

### 13 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

#### (g) Five highest paid employees' emoluments (Continued)

The remuneration were within the following bands:

	Number of individuals	
	2020	2019
HKD1,500,001 to HKD2,000,000	2	2
HKD2,000,001 to HKD2,500,000	1	–

#### (h) Other information

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the years. The directors' emoluments shown above were for their services in connection with the management of the affairs of the Company.

### 14 DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends recognised as distribution during the year:		
Final dividend declared for the prior year – HK11 cents (2019: HK11 cents) per share	391,651	248,054

Share scrip alternatives were offered in respect of the dividends declared. These share scrip alternatives were accepted by shareholders, as follows:

	2020		2019	
	HKD'000	Equivalent to RMB'000	HKD'000	Equivalent to RMB'000
Dividends				
– Cash	86,711	78,274	263,981	232,438
– Scrip dividend alternative	347,157	313,377	17,746	15,616
	433,868	391,651	281,727	248,054

## 14 DIVIDENDS (CONTINUED)

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK15.5 cents (2019: HK11 cents) per ordinary share, in an aggregate amount of HKD628,639,000, approximately RMB527,868,000, (2019: HKD433,868,000, approximately RMB388,962,000) taking into account 4,055,735,000 (2019: 3,944,252,000) ordinary shares in issue at the reporting date, has been proposed by the Board of Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period will be either payable in cash or in form of new fully paid shares of the Company in respect of part or all of such final dividend at shareholders' option. The final dividend proposed has not been recognised as a liability in these consolidated financial statements.

## 15 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit for the year attributable to owners of the Company (RMB' 000)	<b>3,275,473</b>	2,050,664
Weighted average number of ordinary shares in issue (in thousands)	<b>3,991,160</b>	3,941,295
Basic earnings per share (RMB cents)	<b>82.07</b>	52.03

### (b) Diluted earnings per share

For the years ended 31 December 2020 and 2019, diluted earnings per share equal basic earnings per share as there were no dilutive potential shares in both years.



**16 INVESTMENT PROPERTIES**

	<b>Completed investment properties</b> RMB'000	<b>Investment properties under construction</b> RMB'000	<b>Total</b> RMB'000
<b>Fair value</b>			
<b>At 1 January 2020</b>	7,647,680	194,226	7,841,906
Additions	–	232,490	232,490
Transfer to properties held for sale	(62,572)	–	(62,572)
Acquisition of a subsidiary	–	99,800	99,800
Transfer from inventories of properties	–	25,532	25,532
Transfer to inventories of properties	–	(54,260)	(54,260)
Revaluation gain upon transfer of inventories of properties to investment properties	–	21,152	21,152
Fair value change	(179,120)	1,617	(177,503)
<b>At 31 December 2020</b>	<b>7,405,988</b>	<b>520,557</b>	<b>7,926,545</b>
<b>At 1 January 2019</b>	4,662,833	2,908,885	7,571,718
Additions	–	180,590	180,590
Disposal of a subsidiary	–	(344,704)	(344,704)
Transfer to properties under development	(2,936)	–	(2,936)
Transfer upon completion	2,683,222	(2,683,222)	–
Fair value change	304,561	132,677	437,238
<b>At 31 December 2019</b>	<b>7,647,680</b>	<b>194,226</b>	<b>7,841,906</b>

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2020 and 2019, the Group had only level 3 investment properties.

## 16 INVESTMENT PROPERTIES (CONTINUED)

### Valuation processes of the Group

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2020 and 2019 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

### Valuation techniques

Valuations are based on:

- (i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or
- (ii) Income capitalisation approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or
- (iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on land and construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred as well as anticipated developer's profits; or
- (iv) The cost approach is a method of using gross replacement costs to arrive at the value of the property as it is, at the date of valuation. The cost approach requires estimates of the value of the land in its existing use plus the estimated replacement cost of the improvement works. The replacement cost of the improvement works includes the cost of building work, site works, professional fees and relevant costs.

The valuation technique of one investment property was changed from direct comparison approach to residual method during the year due to change in construction stage from a land to property under construction. Valuation techniques of other properties remained unchanged during the year.

**16 INVESTMENT PROPERTIES (CONTINUED)****Information about fair value measurements using significant unobservable inputs (level 3)**

	Fair value as at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,405,988	Income capitalisation	Monthly rentals (per square meter/month) Term yields Reversionary yields Expected vacancy rate	RMB34-RMB255 1.5%-5.5% 2%-6% 2%-20%
Investment properties under construction	386,257	Residual method	Budgeted construction costs to be incurred Anticipated developer's profit margin	RMB67.2 million 7%-15%
Investment properties under construction	27,900	Direct comparison approach	Weighted average of comparable land price (RMB/square meter)	RMB1,929
Investment properties under construction	106,400	Direct comparison approach plus cost approach	Weighted average of comparable land price (RMB/square meter) Budgeted construction costs to be incurred	RMB23,155 RMB101.4 million
<b>Total amounts</b>	<b>7,926,545</b>			

	Fair value as at 31 December 2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,647,680	Income capitalisation	Monthly rentals (per square meter/month) Term yields Reversionary yields Expected vacancy rate	RMB45-RMB234 1.5%-6.5% 2%-7% 2%-35%
Investment properties under construction	129,426	Residual method	Budgeted construction costs to be incurred Anticipated developer's profit margin	RMB79.2 million 3%-20%
Investment properties under construction	64,800	Direct comparison approach	Weighted average of comparable land price (RMB/square meter)	RMB1,829-RMB1,919
<b>Total amounts</b>	<b>7,841,906</b>			

## 16 INVESTMENT PROPERTIES (CONTINUED)

Relationships of unobservable inputs to fair value are as follows:

- The higher term yields/reversionary yields, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value; and
- The higher the anticipated developer's profit margin, the lower fair value.

### Amounts recognised in profit or loss for investment properties

	2020 RMB'000	2019 RMB'000
Rental income	246,260	210,892
Fair value change on investment properties	(177,503)	437,238
Revaluation gain upon transfer of inventories of properties to investment properties	21,152	–
	<b>89,909</b>	648,130

Operating expenses is not material for the years ended 31 December 2020 and 2019.

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

As at 31 December 2020 and 2019, the future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

### Operating lease rentals receivable

	2020 RMB'000	2019 RMB'000
Within one year	197,285	154,965
In the first to second year inclusive	133,511	178,784
In the second to third year inclusive	113,781	109,904
In the third to fourth year inclusive	90,605	109,715
In the fourth to fifth year inclusive	82,179	90,605
After five years	440,580	520,391
	<b>1,057,941</b>	1,164,364

## 17 PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture, fitting and equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Cost</b>							
<b>At 1 January 2020</b>	100,238	5,090	33,768	3,328	8,209	50,602	201,235
Additions	424	1,379	5,189	920	346	827	9,085
Acquisition of subsidiaries	-	-	295	54	270	1,182	1,801
Disposals	-	-	(921)	-	(4)	(986)	(1,911)
<b>At 31 December 2020</b>	100,662	6,469	38,331	4,302	8,821	51,625	210,210
<b>At 1 January 2019</b>	105,357	4,861	26,679	2,775	6,584	40,885	187,141
Additions	80	577	9,376	720	2,036	12,886	25,675
Acquisition of subsidiaries	1,431	90	43	8	13	118	1,703
Disposal of subsidiaries	(6,630)	(306)	(1,679)	(175)	(414)	(2,573)	(11,777)
Disposals	-	(132)	(651)	-	(10)	(714)	(1,507)
<b>At 31 December 2019</b>	100,238	5,090	33,768	3,328	8,209	50,602	201,235
<b>Accumulated depreciation</b>							
<b>At 1 January 2020</b>	(12,736)	(3,269)	(15,193)	(2,060)	(5,068)	(30,029)	(68,355)
Charge for the year	(3,358)	(1,178)	(3,261)	(592)	(1,594)	(9,586)	(19,569)
Disposals	-	-	455	-	4	926	1,385
<b>At 31 December 2020</b>	(16,094)	(4,447)	(17,999)	(2,652)	(6,658)	(38,689)	(86,539)
<b>At 1 January 2019</b>	(9,707)	(2,176)	(11,952)	(1,579)	(4,462)	(23,500)	(53,376)
Charge for the year	(3,241)	(1,162)	(3,604)	(516)	(706)	(7,157)	(16,386)
Disposal of subsidiaries	212	48	261	35	98	516	1,170
Disposals	-	21	102	-	2	112	237
<b>At 31 December 2019</b>	(12,736)	(3,269)	(15,193)	(2,060)	(5,068)	(30,029)	(68,355)
<b>Carrying values</b>							
<b>At 31 December 2020</b>	84,568	2,022	20,332	1,650	2,163	12,936	123,671
<b>At 31 December 2019</b>	87,502	1,821	18,575	1,268	3,141	20,573	132,880

The leasehold land and building is located in Hong Kong and the PRC.

The land and building elements of a lease of land and building cannot be allocated reliably between the land and building elements, and the lease is treated as property and equipment.

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

## 17 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charge was capitalised or expensed in the following categories in the consolidated financial statements.

	31 December 2020 RMB'000	31 December 2019 RMB'000
Properties under development	4,666	3,601
Cost of sales	2,690	1,143
Selling and marketing costs	379	35
Administrative expenses	11,834	11,607
	<b>19,569</b>	<b>16,386</b>

## 18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2020 RMB'000	31 December 2019 RMB'000
Interests in joint ventures (a)	2,236,558	931,896
Interests in associates (b)	53,142	53,155
	<b>2,289,700</b>	<b>985,051</b>

### (a) Interests in joint ventures

	2020 RMB'000	2019 RMB'000
At 1 January	931,896	39,900
Additions	1,442,358	735,169
Transfer from subsidiaries	–	107,423
Share of results	125,054	49,404
Transfer to subsidiaries (Note 37)	(262,750)	–
At 31 December	<b>2,236,558</b>	<b>931,896</b>

The Group holds equity interest in the entities listed below. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion voting rights held. The joint ventures are unlisted companies.

**18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)****(a) Investment in joint ventures (Continued)**

Name of entity	Place of incorporation	Proportion of ownership interest held		Principal activity
		2020	2019	
Dongfangsuoqi Investment Development Group Co., Ltd. 東方索契投資發展集團有限公司	PRC	36%	36%	Property Development
Lujiang Biyuan Real Estate Development Co., Ltd 廬江碧源房地產開發有限公司	PRC	50%	50%	Property Development
Gang Yuan (Cambodia) Development Co., Ltd	Cambodia	50%	50%	Property Development
Meijia (Pingtan) Cultural Tourism Development Co., Ltd("Meijia Pingtan") 美佳(平潭)文化旅遊發展有限公司	PRC	30%	30%	Cultural Tourism Development
Zhejiang Xingjia Property Service Co., Ltd ("Zhejiang Xingjia") 浙江星佳物業服務有限公司	PRC	51%	51%	Property Management
Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd. ("Yancheng Xingzhou") 鹽城星洲佳源房地產開發有限公司 (i)	PRC	65%	65%	Property Development
Xinjiang Jiayuan Ronghua Real Estate Development Co., Ltd ("Xinjiang Ronghua") 新疆佳源榮華房地產開發有限公司 (i)	PRC	60%	–	Property Development
Shenzhen Rongjia Shanju Industrial Development Co., Ltd ("Rongjia Shanju") 深圳市融佳善居實業發展有限公司 (i)	PRC	50%	50%	Investment Holding
Anhui Liuzhuang Real Estate Co., Ltd ("Anhui Liuzhuang") 安徽劉莊置業有限責任公司 (i)	PRC	51%	–	Property Development
Chuzhou Jiachen Information and Technology Service Limited Partnership ("Chuzhou Jiachen") 滁州佳晨信息技術諮詢服務合夥企業(有限合夥) (i)	PRC	51%	–	Investment Holding
Suqian Huyuan Real Estate Development Co., Ltd ("Suqian Huyuan") 宿遷湖源房地產開發有限公司(i)	PRC	31%	–	Property Development

## 18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

### (a) Investment in joint ventures (Continued)

Name of entity	Place of incorporation	Proportion of ownership interest held		Principal activity
		2020	2019	
Changshu Xinsuliansheng City Development Co., Ltd ("Changshu Xinsuliansheng") 常熟新蘇聯晟城市發展有限公司(i)	PRC	20%	–	Property Development
Nanjing Kangxing Science and Technology Industrial Park Operation Management Co., Ltd. ("Nanjing Kangxing") 南京康星科技產業園營運有限公司 (Note 37(b))	PRC	–	51%	Property Development
Chongqing Jiabao Property Management Co., Ltd ("Chongqing Jiabao") 重慶佳寶物業管理有限公司 (Note 37(c))	PRC	–	51%	Property Management

These entities are regarded as joint ventures and accounted for using the equity method because, according to the articles of association and joint venture agreements of the respective company, the decisions about the relevant activities of these entities require the unanimous consent of all shareholders.

- (i) During the year ended 31 December 2020, the Group has below additions of investment in joint ventures:
- In April 2020, additional paid-in capital of RMB195,163,000 was injected by the Group to Yancheng Xingzhou, a company established in November 2019 by the Group jointly with third parties.
  - In January 2020, the Group established Xinjiang Ronghua, jointly with a third party. The Group injected RMB311,084,000, owning 60% of equity interests in the company.
  - In December 2019, the Group established Rongjia Shanju, jointly with a third party. The Group injected RMB720,500,000 during the year ended 31 December 2020 (2019: nil), owning 50% of equity interests in Rongjia Shanju.
  - In June 2020, the Group acquired 51% equity interests of Anhui Liuzhuang for RMB132,326,000 resulting a bargain purchase gain of RMB6,535,000 from the acquisition after purchase price allocation.
  - In July 2020, the Group established Changshu Xinsuliansheng jointly with a third party. The Group injected RMB3,600,000, owning 20% of equity interests in the company.
  - In August 2020, the Group established Suqian Huyuan jointly with a third party. The Group injected RMB22,350,000, owning 31% of equity interests in the company.
  - In December 2020, the Group established Chuzhou Jiachen jointly with third parties. The Group injected RMB50,800,000, owning 51% of equity interests in the company.



**18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)****(a) Investment in joint ventures (Continued)**

In the opinion of the directors, none of the above joint ventures are individually material to the Group. Set out below is the summarised financial information of the joint ventures and Group's share of results:

	2020 RMB'000	2019 RMB'000
Carrying amounts in the consolidated financial statements	2,236,558	931,896
Aggregate amounts of the Group's share of:		
Profit for the year	125,054	49,404
Total comprehensive income	125,054	49,404

As at 31 December 2020 and 2019, there are no significant contingent liabilities relating to the Group's interest in the joint ventures. Details of commitments for interests in joint ventures are set out in Note 34.

**(b) Interests in associates**

	2020 RMB'000	2019 RMB'000
At 1 January	53,155	205,565
Additions	–	1,600
Transfer to subsidiaries	–	(104,933)
Disposals	–	(81,729)
Share of results	(13)	32,652
At 31 December	53,142	53,155

The Group holds equity interests in the entities listed below. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The associates are unlisted companies.

## 18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

### (b) Interests in associates (Continued)

Name of entity	Country of incorporation	% of ownership interest		Principal activity
		2020	2019	
Hunan Beileide Property Service Co., Ltd 湖南貝雷德物業管理有限公司 (i)	PRC	8%	8%	Property Management
Mengcheng Biguiyuan Real Estate Development Co., Ltd 蒙城縣碧桂園房地產開發有限公司	PRC	30%	30%	Property Development

- (i) Hunan Beileide Property Service Co., Ltd. is accounted for as an associate of the Group due to representation in the board of directors.

In the opinion of the directors, none of the above associates are individually material to the Group. Set out below is the summarised financial information of the associates and Group's share of results:

	2020 RMB'000	2019 RMB'000
Carrying amounts in the consolidated financial statements	53,142	53,155
Aggregate amounts of the Group's share of:		
Profit for the year	(13)	32,652
Total comprehensive income	(13)	32,652

As at 31 December 2020, there are no significant contingent liabilities and commitments relating to the Group's interest in the associates (2019: nil).

**19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	31 December 2020 RMB'000	31 December 2019 RMB'000
Debt instruments:		
Debt instruments in Hong Kong	263,875	107,827
Debt instruments in overseas (a)	680,560	545,511
Deposits paid for a life insurance policy	16,604	14,866
Equity instruments:		
Listed equity investments in Hong Kong	131,880	168,775
	<b>1,092,919</b>	836,979
Less: Non-current portion	<b>(961,039)</b>	(668,204)
	<b>131,880</b>	168,775

- (a) Debt instruments in overseas represent investments in private funds in overseas.
- (b) During the year, the following gains/(losses) and income were recognised in profit or loss in respect of financial assets at fair value through profit or loss:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Fair value change on equity investments	(24,508)	(82,146)
Fair value change on debt instruments	28,202	1,768
Interest income	107,670	80,572
	<b>111,364</b>	194

- (c) Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

**20 DEPOSITS PAID FOR ACQUISITIONS**

The Group from time to time enters into agreements with various parties in relation to the acquisition of interest in certain entities which are principally engaged in property development in the PRC. As at 31 December 2020, the Group had made total deposits of RMB1,150,157,000 (2019: RMB1,167,684,000) in relation to these acquisitions. According to these agreements, in case the acquisitions cannot be completed, the deposits paid will be fully refunded to the Group.

## 21 DEFERRED INCOME TAX

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the years:

### Deferred tax assets

	Accrued LAT RMB'000	Revenue recognition RMB'000	Tax losses RMB'000	Impairment loss RMB'000	Others RMB'000	Total RMB'000
<b>At 1 January 2020</b>	403,960	143,641	49,114	23,313	1,807	621,835
Recognised in profit or loss	222,145	9,152	27,549	23,747	7,808	290,401
<b>At 31 December 2020</b>	626,105	152,793	76,663	47,060	9,615	912,236
<b>At 1 January 2019</b>	336,556	178,446	41,742	21,737	1,346	579,827
Disposal of a subsidiary	–	–	–	–	(59)	(59)
Recognised in profit or loss	67,404	(34,805)	7,372	1,576	520	42,067
<b>At 31 December 2019</b>	403,960	143,641	49,114	23,313	1,807	621,835

### Deferred tax liabilities

	Fair value of investment properties RMB'000	Revaluation due to business combination RMB'000	Others RMB'000	Total RMB'000
<b>At 1 January 2020</b>	(722,543)	(76,197)	(5,188)	(803,928)
Acquisition of subsidiaries	–	(160,976)	–	(160,976)
Recognised in profit or loss	(4,945)	–	(58)	(5,003)
<b>At 31 December 2020</b>	(727,488)	(237,173)	(5,246)	(969,907)
<b>At 1 January 2019</b>	(638,230)	(42,371)	(186)	(680,787)
Acquisition of subsidiaries	–	(33,826)	(5,052)	(38,878)
Disposal of a subsidiary	24,996	–	–	24,996
Recognised in profit or loss	(109,309)	–	50	(109,259)
<b>At 31 December 2019</b>	(722,543)	(76,197)	(5,188)	(803,928)

**21 DEFERRED INCOME TAX (CONTINUED)**

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Analysed for reporting purpose after netting off:		
Deferred tax assets		
– Gross amounts	<b>912,236</b>	621,835
– Net off against deferred tax liabilities	<b>(243,395)</b>	(24,341)
– Net amounts	<b>668,841</b>	597,494
Deferred tax liabilities		
– Gross amounts	<b>969,907</b>	803,928
– Net off against deferred tax assets	<b>(243,395)</b>	(24,341)
– Net amounts	<b>726,512</b>	779,587

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2020, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB11,622,492,000 (2019: RMB7,978,370,000). Based on management's estimation of overseas funding requirements, such earnings are expected to be retained by the subsidiaries in the PRC for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future.

At 31 December 2020, the Group had unused tax losses of RMB667,271,000 (2019: RMB359,097,000), available to offset against future profits. Deferred tax assets have been recognised in respect of tax losses of RMB306,652,000 (2019: RMB196,456,000). No deferred tax asset has been recognised for the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
2020	–	11,461
2021	<b>5,306</b>	5,306
2022	<b>35,402</b>	37,012
2023	<b>10,933</b>	11,430
2024	<b>88,930</b>	97,432
2025	<b>220,048</b>	–
	<b>360,619</b>	162,641

**22 INVENTORIES OF PROPERTIES**

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Properties under development (a)		
At cost	<b>31,531,588</b>	23,648,474
At NRV	<b>524,258</b>	–
	<b>32,055,846</b>	23,648,474
Properties held for sale (b)		
At cost	<b>8,305,359</b>	10,462,723
At NRV	<b>1,977,560</b>	–
	<b>10,282,919</b>	10,462,723
Others		
At cost	–	880
Total	<b>42,338,765</b>	34,112,077

The operating cycle of the Group's property development projects generally ranges from one to two years.

The Group's inventories of properties are situated in the PRC, Hong Kong and Macao.

A provision for impairment of RMB436,305,000 (2019: nil) is recognised as expense and included in cost of sales (Note 12).

## 22 INVENTORIES OF PROPERTIES (CONTINUED)

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

(a) Amounts of properties under development comprises:

	31 December 2020 RMB'000	31 December 2019 RMB'000
– Construction costs including depreciation and staff cost capitalised	7,068,543	7,839,524
– Land use rights	22,160,451	14,059,202
– Borrowing costs capitalised	3,024,359	1,749,748
Total costs	32,253,353	23,648,474
Less: provision for impairment	(197,507)	–
Net amounts	<b>32,055,846</b>	23,648,474

As at 31 December 2020, properties under development of RMB11,524,653,000 (2019: RMB8,446,822,000) were expected to be completed beyond one year.

The capitalisation rate used to capitalise interest on general borrowings in 2020 was 10.22% (2019: 8.11%) per annum.

(b) Amounts of properties held for sale comprises:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Total properties held for sale	10,521,717	10,462,723
Less: provision for impairment	(238,798)	–
Net amounts	<b>10,282,919</b>	10,462,723

**23 TRADE AND OTHER RECEIVABLES**

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables, net (a)	526,370	312,509
Other receivables, net (b)	4,093,026	5,891,760
Prepayments (c)	705,989	1,098,000
	<b>5,325,385</b>	7,302,269
Less: Non-current portion of other receivables	<b>(38,450)</b>	(124,934)
Current portion of trade and other receivables	<b>5,286,935</b>	7,177,335

(a) Details of trade receivables are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables	561,688	321,910
Less: allowance for impairment	<b>(35,318)</b>	(9,401)
Trade receivables – net	<b>526,370</b>	312,509

Trade receivables mainly arise from properties rental and provision of properties management services. Customers are generally granted credit terms of nil to 1 month. The ageing analysis of trade receivables based on property delivery date or invoice date is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
0-60 days	383,020	187,875
61-180 days	51,950	83,805
181-365 days	68,107	19,008
Over 1 year	58,611	31,222
	<b>561,688</b>	321,910



**23 TRADE AND OTHER RECEIVABLES (CONTINUED)**

## (a) (Continued)

As at 31 December 2020 and 2019, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for ECL on trade receivables (Note 3(b)).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

## (b) Details of other receivables are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Advances to joint ventures and associates (i)	1,148,178	2,225,715
Advances to non-controlling interests (ii)	1,062,932	809,626
Loans receivable (iii)	509,971	587,929
Deposits paid for acquisitions of land use rights	446,923	420,000
Projects related deposits (iv)	488,556	911,030
Interest receivable	62,243	190,234
Deposits for trust financing arrangements (v)	60,178	146,719
Advance to staff	37,609	55,112
Other deposits (vi)	174,341	453,642
Other receivables	166,730	157,006
	<b>4,157,661</b>	5,957,013
Less: allowance for impairment	<b>(64,635)</b>	(65,253)
	<b>4,093,026</b>	5,891,760
Less: Non-current portion of deposits for trust financing arrangements (v)	<b>(38,450)</b>	(124,934)
Current portion of other receivables – net	<b>4,054,576</b>	5,766,826

## 23 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) (Continued)

- (i) The amounts represent advances made by the Group to certain joint ventures and associates of the Group for funding the ongoing business activities (including purchase of the land use rights, payments of construction costs and other operating costs). The advances are unsecured, interest-free and repayable on demand.
- (ii) The amounts represent advances made by certain non-wholly owned subsidiaries to their non-controlling shareholders pursuant to the terms of the respective cooperation agreements. These advances are unsecured, interest-free and repayable on demand.
- (iii) The amounts represent loan to third parties which are interest-bearing at a fixed interest rate of 23% per annum.
- (iv) The amounts mainly represent deposits placed at the request of local government. The deposits will be refunded to the Group upon the completion of the relevant projects.
- (v) The amounts are deposited in trust financing companies for raising trust loans to the Group. The deposits will be refunded to the Group upon final repayments of the trust loans or on demand.
- (vi) Other deposits mainly represent temporary payments for acquisition of property development projects under negotiation. There is no fixed repayment term for these other deposits and the directors of the Company consider the amounts are repayable on demand.

The above other receivables are unsecured and non-interest bearing, except for the loans receivables which are interest bearing at rates of 23% (2019: 12% to 23%) per annum.

- (c) Prepayments mainly represent prepayments for construction cost, and business and other taxes.

**24 RESTRICTED/PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS**

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Cash at banks and on hand	<b>10,940,821</b>	8,153,513
Less: Restricted/pledged bank deposits		
– Pledged for mortgage guarantees (a)	<b>(76,111)</b>	(259,083)
– Pledged for acquisitions of land use rights (b)	<b>(800,000)</b>	–
– Restricted in use (c)	<b>(1,061,970)</b>	(1,864,018)
	<b>(1,938,081)</b>	(2,123,101)
Cash and cash equivalents	<b>9,002,740</b>	6,030,412

- (a) These deposits were pledged to the banks to secure the mortgage guarantees provided to customers and will be released upon obtaining building ownership certificates by customers.
- (b) The amounts represented deposits placed in banks and pledged for business partners to acquire certain land use rights. The deposits will be released upon completion of the bidding process.
- (c) These deposits were placed in bank accounts in accordance with the applicable government regulations. These bank balances can only be applied in designated property development projects, and carry prevailing interest at a rate of 0.61% (2019: 0.38%) per annum as at 31 December 2020.
- (d) Cash at banks carry prevailing market interest rates ranging from 0.01% to 2.75% (2019: 0.01% to 3.65%) per annum as at 31 December 2020.

As at 31 December 2020, the cash at banks are denominated in the following currencies:

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
RMB	<b>9,242,467</b>	6,128,425
HKD	<b>1,229,754</b>	258,457
USD	<b>467,077</b>	1,765,541
Others	<b>1,523</b>	1,090
	<b>10,940,821</b>	8,153,513

The conversion and the remittance of RMB out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC governments.

**25 TRADE AND OTHER PAYABLES**

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables (a)	<b>2,960,397</b>	3,639,200
Advances from related parties	<b>959,508</b>	234,960
Advances from non-controlling interests (b)	<b>789,719</b>	729,885
Consideration payable for acquisition of subsidiaries	<b>689,045</b>	95,000
Business and other taxes payable	<b>688,657</b>	514,091
Deposits related to sales of properties	<b>389,615</b>	268,363
Accrued charges	<b>129,817</b>	101,160
Receipts on behalf of property residents	<b>154,129</b>	210,411
Payroll payables	<b>115,066</b>	89,049
Other deposits received (c)	<b>181,096</b>	286,864
Other consideration payables (d)	<b>226,500</b>	226,500
	<b>7,283,549</b>	6,395,483

- (a) Trade payables are for construction costs and other project-related expenses which are due for payment based on project progress measured by the Group. The average credit period of trade payables is 30 days.

The following is an aging analysis of trade payables, presented based on the invoice date:

	31 December 2020 RMB'000	31 December 2019 RMB'000
0-60 days	<b>2,259,860</b>	2,152,245
61-180 days	<b>289,607</b>	751,103
181-365 days	<b>103,391</b>	298,295
Over 1 year	<b>307,539</b>	437,557
	<b>2,960,397</b>	3,639,200

- (b) The amounts represent advances made by certain non-controlling shareholders to non-wholly subsidiaries pursuant to the terms of the respective shareholders' agreements. These advances are unsecured, interest-free and repayable on demand.
- (c) The amounts mainly represent various deposits received from contractors in relation to tendering and execution of construction contracts.
- (d) The Group in 2018 acquired Guoyang Xinggang Development Co., Ltd. (渦陽縣星港置業有限公司) from an independent third-party vendor. Pursuant to the sale and purchase agreement, as a part of the considerations, the Group is required to transfer 50,000 sq.m. of the completed properties to the vendor. The amount represented the fair value of the properties to be delivered to the vendor on completion.

**26 PRE-SALE DEPOSITS RECEIVED**

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contract liabilities related to sales of properties	17,189,716	18,780,511
Contract liabilities related to property management services	87,853	73,018
Value-added tax payable	1,398,900	1,587,448
	<b>18,676,469</b>	20,440,977
Less: non-current portion	<b>(540,412)</b>	(500,510)
Current portion	<b>18,136,057</b>	19,940,467

The Group receives 30%-100% of the contract value as deposits from customers when they sign the sale and purchase agreements for properties. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the sale of the completed property is recognised.

**27 BANK AND OTHER BORROWINGS**

	31 December 2020 RMB'000	31 December 2019 RMB'000
Bank loans		
– secured	304,338	3,612,555
– secured and guaranteed	6,966,938	447,500
– unsecured	–	500
	<b>7,271,276</b>	4,060,555
Trust loans (b)		
– secured	–	1,292,305
– secured and guaranteed	3,660,945	5,723,300
– unsecured	–	687,624
	<b>3,660,945</b>	7,703,229
Other loans (c)		
– secured	–	66,395
– secured and guaranteed	1,700,406	300,000
	<b>1,700,406</b>	366,395
Total bank and other borrowings	<b>12,632,627</b>	12,130,179
Less: amounts due within one year or on demand shown under current liabilities	<b>(1,377,858)</b>	(4,667,930)
Amounts shown under non-current liabilities	<b>11,254,769</b>	7,462,249

**27 BANK AND OTHER BORROWINGS (CONTINUED)**

(a) The borrowings are repayable:

	31 December 2020			
	Bank loans RMB'000	Trust loans RMB'000	Other loans RMB'000	Total RMB'000
Within one year or on demand	877,248	1,050	499,560	1,377,858
More than one year, but not exceeding two years	5,306,547	3,659,895	505,846	9,472,288
More than two year, but not exceeding five years	1,087,481	–	695,000	1,782,481
	<b>7,271,276</b>	<b>3,660,945</b>	<b>1,700,406</b>	<b>12,632,627</b>
Less: amounts due within one year or on demand shown under current liabilities	<b>(877,248)</b>	<b>(1,050)</b>	<b>(499,560)</b>	<b>(1,377,858)</b>
Amount shown under non-current liabilities	<b>6,394,028</b>	<b>3,659,895</b>	<b>1,200,846</b>	<b>11,254,769</b>

	31 December 2019			
	Bank loans RMB'000	Trust loans RMB'000	Other loans RMB'000	Total RMB'000
Within one year or on demand	489,500	4,112,035	66,395	4,667,930
More than one year, but not exceeding two years	1,120,483	3,250,154	300,000	4,670,637
More than two year, but not exceeding five years	2,450,572	341,040	–	2,791,612
	<b>4,060,555</b>	<b>7,703,229</b>	<b>366,395</b>	<b>12,130,179</b>
Less: amounts due within one year or on demand shown under current liabilities	<b>(489,500)</b>	<b>(4,112,035)</b>	<b>(66,395)</b>	<b>(4,667,930)</b>
Amount shown under non-current liabilities	<b>3,571,055</b>	<b>3,591,194</b>	<b>300,000</b>	<b>7,462,249</b>

(b) These borrowings are in the form of trust arrangement with trust financing companies. The conventional loan arrangements are loan agreements entered into between the Group and trust financing companies.

(c) Other loans mainly represent secured and guaranteed loans obtained from asset management companies.

**27 BANK AND OTHER BORROWINGS (CONTINUED)**

(d) Fixed-rate borrowings amounting to RMB9,700,463,000 (2019: RMB9,380,127,000) carry interest ranging from 1.55% to 14.00% (2019: 1.55% to 14.00%) per annum at 31 December 2020. The remaining borrowings amounting to RMB2,932,164,000 (2019: RMB2,750,052,000) are arranged at variable rates with effective interest rates ranging from 3.65% to 12.00% (2019: 4.00% to 6.51%) per annum at 31 December 2020.

(e) The range of effective interest rates at the end of each reporting period is as follows:

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Bank loans	<b>1.55% to 11.70%</b>	1.55% to 9.50%
Trust loans	<b>12.00% to 14.00%</b>	7.10% to 14.00%
Other loans	<b>7.10% to 12.92%</b>	12.00% to 12.80%

(f) Except for bank and other borrowings of RMB2,347,418,000 (2019: RMB2,503,467,000) which are denominated in HKD and RMB1,061,449,000 (2019: RMB810,503,000) which are denominated in USD as at 31 December 2020, all the bank and other borrowings are denominated in RMB.

**28 SENIOR NOTES**

	<i>Notes</i>	<b>2020 RMB'000</b>	2019 RMB'000
Issued in 2018 and due October 2020		–	122,533
Issued in 2019 and due March 2022	(a)	<b>1,757,054</b>	1,848,218
Issued in 2019 and due May 2022	(b)	<b>747,265</b>	1,639,014
Issued in 2020 and due June 2021	(c)	<b>954,730</b>	–
Issued in 2019 and due February 2023	(d)	<b>2,139,166</b>	1,665,011
Issued in 2020 and due October 2022	(e)	<b>1,241,069</b>	–
Issued in 2020 and due April 2023	(f)	<b>1,913,733</b>	–
		<b>8,753,017</b>	5,274,776
Less: amounts due and demandable for repayment within one year shown under current liabilities		<b>(5,687,872)</b>	(314,084)
Included in non-current liabilities		<b>3,065,145</b>	4,960,692

## 28 SENIOR NOTES (CONTINUED)

The movement of senior notes for the year is set out below:

	2020 RMB'000	2019 RMB'000
At 1 January	5,274,776	7,212,509
Derivatives financial instruments recognised	(51,434)	(179,897)
Proceeds from issue of new senior notes	5,178,336	2,730,999
Repayment of senior notes	(1,394,203)	(4,644,144)
Extinguish upon repurchasing the senior notes	30,585	–
Exchange difference	(560,884)	67,098
Interest expenses (Note 10)	1,222,730	621,541
Interest paid	(946,889)	(533,330)
At the end of the year	<b>8,753,017</b>	5,274,776

- (a) In July 2019, the Company issued senior notes (the “March 2022 Senior Notes”) with a principal amount of USD225,000,000 (equivalent to approximately RMB1,545,233,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in March 2022. A portion of the March 2022 Senior Notes was used to exchange for a total of USD174,671,000 in principal amount of the senior notes due October 2020.

In November 2019, the Company issued senior notes with a principal amount of USD30,000,000 (equivalent to approximately RMB210,813,000), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In February 2020, the Company issued senior notes with a principal amount of USD67,500,000 (equivalent to approximately RMB472,891,500), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In October 2020, the Company repurchased the March 2022 Senior Notes in an aggregate principal amount of USD60,000,000 (equivalent to approximately RMB402,168,000), representing 18.60% of the aggregate principal amount of the Notes originally issued.

On 1 February 2021, the Company published an announcement to offer to repurchase March 2022 Senior Notes. A total of approximately USD55,755,000 (equivalent to approximately RMB360,306,000) in principal amount of the March 2022 Senior Notes have been validly tendered and accepted pursuant to the Company’s offer to purchase. On 11 March 2021, a total of approximately USD61,538,000 (equivalent to approximately RMB399,812,000) in principal amount of the March 2022 Senior Notes were further repurchased by the Company following the exercise of a put option pursuant to the terms of the March 2022 Senior Notes.



## 28 SENIOR NOTES (CONTINUED)

- (b) In May 2019, the Company issued senior notes (the “May 2022 Senior Notes”) with a principal amount of USD225,000,000 (equivalent to approximately RMB1,514,588,000), bearing interest at a fixed interest rate of 11.375% per annum, will mature in May 2022. A portion of the May 2022 Senior Notes was used to exchange for all of the outstanding USD160,000,000 senior notes due October 2019, i.e. the 2018 senior notes due October 2019.

In August 2019, the Company issued senior notes with a principal amount of USD25,000,000 (equivalent to approximately RMB176,425,000) due in May 2022 which were consolidated with and formed a single series with the May 2022 Senior Notes.

In October 2020, the Company repurchased May 2022 Senior Notes in an aggregate principal amount of USD135,000,000 (equivalent to approximately RMB904,878,000), representing 54% of the aggregate principal amount of the notes originally issued.

- (c) In June 2020, the Company issued senior notes (the “June 2021 Senior Notes”) with a principal amount of USD120,000,000 (equivalent to approximately RMB849,012,000), bearing interest at a fixed interest rate of 11.75% per annum and will mature in June 2021.

In July 2020, the Company issued senior notes with a principal amount of USD30,000,000 (equivalent to approximately RMB209,883,000), which were consolidated with and formed a single series with the June 2021 Senior Notes.

- (d) In October 2019, the Company issued senior notes (the “February 2023 Senior Notes”) with a principal amount of USD200,000,000 (equivalent to approximately RMB1,413,800,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in February 2023.

In November 2019, the Company issued senior notes with a principal amount of USD37,500,000 (equivalent to approximately RMB263,336,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

In January 2020, the Company issued senior notes with a principal amount of USD30,000,000 (equivalent to approximately RMB209,599,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

In February 2020, the Company issued senior notes with a principal amount of USD60,000,000 (equivalent to approximately RMB420,348,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

- (e) In October 2020, the Company issued senior notes (the “October 2022 Senior Notes”) with a principal amount of USD200,000,000 (equivalent to approximately RMB1,314,260,000), bearing interest at a fixed interest rate of 12% per annum and will mature in October 2022.

## 28 SENIOR NOTES (CONTINUED)

- (f) In September 2020, the Company issued senior notes (the “April 2023 Senior Notes”) with a principal amount of USD200,000,000 (equivalent to approximately RMB1,340,560,000), bearing interest at a fixed interest rate of 12.5% per annum and will mature in April 2023.

In November 2020, the Company issued senior notes with a principal amount of USD100,000,000 (equivalent to approximately RMB657,130,000), which were consolidated with and formed a single series with the April 2023 Senior Notes.

- (g) Certain senior notes contain a liability component and early redemption options:  
The holders of these senior notes have the right, at their options, to require the Company to repurchase for all or any portion of the principal on designated repurchase dates, at purchase prices ranging from 100% to 102.795% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

As at 31 December 2020, these put options have been recognised at fair value as derivative financial instruments in the consolidated financial statements at the amount of RMB190,913,000 (2019: RMB238,387,000).

- (h) Early redemption call options:

The Company has the right, at its option, to redeem the above senior notes in whole but not in part of the respective principal amount at any time prior to the mature date, at a redemption price equal to 100% of the respective principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

The Company has the right, at its option, to redeem up to 35% of the June 2021 Senior Notes, February 2023 Senior Notes, October 2022 Senior Notes and April 2023 Senior Notes at any time prior to the mature dates, at redemption prices ranging from 111.75% to 113.75% of the respective principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

As at 31 December 2020, these call options were not recognised as derivative financial instruments in the consolidated statement of financial position since their fair value amounts are immaterial.

- (i) The fair values of the senior notes as at 31 December 2020 were approximately RMB8,783,497,000 (2019: RMB4,962,892,000). The fair value is calculated using the market prices of the senior notes on the date of consolidated statement of financial position.

**29 SHARE CAPITAL**

	Number of shares	Nominal value HKD'000	RMB'000
Ordinary shares of HKD0.01 each			
<b>Authorised</b>			
At 1 January 2019 and 31 December 2019 and 31 December 2020	10,000,000,000	100,000	
<b>Issued and fully paid</b>			
At 1 January 2020	3,944,252,161	39,443	33,870
Issue of shares upon scrip dividend scheme (a)	111,482,462	1,114	1,006
At 31 December 2020	4,055,734,623	40,557	34,876
At 1 January 2019	2,510,971,802	25,110	21,083
Issue of shares for acquisition of Chuangyuan Group	50,180,189	502	434
Issue of shares upon scrip dividend scheme	5,140,695	51	45
Issue of shares for acquisition of Huiyuan Group	1,377,959,475	13,780	12,308
At 31 December 2019	3,944,252,161	39,443	33,870

- (a) Share scrip alternative were offered in respect of dividend declared during the year (Note 14). On 31 July 2020, 111,482,462 shares were issued at HKD3.114 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2019 final dividend under the scrip dividend scheme for a total proceeds of HKD347,157,000 (equivalent to RMB313,377,000) (2019:RMB15,616,000). The amounts received in excess of share capital issued are taken to share premium account.

## 30 RESERVES

	Share premium RMB'000	Special reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
<b>At 1 January 2020</b>	<b>7,189,580</b>	<b>(4,597,687)</b>	<b>260,642</b>	<b>(1,124)</b>	<b>580,848</b>	<b>6,393,351</b>	<b>9,825,610</b>
Total comprehensive income for the year	-	-	-	(1,821)	-	3,275,473	3,273,652
Dividends (Note 14)	(391,651)	-	-	-	-	-	(391,651)
Issue of shares upon scrip dividend scheme (Note 29)	312,371	-	-	-	-	-	312,371
Transfer to reserves	-	-	-	-	516,477	(516,477)	-
Capital contribution from non-controlling interests (Note 36)	-	-	592,377	-	-	-	592,377
Acquisitions of interests in subsidiaries (Note 36(d))	-	-	(29,005)	-	-	-	(29,005)
<b>At 31 December 2020</b>	<b>7,110,300</b>	<b>(4,597,687)</b>	<b>824,014</b>	<b>(2,945)</b>	<b>1,097,325</b>	<b>9,152,347</b>	<b>13,583,354</b>
<b>At 1 January 2019</b>	<b>3,331,886</b>	<b>(190,118)</b>	<b>231,998</b>	<b>(3,635)</b>	<b>508,523</b>	<b>5,166,778</b>	<b>9,045,432</b>
Total comprehensive income for the year	-	-	-	2,511	-	2,050,664	2,053,175
Dividends (Note 14)	(248,054)	-	-	-	-	-	(248,054)
Issue of shares upon scrip dividend scheme (Note 29)	15,571	-	-	-	-	-	15,571
Deemed disposals of interest in subsidiaries without loss of control	-	-	28,644	-	-	-	28,644
Dividend paid by entities under common control before acquisition	-	-	-	-	-	(751,766)	(751,766)
Issue of shares for acquisitions of entities under common control	4,090,177	(4,102,919)	-	-	-	-	(12,742)
Acquisitions of entities under common control	-	(304,650)	-	-	-	-	(304,650)
Transfer to reserves	-	-	-	-	72,325	(72,325)	-
<b>At 31 December 2019</b>	<b>7,189,580</b>	<b>(4,597,687)</b>	<b>260,642</b>	<b>(1,124)</b>	<b>580,848</b>	<b>6,393,351</b>	<b>9,825,610</b>

**31 CASH FLOW INFORMATION**

(a) Cash generated from operations:

	<i>Note</i>	<b>2020</b> RMB'000	2019 RMB'000
<b>Operating activities</b>			
Profit before taxation		<b>6,049,004</b>	4,789,537
Adjustments for:			
Interest income	8	<b>(341,968)</b>	(293,029)
Finance costs	10	<b>317,641</b>	282,698
Net impairment reversal/(losses) on financial assets	3(b)	<b>27,974</b>	(19,942)
Share of results of investments accounted for using the equity method	18	<b>(125,041)</b>	(82,056)
Depreciation and amortisation	12	<b>31,507</b>	15,294
Foreign exchange loss (gain), net	9	<b>(697,355)</b>	61,144
Losses on disposal of subsidiaries	9	–	39,709
Gains on disposal of joint ventures	9	<b>(7,674)</b>	(21,712)
Gains arising from bargain purchase	9	<b>(67,453)</b>	–
(Gains)/losses on disposal of financial assets at fair value through profit or loss	9	<b>(756)</b>	15,232
Losses on disposal of property and equipment	9	–	5
Fair value change on investment properties	16	<b>177,503</b>	(437,238)
Revaluation gain upon transfer of inventories of properties to investment properties	16	<b>(21,152)</b>	–
Fair value change on derivative financial instruments	9	<b>(54,053)</b>	55,357
Fair value change on financial assets at fair value through profit or loss		<b>(3,694)</b>	80,378
Operating cash flows before movements in working capital		<b>5,284,483</b>	4,485,377
Decrease in inventories of properties		<b>2,066,075</b>	629,197
Decrease in trade and other receivables		<b>1,798,493</b>	1,737,054
Decrease/(increase) in financial assets at fair value through profit or loss		<b>51</b>	(78,717)
Increase/(decrease) in trade and other payables		<b>(1,142,273)</b>	917,676
Increase/(decrease) in pre-sale deposits received		<b>(6,367,298)</b>	1,139,491
Decrease/(increase) in restricted bank deposits		<b>985,020</b>	(208)
<b>Cash generated from operations</b>		<b>2,624,551</b>	8,829,870

**31 CASH FLOW INFORMATION (CONTINUED)**

(b) In the consolidated statement of cash flow, proceeds from disposals of property and equipment comprise:

	2020 RMB'000	2019 RMB'000
Net book amount disposed of (Note 17)	526	1,270
Losses on disposals (Note 9)	-	(5)
Proceeds	<b>526</b>	<b>1,265</b>

(c) Non-cash investing and financing activities

Major non-cash transactions during the year represented the payment of dividend under scrip dividend scheme (Note14).

**31 CASH FLOW INFORMATION (CONTINUED)**

## (d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Senior notes RMB'000	Advances from non-controlling interests RMB'000	Advance from related parties RMB'000	Derivative financial instruments RMB'000	Total RMB'000
<b>Net debt as at 1 January 2020</b>	<b>10,914</b>	<b>12,130,179</b>	<b>5,274,776</b>	<b>729,885</b>	<b>234,960</b>	<b>238,387</b>	<b>18,619,101</b>
Cash flows							
– Financing cash flows	(7,619)	(1,546,888)	3,784,133	(120,686)	1,360,968	–	3,469,908
– Interest paid	–	(1,515,912)	(946,889)	–	–	–	(2,462,801)
Non-cash flows							
– Acquisitions of subsidiaries	–	2,524,100	–	180,520	–	–	2,704,620
– Transferred from amounts due to third parties upon acquisition of a joint venture	–	–	–	–	219,403	–	219,403
– Elimination against amounts due from related parties	–	–	–	–	(855,823)	–	(855,823)
– Derivative liability component of senior notes	–	–	(51,434)	–	–	51,434	–
– Change in fair value of derivative financial instrument	–	–	–	–	–	(54,053)	(54,053)
– Extinguish upon repurchasing the senior notes	–	–	30,585	–	–	(30,585)	–
– Foreign exchange translation	–	(236,120)	(560,884)	–	–	(14,270)	(811,274)
– Interest expenses	806	1,277,268	1,222,730	–	–	–	2,500,804
– Lease contract modification	5,494	–	–	–	–	–	5,494
<b>Net debt as at 31 December 2020</b>	<b>9,595</b>	<b>12,632,627</b>	<b>8,753,017</b>	<b>789,719</b>	<b>959,508</b>	<b>190,913</b>	<b>23,335,379</b>
Adoption of HKFRS 16	13,005	–	–	–	–	–	13,005
<b>Net debt as at 1 January 2019</b>	<b>13,005</b>	<b>14,800,921</b>	<b>7,212,509</b>	<b>843,830</b>	<b>682,959</b>	<b>–</b>	<b>23,553,224</b>
Cash flows							
– Financing cash flows	(2,641)	(2,670,653)	(1,913,145)	(113,945)	(447,999)	–	(5,148,383)
– Interest paid	–	(1,243,160)	(533,330)	–	–	–	(1,776,490)
Non-cash flows							
– Derivative liability component of senior notes	–	–	(179,897)	–	–	179,897	–
– Change in fair value of derivative financial instrument	–	–	–	–	–	55,357	55,357
– Foreign exchange translation	–	(89)	67,098	–	–	3,133	70,142
– Interest expenses	550	1,243,160	621,541	–	–	–	1,865,251
<b>Net debt as at 31 December 2019</b>	<b>10,914</b>	<b>12,130,179</b>	<b>5,274,776</b>	<b>729,885</b>	<b>234,960</b>	<b>238,387</b>	<b>18,619,101</b>

### 32 RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in defined contribution retirement schemes administrated by the local municipal government. The Company's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary as required by local municipal government to the schemes to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The expense of RMB12,349,807 (2019: RMB24,812,000) recognised in employee benefit expenses represents contribution payable to these plans by the Group at rates specified in the rules of the plans.

### 33 PLEDGE OF ASSETS

The following assets were pledged to secure mortgage guarantees provided to customers and certain banking and other facilities granted to the Group at the end of the year:

	2020 RMB'000	2019 RMB'000
Inventories of properties	15,919,251	10,447,366
Investment properties	3,462,100	2,478,600
Pledged bank deposits	876,111	259,083
Property and equipment	72,395	72,312
Financial assets at fair value through profit or loss	16,604	14,866
	<b>20,346,461</b>	<b>13,272,227</b>

### 34 COMMITMENTS

As at 31 December 2020, the Group had the following commitments:

#### Commitments for capital expenditures

	2020 RMB'000	2019 RMB'000
Contracted but not provided for:		
Investments accounted for using the equity method	143,774	—
Investment properties under construction	622,471	—
Acquisitions of entities	269,811	—



**35 FINANCIAL GUARANTEES**

	2020 RMB'000	2019 RMB'000
Mortgage guarantees	<b>10,776,325</b>	13,289,638

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts are insignificant at initial recognition and at relevant reporting dates, accordingly no value has been recognised for these contracts. Refer Note 3(b) for credit risk assessment on these contracts.

**36 TRANSACTION WITH NON-CONTROLLING INTERESTS**

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Group for the year ended 31 December 2020 are as follows:

- (a) On 9 December 2020, a subsidiary of the Group, Jiayuan Services, issued 150,000,000 new ordinary shares in its initial public offering on the Stock Exchange at the price of HKD3.86 per share, and raised gross proceeds of approximately HKD579,000,000 (equivalent to approximately RMB486,964,000). After deduction the issuance cost of RMB32,355,000, the net proceeds of the issuance was RMB454,609,000. As a result, the Company's equity interest in Jiayuan Services was diluted from 100% to 75% and Jiayuan Services remains a subsidiary of the Company after its listing. The 25% of the net assets of Jiayuan Services after above issue of share of RMB125,296,000 was recorded as non-controlling interests. The difference between the net proceeds and the carrying amount of non-controlling interests of RMB329,313,000 was recorded as a credit to the other reserves.
- (b) During the year, a third party injected RMB500,000,000 to a subsidiary of the Group without loss of control to obtain 30% equity interests in the subsidiary. The Group recognised an increase in reserve of RMB263,064,000 and increase in non-controlling interests of RMB236,936,000.
- (c) During the year, certain subsidiaries were established by the Group with non-controlling shareholdings injected a total of RMB504,445,000 as paid in capital to the subsidiaries.
- (d) During the year, the Group acquired additional equity interests in a subsidiary from the non-controlling interests for a consideration of RMB60,000,000. The Group recognised a decrease in reserve of RMB29,005,000 and decrease in non-controlling interests of RMB30,995,000.
- (e) On 20 October 2020, a subsidiary of the Group declared and paid dividend of RMB3,500,000 to the non-controlling interests.

### 37 BUSINESS COMBINATIONS

- (a) In December 2020, the Group acquired 51% equity interests in Zhengzhou Mingchuan Real Estate Development Co., Ltd (“Zhengzhou Mingchuan”) at a consideration of RMB616,000,000. Details of the purchase consideration and the financial information of Zhengzhou Mingchuan on the acquisition date are summarised as follows:

	RMB'000
<b>Consideration</b>	
Settled in 2020	23,780
Outstanding as at 31 December 2020	592,220
<b>Total cash consideration</b>	<b>616,000</b>
Total recognised amounts of identifiable assets acquired and liabilities assumed:	
Property and equipment	197
Inventories of properties	3,354,633
Trade and other receivables	130,205
Restricted/pledged bank deposits	421,939
Cash and cash equivalent	244,187
Trade and other payables	(17,805)
Pre-sale deposits received	(2,777,579)
Deferred tax liabilities	(147,934)
<b>Total identifiable net assets</b>	<b>1,207,843</b>
Non-controlling interests	(591,843)
	<b>616,000</b>
Cash flows on business combination, net of cash acquired:	
– Cash consideration paid	(23,780)
– Cash and cash equivalents in the subsidiary acquired	244,187
<b>Net cash inflow on acquisition</b>	<b>220,407</b>

The acquired business contributed total revenue of nil and net profit of nil to the Group for the period from its respective acquisition date to 31 December 2020. Had the acquisition been completed on 1 January 2020, revenue of the Group for the year would be RMB18,363,185,000 and net profit of the Group for the year would be RMB3,461,335,000.

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

**37 BUSINESS COMBINATIONS (CONTINUED)**

- (b) Before September 2020, the Group held 51% equity interest of Nanjing Kangxing which was a joint venture of the Group. In September 2020, the Group acquired additional 15% equity interests in Nanjing Kangxing from one of the shareholders for a consideration of RMB16,825,000. As a result, the equity interest of Nanjing Kangxing held by the Group increased from 51% to 66% and Nanjing Kangxing became a subsidiary of the Group from then. The transaction was treated as disposal of a joint venture and acquisition a subsidiary.

Details of the consideration and the financial information of Nanjing Kangxing on the acquisition date are summarised as follows:

	RMB'000
<b>Consideration</b>	
– Cash consideration paid	15,000
– Cash consideration outstanding	1,825
– Fair value of investments in a joint venture held before business combination	264,327
	281,152
<b>Total recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property and equipment	1,294
Investment properties	99,800
Inventories of properties	4,663,667
Prepaid income tax	64,211
Trade and other receivables	619,407
Restricted/pledged bank deposits	438,711
Cash and cash equivalents	14,343
Trade and other payables	(1,020,852)
Pre-sale deposits received	(1,825,211)
Deferred tax liabilities	(12,982)
Bank and other borrowings	(2,524,100)
	518,288
Total identifiable net assets	518,288
Non-controlling interests	(176,218)
	342,070
66% of the identifiable net assets of Nanjing Kangxing	342,070
	60,918
Gains arising from bargain purchase	60,918
	264,327
Fair value of investments in a joint venture held before business combination	264,327
Less: carrying amount of investments in a joint venture held before business combination	(256,745)
	7,582
Gains on deemed disposal of investments accounted for using the equity method	7,582
	(15,000)
Cash flows on business combination, net of cash acquired:	
– cash consideration paid	(15,000)
– cash and cash equivalents in the subsidiaries acquired	14,343
	(657)
Net cash outflow on acquisition	(657)

### 37 BUSINESS COMBINATIONS (CONTINUED)

(b) (Continued)

The acquired business contributed total revenue of nil and net loss of RMB6,507,000 to the Group for the period from its acquisition date to 31 December 2020. Had the acquisition been completed on 1 January 2020, revenue of the Group for the year would be RMB18,363,185,000 and net profit of the Group for the year would be RMB3,528,783,000.

Gains arising from bargain purchase was mainly due to the fact that the seller had the intention to exit from its investment in Nanjing Kangxing as the business of Nanjing Kangxing is not synergistic with its own retail business.

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

(c) Before 30 December 2020, the Group held 51% equity interest of Chongqing Jiabao which was a joint venture of the Group. As at 30 December 2020, the Group and Chongqing Baodi Industrial Development Co., Ltd (重慶寶地實業發展有限公司), another third-party shareholder of Chongqing Jiabao, revised the Articles of Chongqing Jiabao resulting that the Group obtained control on Chongqing Jiabao. The transaction was treated as a business combination of subsidiary.

Details of the consideration and the financial information of Chongqing Jiabao on the acquisition date are summarised as follows:

	RMB'000
Consideration	
– Fair value of investments in a joint venture held before business combination	6,096
<b>Total recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property and equipment	310
Intangible assets – property management contracts	240
Trade and other receivables	11,310
Cash and cash equivalent	2,803
Trade and other payables	(2,423)
Current income tax liabilities	(227)
Deferred tax liabilities	(60)
Total identifiable net assets	11,953
Non-controlling interests	(5,857)
	6,096
Cash flows on business combination, net of cash acquired	
– cash considerations	–
– cash and cash equivalents in the subsidiary acquired	2,803
Net cash inflow on acquisitions	2,803

### 37 BUSINESS COMBINATIONS (CONTINUED)

(c) (Continued)

The acquired business contributed total revenue of nil and net profit of nil to the Group for the period from its respective acquisition date to 31 December 2020. Had the acquisition been completed on 1 January 2020, revenue of the Group for the year would be RMB18,384,000,000 and net profit of the Group for the year would be RMB3,533,680,000.

Upon completion of the transaction on 30 December 2020, the difference of RMB92,000 between the fair value of RMB6,096,000 with the carrying amount of investment in Chongqing Jiabao of RMB6,004,000 was recognised in other gains.

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

### 38 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is ultimately controlled by Mr. Shum Tin Ching, the Ultimate Shareholder.

(a) **Related party transactions**

Apart from those related party transactions disclosed above in the consolidated financial statements, the following transactions were carried out with related parties.

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>(i) Entities controlled by the Ultimate Shareholder and the close family members of the Ultimate Shareholder</b>		
Procurement of intelligent system equipment	63,521	35,947
Procurement of architectural design services	9,351	30,881
Provision of property management services	46,828	36,894
Procurement of electrical appliances	6,305	14,000
Procurement of consulting services	–	12,615
Subscription the Company's senior notes	–	534,377
Provision of financial guarantees to the Group	11,074,445	6,470,800
<b>(ii) Entities jointly controlled by Ultimate Shareholder</b>		
Provision of value-added services to property developers	512	–
<b>(iii) Joint ventures</b>		
Provision of property management services	4,423	1,155
Provision of financial guarantees to the Group	9,079	–

As at 31 December 2020, 100% equity interests of a company controlled by the Ultimate Shareholder have been pledged to secure bank loans of RMB306,661,000 of the Group (2019: nil).

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

**38 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****(b) Key management compensation**

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Short term benefits	21,038	14,015
Post-employment benefits	205	133
	<b>21,243</b>	<b>14,148</b>

The remuneration of directors and other members of key management is determined with reference to performance of individuals and market trends.

**38 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****(c) Related party balances**

At the end of the reporting period, the Group has the following significant balances with related parties:

	2020 RMB'000	2019 RMB'000
<b>(i) Entities controlled by Ultimate Shareholder</b>		
Trading nature and included in:		
– Trade receivables	54,672	22,195
– Other receivables	3,381	2,472
– Prepayments	2,311	1,218
– Trade payables	61,945	72,572
– Other payables	2,251	228
– Pre-sale deposits	236	968
Non-trading nature and included in:		
– Other payables	605,705	142,580
<b>(ii) Joint ventures</b>		
Trading nature and included in:		
– Trade receivables	–	1,020
– Other receivables	–	1,045
– Trade payables	–	2,792
Non-trading nature and included in:		
– Other receivables	1,104,746	2,222,991
– Other payables	130,800	–
<b>(iii) Associates</b>		
Non-trading nature and included in:		
– Other receivables	43,432	–
– Other payables	223,003	92,380
<b>(iv) Key management of the Group</b>		
Non-trading nature and included in:		
– Other receivables	–	2,724

The above balances due from related parties are interest free, unsecured and repayable on demand. The amounts due from joint ventures in 2019 included RMB400,000,000 which bore interest at a rate of 8.5% per annum.

### 39 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

#### (a) Statement of financial position

	As at 31 December	
	2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>		
Investments in subsidiaries	5,221,852	4,921,852
Amounts due from subsidiaries	–	1,422,969
	<b>5,221,852</b>	<b>6,344,821</b>
<b>Current assets</b>		
Other receivables and prepayments	644,135	1,273,573
Amounts due from subsidiaries	9,087,586	4,258,371
Cash and cash equivalent	3,377	10,232
	<b>9,735,098</b>	<b>5,542,176</b>
<b>Current liabilities</b>		
Other payables and accrued expenses	91,482	216,835
Amounts due to subsidiaries	–	1,282
Bank and other borrowings	33,595	–
Derivative financial instruments	190,913	–
Senior notes	5,687,872	314,084
	<b>6,003,862</b>	<b>532,201</b>
<b>Net current assets</b>	<b>3,731,236</b>	<b>5,009,975</b>
<b>Total assets less current liabilities</b>	<b>8,953,088</b>	<b>11,354,796</b>
<b>Equity</b>		
Share capital (Note 29)	34,876	33,870
Reserves (b)	5,580,002	6,121,847
<b>Total equity</b>	<b>5,614,878</b>	<b>6,155,717</b>
<b>Non-current liabilities</b>		
Senior notes	3,065,145	4,960,692
Derivative financial instruments	–	238,387
Bank and other borrowings	273,065	–
	<b>8,953,088</b>	<b>11,354,796</b>

The statement of financial position of the Company was approved by the Board of Directors on 29 March 2021 and was signed on its behalf:

Zhang Yi  
Director

Cheuk Hiu Nam  
Director



**39 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)****(b) Reserves movements of the Company**

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>At 1 January 2020</b>	<b>7,189,580</b>	<b>(1,067,733)</b>	<b>6,121,847</b>
Dividends (Note 14)	(391,651)	–	(391,651)
Issue of shares upon scrip dividend scheme (Note 29)	312,371	–	312,371
Loss and total comprehensive loss for the year	–	(462,565)	(462,565)
<b>At 31 December 2020</b>	<b>7,110,300</b>	<b>(1,530,298)</b>	<b>5,580,002</b>
<b>At 1 January 2019</b>	3,331,886	(399,725)	2,932,161
Issue of shares for acquisition of entities under common control	4,090,177	–	4,090,177
Dividends (Note 14)	(248,054)	–	(248,054)
Issue of shares upon scrip dividend scheme (Note 29)	15,571	–	15,571
Loss and total comprehensive loss for the year	–	(668,008)	(668,008)
<b>At 31 December 2019</b>	<b>7,189,580</b>	<b>(1,067,733)</b>	<b>6,121,847</b>

## 40 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies:

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/register capital	Place of operations	Principal activities
		2020	2019			
<b>Directly held by the Company:</b>						
Jiayuan Investment Management Co., Ltd 佳源投資管理有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
<b>Indirectly held by the Company:</b>						
Yangzhou Boyuan Investment Management Co., Ltd 揚州博源投資管理有限公司	PRC	100%	100%	RMB900,000,000	PRC	Investment holding
Nanjing Jiayuan Commercial Management Co., Ltd 南京佳源商業管理有限公司	PRC	100%	100%	RMB100,000	PRC	Property development and investment
Yangzhou Guoyuan Property Development Co., Ltd 揚州國源房地產開發有限公司	PRC	100%	100%	RMB100,000,000	PRC	Property development
Jiayuan (Hong Kong) Holdings Limited 佳源(香港)控股有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
Chuangyuan Holdings Limited 創源控股有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
Huiyuan Investment Holdings Limited 徽源投資控股有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
Hong Kong Jia Yuan Holdings Limited 香港佳源集團有限公司	Hong Kong	100%	100%	HKD990,000	Hong Kong	Investment and property holding
Xiangyuan Property Development Limited 祥源地產開發有限公司	Macau	100%	100%	Pataca de Macau 25,000	Macau	Property development and investment

**40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)**

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/register capital	Place of operations	Principal activities
		2020	2019			
Ninggang Jiayuan Investment Consulting Group Limited 寧港佳源投資諮詢集團有限公司	PRC	100%	100%	RMB50,000,000	PRC	Investment holding
Taixing Mingyuan Property Development Co., Ltd 泰興市明源房地產開發有限公司	PRC	100%	100%	USD10,000,000	PRC	Property development
Guo Xiang Property Co., Ltd 國祥房地產有限公司	Hong Kong	100%	100%	HKD10,000	Hong Kong	Investment holding
Shenzhen Gangyuan Investment Consulting Co., Ltd 深圳港源投資諮詢有限公司	PRC	100%	100%	RMB100,000,000	PRC	Investment holding
Hengli Property Nantong Limited 恒力房地產南通有限公司	PRC	100%	100%	RMB607,750,000	PRC	Property development and investment
Yangzhou Xiangjiang New City Centre Property Limited 揚州香江新城市中心置業有限公司	PRC	100%	100%	RMB400,000,000	PRC	Property development and investment
Yangzhou Yurun Property Development Co., Ltd 揚州雨潤房地產開發有限公司	PRC	100%	100%	RMB100,000,000	PRC	Property development
Yangzhou Gangyuan Property Management Limited ("Yangzhou Gang Yuan") 揚州港源置業管理有限公司	PRC	70%	70%	RMB10,000,000	PRC	Property development
Taizhou Jia Yuan Property Development Co., Ltd 泰州市佳源房地產開發有限公司	PRC	100%	100%	RMB140,000,000	PRC	Property development and investment

#### 40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/register capital	Place of operations	Principal activities
		2020	2019			
Taixing Guangyuan Property Development Co., Ltd 泰興市廣源房地產開發有限公司	PRC	100%	100%	RMB300,000,000	PRC	Property development and investment
Suqian Jia Yuan Property Development Co., Ltd ("Suqian Jia Yuan") 宿遷市佳源房地產開發有限公司	PRC	90%	90%	RMB60,000,000	PRC	Property development
Haiyi International Land (Taicang) Co., Ltd 海藝國際置地(太倉)有限公司	PRC	100%	100%	RMB150,000,000	PRC	Property development
Nanjing Jiafeng Consulting Management Co., Ltd 南京嘉豐諮詢管理有限公司	PRC	100%	100%	RMB5,000,000	PRC	Investment holding
Enping Empire Resort and Spa Development Limited ("Enping Empire") 恩平市帝都溫泉旅遊區發展有限公司	PRC	90%	78.3%	RMB133,000,000	PRC	Property development
Nanjing Rongjia Shanju Construction Development Co., Ltd 南京融佳善居建設發展有限公司	PRC	60%	60%	RMB20,000,000	PRC	Property development
Hefei Shuoyuan Real Estate Development Co., Ltd 合肥市碩源房地產開發有限公司	PRC	100%	60%	RMB100,000,000	PRC	Property development
Xinjiang Jiayuan Building Development Co. Ltd 新疆佳源創建房地產開發有限公司	PRC	90%	63%	RMB216,300,000	PRC	Property development and investment
Shenzhen Xiangyuan Industry Co., Ltd 深圳市翔源實業有限公司	PRC	100%	70%	RMB100,000,000	PRC	Property development

**40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)**

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/register capital	Place of operations	Principal activities
		2020	2019			
Yangzhou Haoyuan Real Estate Development Co., Ltd 揚州浩源房地產開發有限公司	PRC	100%	100%	RMB20,000,000	PRC	Property development
Nanjing Xinhaoning Property Development Co., Ltd 南京新浩寧房地產開發有限公司	PRC	70%	100%	USD141,428,600	PRC	Property development
Nanjing Guangyuan science and Technology Industrial Park Management Co., Ltd 南京廣源科技產業園管理有限公司	PRC	100%	100%	USD150,000,000	PRC	Industrial Park Management
Shanghai Jiayuan Hucheng Real Estate Group Co., Ltd 上海佳源滬城房地產集團有限公司	PRC	90%	90%	RMB1,000,000,000	PRC	Investment holding
Anhui Mingyuan Enterprise Management Consulting Co., Ltd 安徽明源企業管理諮詢有限公司	PRC	100%	100%	RMB30,000,000	PRC	Enterprise Management Consulting
Shanghai Dingyuan Property Development Co., Ltd ("Shanghai Dingyuan") 上海定源房地產有限公司	PRC	90%	90%	RMB10,000,000	PRC	Property development and investment
Anhui Jiayuan Real Estate Group Co., Ltd 安徽佳源房地產集團有限公司	PRC	100%	100%	RMB200,000,000	PRC	Property development and investment
Zhejiang Jiayuan Anhui Real Estate Development Co., Ltd 浙江佳源安徽房地產開發有限公司	PRC	100%	100%	RMB200,000,000	PRC	Property development
Hexian Jiayuan Real Estate Development Co., Ltd 和縣佳源房地產開發有限公司	PRC	78.5%	78.5%	RMB50,000,000	PRC	Property development

#### 40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/register capital	Place of operations	Principal activities
		2020	2019			
Guoyang Xinggang Real Estate Co., Ltd 渦陽縣星港置業有限公司	PRC	91%	91%	RMB200,000,000	PRC	Property development
Bengbu Mingyuan Real Estate Development Co., Ltd 蚌埠明源房地產開發有限公司	PRC	82.5%	82.5%	RMB171,250,000	PRC	Property development
Lujiang Jiayuan Real Estate Development Co., Ltd 廬江縣佳源房地產開發有限公司	PRC	42%	42%	RMB100,000,000	PRC	Property development
Anhui Shuyuan Real Estate Development Co., Ltd 安徽墅源房地產開發有限公司	PRC	100%	100%	RMB200,000,000	PRC	Property development
Shanghai Xiangyuan Real Estate Co., Ltd 上海祥源房地產有限公司	PRC	90%	100%	RMB5,010,000	PRC	Property development
Jiayuan Capital Limited 佳源資本有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
Yangzhou Chongyuan Real Estate Development Co., Ltd 揚州崇源房地產開發有限公司 (i)	PRC	100%	–	RMB20,000,000	PRC	Property development
Yangzhou Fengyuan Real Estate Development Co., Ltd 揚州豐源房地產開發有限公司 (i)	PRC	100%	–	RMB20,000,000	PRC	Property development
Nanjing Kangxing Technology Industrial Park Operation Management Co., Ltd 南京康星科技產業園運營管理有限公司 (i)	PRC	66%	51%	RMB100,000,000	PRC	Property development

**40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)**

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2020	2019			
Changshu Rongyuan Real Estate Development Co., Ltd 常熟榮源房地產開發有限公司 (i)	PRC	100%	–	RMB20,000,000	PRC	Property development
Hefei Chongyuan Real Estate Development Co., Ltd 合肥崇源房地產開發有限公司 (i)	PRC	100%	–	RMB100,000,000	PRC	Property development
Anhui Shanyuan Real Estate Development Co., Ltd 安徽善源房地產開發有限公司 (i)	PRC	100%	–	RMB100,000,000	PRC	Property development
Hefei Deyuan Real Estate Development Co., Ltd 合肥德源房地產開發有限公司 (i)	PRC	51%	–	RMB100,000,000	PRC	Property development
Hefei Suyuan Real Estate Development Co., Ltd 合肥溯源房地產開發有限公司 (i)	PRC	100%	–	RMB100,000,000	PRC	Property development
Zhengzhou Mingchuan Real Estate Development Co., Ltd 鄭州市名川房地產開發有限公司 (i)	PRC	51%	–	RMB70,000,000	PRC	Property development
Guangzhou Zhengyuan Real Estate Development Co., Ltd 廣州政源房地產開發有限公司 (i)	PRC	100%	–	RMB100,000,000	PRC	Property development
Jiayuan Services Holdings Limited 佳源服務控股有限公司 (i)	Cayman Islands	75%	–	HKD20,000,000	Hong Kong	Property management
Jiayuan South (Shenzhen) Group Co., Ltd 佳源南方(深圳)集團有限公司	PRC	100%	70%	RMB714,285,700	PRC	Property development and investment

(i) These subsidiaries are newly established or acquired by the Group during the year.

#### 40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

For those subsidiaries with equity interest of 50% or less, as the Group has the rights to variable returns from its involvement with these companies, and has the ability to affect those returns through its majority voting position of the board of directors of these companies and the power to determine the budget, pricing and promotion strategies of these companies. The Group thus has control over these companies.

The English names of the Mainland China 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.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries is not disclosed.

#### 41 EVENTS AFTER THE REPORTING PERIOD

On 13 January 2021, the Company entered into a sale and purchase agreement with the Ultimate Shareholder whereby the Company conditionally agreed to acquire and the Ultimate Shareholder agreed to sell the 100% equity interest of Luyuan Investment Holdings Limited ("Luyuan"), a company incorporated in the BVI, at the initial consideration of HKD7,247,560,000 (equivalent to approximately RMB6,142,000,000) which will be settled (i) as to HKD3,420,640,000 (equivalent to approximately RMB2,898,847,458) by way of issue of convertible bonds by the Company; (ii) as to HKD2,772,000,000 (equivalent to approximately RMB2,349,152,542) by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HKD1,054,920,000 (equivalent to approximately RMB894,000,000) by cash. Luyuan and its subsidiaries are engaged in property development business in the PRC. As at the approval date of these consolidated financial statements, the transaction has not been completed.



# FIVE-YEAR FINANCIAL SUMMARY

## RESULTS

	Year ended 31 December				2020 RMB'000
	2016 RMB'000 (Note)	2017 RMB'000 (Note)	2018 RMB'000 (Restated)	2019 RMB'000	
Revenue	4,265,909	7,606,548	13,616,003	16,070,171	<b>18,363,185</b>
Profit before taxation	1,479,564	2,366,386	4,493,202	4,789,537	<b>6,049,004</b>
Income tax expense	(699,226)	(1,022,270)	(2,141,018)	(2,329,054)	<b>(2,517,811)</b>
Profit for the year	780,338	1,344,116	2,352,184	2,460,483	<b>3,531,193</b>
Attributable to:					
Owners of the Company	785,174	1,332,501	2,234,821	2,050,664	<b>3,275,473</b>
Non-controlling interests	(4,836)	11,615	117,363	409,819	<b>255,720</b>
	780,338	1,344,116	2,352,184	2,460,483	<b>3,531,193</b>

## ASSETS AND LIABILITIES

	As at 31 December				2020 RMB'000
	2016 RMB'000 (Note)	2017 RMB'000 (Note)	2018 RMB'000 (Restated)	2019 RMB'000	
Total assets	20,539,464	36,420,441	60,667,668	61,735,580	<b>72,288,999</b>
Total liabilities	(17,085,819)	(29,427,758)	(50,130,988)	(49,898,422)	<b>(54,831,271)</b>
Net assets	3,453,645	6,992,683	10,536,680	11,837,158	<b>17,457,728</b>
Equity attributable to					
owners of the Company	3,331,864	6,948,557	9,066,515	9,859,480	<b>13,618,230</b>
Non-controlling interests	121,781	44,126	1,470,165	1,977,678	<b>3,839,498</b>
	3,453,645	6,992,683	10,536,680	11,837,158	<b>17,457,728</b>

Note: The assets and liabilities as at 31 December 2016 and 2017 and the results for both years then ended have not been restated to present the effect of the acquisitions of Chuangyuan Group and Huiyuan Group.