SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Hong Zhihua	*(Chairman) (appointed on 23 October 2020)*
Lei Dechao	*(Chairman) (resigned on 23 October 2020)*
Kong Yong	*(Acting Chief Executive Officer) (appointed on 19 January 2021)*
Zhu Qiang	*(Acting Chief Executive Officer) (resigned on 19 January 2021)*
Qin Wenying	
Jiang Qi	
Jiang Chuming	*(resigned on 19 January 2021)*

Non-executive Directors

Cheng Liang	*(appointed on 19 January 2021)*
Luo Guorong	*(appointed on 19 January 2021)*

Independent Non-executive Directors

Zhuo Fumin	
Chan, Charles Sheung Wai	
Ma Lishan	
Han Gensheng	*(resigned on 12 October 2020)*

Authorized Representatives

Hong Zhihua
Kong Yong

Company Secretary

Chu Hoe Tin

Legal Adviser

Norton Rose Fulbright Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

CORPORATE INFORMATION

Principal Bankers

Hong Kong: Agricultural Bank of China
China CITIC Bank International Limited

PRC: Industrial and Commercial Bank of China
Agricultural Bank of China
China Construction Bank
Shanghai Pudong Development Bank
Xiamen International Bank
China Minsheng Bank
China Merchants Bank

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong

Level 11
Admiralty Center Tower II
18 Harcourt Road Admiralty
Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Stock Code

1207

Internet Web Site

www.sre.com.cn

E-mail

general@sregroup.com.hk

Introduction of the Group

SRE Group Limited (the "Company") and its subsidiaries (the "Group") are an integrated real estate developer. Over more than two decades, the Group has expanded its business to more than 10 key cities, including Shanghai, Shenyang, Dalian, Chengdu, Changsha, Jiaxing, Wuxi and Haikou, and successfully developed many high-end residential buildings, offices, commercial complexes and starred hotels. In Shanghai alone, the Group has successfully developed more than 20 projects. In the meantime, the Group actively expanded overseas and made presence in London, San Francisco, Sydney, Phnom Penh in Cambodia and other cities.

As an enterprise that started with the traditional property development business, the Group has accumulated rich experience in residential development, urban renewal, assets operation and other fields. It has created brands of high-end quality projects, including Rich Gate, Albany and Oasis. Following the idea of development centring on property development and characterised by financial real estate, the Group will give play to its own advantages and integrate industrial resources in the future to focus on the Yangtze River Delta city cluster and step up its presence in cities where it operates business now. It will quicken the pace to grow into a regional developer of boutique residential properties.

FINANCIAL SUMMARY

Summary of Results

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Revenue	**289**	651	1,551	1,620	3,403
Gross (loss)/profit	**(63)**	187	474	384	612
(Loss)/profit before income tax	**(967)**	(2,236)	207	878	684
Income tax credit/(expense)	**30**	(45)	(108)	(158)	(341)
(Loss)/profit for the year	**(936)**	(2,281)	99	720	343
Non-controlling interests	**18**	25	15	(30)	(111)
(Loss)/profit attributable to owners of the Company	**(919)**	(2,256)	114	691	232
Proposed dividends					
(Loss)/earnings per share					
— Basic (RMB)	**(0.04)**	(0.11)	0.01	0.03	0.01
— Diluted (RMB)	**(0.04)**	(0.11)	0.01	0.03	0.01

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Total assets	**14,188**	15,481	20,890	22,385	22,711
Total liabilities	**9,717**	9,995	13,072	14,571	15,659
Net assets	**4,471**	5,486	7,818	7,814	7,052
Cash and bank balances (including restricted cash)	**382**	522	701	1,453	1,513
Equity attributable to owners of the Company	**4,184**	5,181	7,445	7,380	6,674

	Year ended 31 December				
	2020	2019	2018	2017	2016
Return on equity (%)	**(21%)**	(44%)	2%	9%	3%
Current ratio (times)	**1.08x**	1.27x	0.96x	1.28x	1.17x
Total liabilities to net assets ratio (times)	**2.17x**	1.82x	1.67x	1.86x	2.22x

Note: The data for 2016 set out above is extracted from the audited consolidated financial statements of the Group for the relevant year after adjusting retrospectively for the effects of change in presentational currency from Hong Kong dollar to Renminbi adopted in year 2016, while for year 2016, adjustments are also made to reflect the results of discontinued operation in the year on a line by line basis instead of as a single line item. The adjustments made on the results of discontinued operation is not a standard presentation method under Hong Kong Financial Reporting Standards.

Shanghai Project

SRE GROUP LIMITED

Dalian Project

SRE GROUP LIMITED

Changsha Project

SRE GROUP LIMITED

Jiaxing Project

SRE GROUP LIMITED

OVERSEAS PROJECT

SRE GROUP LIMITED

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS, I WOULD LIKE TO PRESENT THE ANNUAL REPORT OF SRE GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020 TO YOU.

BUSINESS REVIEW

At the beginning of 2020, the sudden outbreak of COVID-19 caused a big impact on China's macroeconomy and the operation of the real estate market. Thanks to the timely implementation of supporting policies and the effective control of the pandemic, China has taken the lead in economic recovery, becoming the only major economy in the world to achieve positive economic growth. As the ballast of the economy, the real estate market saw an increase in size throughout the year. The sales area of commercial properties in China rose 2.6% year on year to 1.76 billion square metres in 2020 (data from China Index Academy). Both the supply and demand of residential land increased slightly across the country and the average land price per floor area went up, showing the strong resilience of China's real estate sector.

In the face of the severe external situation and the impact of the pandemic, the Group has gradually stabilised its operation since the beginning of this year with the idea of "reassuring people, focusing on operation, preventing and controlling pandemic and strengthening management". Strategically, it clarified a three-year development plan of becoming a regional developer of boutique residential properties. In terms of project operation, efforts were made to accelerate the payment collection and effectively control the quality of property development projects. The Group resumed operation of its properties in an orderly manner. The Company achieved the full-year sales target on key projects for sale in China. It strived to maintain the stable operation of the properties it owns amid the pandemic. In terms of investment, the Group actively kept project resources in reserve, approached multiple potential investment projects, and gained momentum for the subsequent project implementation. On the whole, the Group's cash flow remained solid and business activities were carried out in an orderly manner in 2020.

In 2020, the Group's major projects available for sale were Shanghai Masters Mansions, Jiaxing Project, Shanghai Albany Oasis Garden, 75 Howard in the USA, Phnom Penh Romduol City and the Atelier. In 2020, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB1.208 billion, with a contractual gross floor area of approximately 29,049m^2.

Project	**Monetary Amount of Sales Contracts Signed** (RMB'000)	**Contractual Gross Area** (m^2)
Jiaxing Project	245,656	21,374
Shanghai Albany Oasis Garden	321,521	2,599
75 Howard in the USA	507,847	2,775
Shanghai Huating Project	29,283	306
The Atelier in the UK	59,625	457
Shanghai Masters Mansions	27,345	757
Others	16,807	781
Total	1,208,084	29,049

CHAIRMAN'S STATEMENT

In 2020, the Group recorded net revenue of approximately RMB289 million (2019: RMB651 million). Gross loss for 2020 amounted to approximately RMB63 million (2019: gross profit RMB187 million).

Revenue	**2020**	2019
Revenue from contract with customers recognized at a point in time		
— Revenue from sale of properties	**114,268**	451,378
— Revenue from hospital service	**13,944**	18,918
	128,212	470,296
Revenue from contract with customers recognized over time		
— Revenue from property management	**28,288**	22,885
— Revenue from hospital service	**32,572**	34,728
— Revenue from construction of infrastructure for an intelligent network	**1,049**	1,837
	61,909	59,450
Revenue from property leasing	**94,888**	114,312
Other revenue	**6,001**	17,068
Less: Tax and surcharges	**(1,809)**	(9,791)
Total revenue	**289,201**	651,335

DEVELOPMENT PROJECTS

Our development projects mainly included Shanghai Lake Malaren Masters Mansions, Changsha Fudi Albany Project, Jiaxing Project, Dalian Oasis City Garden, 75 Howard Project in the USA and Phnom Penh Romduol City.

Property Development Business

Shanghai Lake Malaren Masters Mansions

In 2020, most of the issues left over from history were solved. The Group completed the split-off of its assets and separation of the projects under construction. It obtained the relevant production permit. The basement structure and the facade were optimised simultaneously. The construction officially commenced in early March 2021.

Phase II Jiaxing Project

Backfilling for the roof slab of the basement in the southern part of the project was completed in 2020. The pipelines for rainwater, sewage, gas, electricity and so forth in the northern part were paved. Houses are expected to be ready for delivery in 2021. The Group resumed sales of the project in March 2020 and overfulfilled the targets with regard to contract signing and payment collection.

Dalian Albany Oasis Garden

The Group made land consolidation, adjusted its planning and promoted earthwork optimisation and facade optimisation simultaneously.

Changsha Fudi Albany Project

The site plan for the project was approved, and the main body of the sales office was built in 2020.

75 Howard Project in the USA

The main structure of 75 Howard Project in the USA was topped out ahead of time in 2020. The drywall was completed. Interior decoration began. The project construction progressed smoothly. The project was available for sale in the USA in January 2020, and international marketing started at the same time. However, sales were affected by the pandemic to some extent.

Romduol City in Phnom Penh, Cambodia

The main structure of Block A of Phase I of the project was topped out last year in 2020. The project construction progressed smoothly. The pandemic caused a big impact on sales.

Requisitioning

Shanty Town Renovation Project in Zhangjiakou

In 2020, around 806 households signed contract but the remaining 151 households did not, representing a signing rate of approximately 84.22%. Houses in the "North District + Road" land plot will be demolished, and the land plot will be put up for sale in 2021.

Qinhai Oasis Garden Project on Daxing Street, Shanghai

In 2020, around 95.63% of the households signed contracts on the requisitioning of their homes, with the relocation rate of 91.67%. Around 87.18% of the units signed contracts on requisitioning, and the relocation rate was 61.54%. Requisitioning continued with the payment of compensation.

Land Bank

As at 31 December 2020, the Group owned a land bank with a total gross floor area of approximately 1.60 million m^2 in Shanghai, Changsha, Jiaxing, Dalian, San Francisco and Phnom Penh etc. The Company stays abreast of industry development dynamics, explores its own resources and advantages and is committed to discovering assets which are underestimated or with growth potential.

COMMERCIAL PROPERTY OPERATION

In 2020, under the tough market environment and the impact of the pandemic, the Group gradually resumed its operations in an orderly manner, continuously enhanced the management and operation of its self-owned commercial properties, utilised its brand advantages and management capabilities, adjusted the operation strategies when appropriate, and tightened the control on costs to improve operation benefits.

Shanghai Lake Malaren Golf Club

Shanghai Lake Malaren Golf Club, a high-ranking professional golf course in Northern Shanghai, has ranked ninth among the top 100 golf courses in Mainland China. Renovation is underway now. With expanded channels of revenue, its revenue and profit remained stable in 2020.

Shanghai Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, Oasis Central Ring Centre is designed as a complex eco-business cluster in the form of a circular commercial street connected with office buildings. The operation of Oasis Central Ring Centre resumed in an orderly manner in 2020 after the pandemic stabilised. Its revenue fell slightly from the previous year.

Shanghai Lake Malaren North European Exotic Street

The Lake Malaren North European Exotic Street was positioned as a new landmark integrating sports, art, culture, specialty food and market in Northern Shanghai. It was upgraded and transformed. The newly-added supporting facilities include an around-the-lake lane and night lights. The transformation was finished in the first half of 2020, after which it entered a period of investment attraction. Its operations have improved and the sales per unit area have increased significantly.

Shenyang Rich Gate

Shenyang Rich Gate Shopping Mall, relying on merchants specialising in children's education and supporting services, is devoted to deepening education and catering businesses. It aims to become an alliance of education and catering. Due to the severe impact of the pandemic, the project saw a year-on-year decline in both revenue and profit in 2020. The number of merchants that withdrew from the shopping mall due to poor operation increased. After the pandemic stabilised, the Group increased its support for merchants, and increased revenue and reduced expenditure, which achieved its profit target.

Exit from Investment after Making a Profit

Assets Package Project in Beijing, Shanghai and Shenzhen

The assets package project included assets in Beijing and Shenzhen at early 2020. The asset in Shenzhen was sold at a premium in the first quarter of 2020, with a premium rate of 13.49%. The Shenzhen project is located in Shekou Industrial Zone. As the aforementioned property has been demolished as part of the urban renewal unit planning of Shenzhen, a new house will be built at the original site. The Group owns the right to profit from the corresponding property and parking space. Some investment projects were excluded from the assets package in the second quarter of last year. The returned principals and earnings amounted to RMB330 million in the first half of 2020.

Shenyang Albany Project

The Shenyang Albany Project is located in Heping District in downtown Shenyang. The developed properties have a gross floor area of 338,000 m^2, and the permitted gross floor area of the properties to be developed is 216,000 m^2. In order to better achieve strategic focus, focus on existing assets and seek to fully realise the potential of funds, the Group transferred all the shares in the Shenyang Albany Project at a premium in 2019 after continuous negotiations with multiple interested parties. In 2020, The Group received RMB366 million of balance payment.

MAJOR TRANSACTIONS

1. On 22 May 2020, the Company announced that it intended to dispose (the "Proposed Disposal") of (i) its 51% equity interest in Shanghai Jinxin Real Estate Company Limited (上海金心置業有限公司) ("Shanghai Jinxin") at a minimum price of RMB1,818,640,193.22 and (ii) outstanding shareholders' and related loan owed by Shanghai Jinxin which amounted to RMB845,974,805.64 as at 31 March 2020, by way of a listing-for-sale process carried out through Shanghai United Assets and Equity Exchange (上海聯合產權交易所) ("SUAEE"). The publication period (being the period during which the Proposed Disposal was disclosed by way of an announcement published on SUAEE) commenced on 25 May 2020 and ended on 20 July 2020. Since no application had been received in respect of the Proposed Disposal up to 20 July 2020 and thus no qualified bidders were identified, the Proposed Disposal had not proceeded. Please refer to the Company's announcements dated 22 May 2020 and 21 July 2020 for further details.

2. On 4 October 2020, the Company announced that Shanghai Oasis Garden Real Estate Co., Ltd. (上海綠洲花園置業有限公司) ("Shanghai Oasis") (an indirect wholly-owned subsidiary of the Company) entered into or would enter into a series of agreements and confirmations letters for the purpose of concluding the disputes with Haikou Century Harbour City Real Estate Company Limited (海口世紀海港城置業有限公司), Haikou Luchuang Real Estate Company Limited (海口綠創置業有限公司), Hainan Guosheng Investment Co., Ltd. (海南國升投資有限公司), Huoerguosi Rui Hong Equity Investment Company Limited (霍爾果斯銳鴻股權投資有限公司) and Wang Dongsheng (王東升) (collectively, the "Debtors Group") and assigning debts owed by the Debtors Group to Shanghai Oasis totalling approximately RMB451,693,900 to China Orient Asset Management Company Limited (Hainan Branch) (中國東方資產管理股份有限公司海南省分公司) for a consideration of RMB270,000,000. Further details are set out in the Company's announcement dated 4 October 2020 and circular dated 31 December 2020.

Save for those disclosed in this annual report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the reporting year under review.

THE GROUP'S AWARDS

1. The Shanghai Lake Malaren Convention Centre was awarded "Advanced Unit" by the Tourism Development Association of Baoshan District of Shanghai

2. The Shanghai Lake Malaren Convention Centre was awarded the "Great Business Partner for Government" by the Luodian County Government of Baoshan District of Shanghai

BUSINESS OUTLOOK

Looking forward to 2021, there are still many factors of instability in the international environment, and the pandemic tends to become normal. Although the domestic economy is recovering steadily, it is still under great pressure. It is expected that the central government will take multiple measures to promote the domestic circulation and fully unleash the potential of domestic demand in the future. The government may accelerate the establishment of a long-acting management mechanism for real estate finance and strengthen the control over real estate finance. In terms of policies, with the release of the 14th Five-Year Plan and Vision for 2035, China is expected to maintain continuity and stability of the regulatory policies for the real estate industry in the next five years. In the short term, restrictions on purchase, loan, sales, etc. are difficult to be loosened greatly. In addition, as mentioned in the 14th Five-Year Plan and Vision for 2035, China will "promote the healthy development of housing consumption". It will still support the reasonable housing consumption and implement the regulatory policies to optimise such consumption. On the whole, 2021 will be a year with both challenges and opportunities for the real estate sector.

The Group will focus on operating its business from three aspects in 2021. Specifically, it will first focus on projects under construction, with efforts to reduce costs and increase efficiency, improve operational efficiency, and accelerate the sales of existing properties. Secondly, it will focus on core regions and step up presence in the Yangtze River Delta region, especially Shanghai, Hangzhou and Nanjing. The Group will follow the 80/20 rule to secure projects mainly through merger and acquisition. It will participate in land bidding, auction and listing at the right time. Thirdly, the talent strategy will be a priority. It will conduct a survey on talents and further optimise the structure of talents of different education backgrounds. Professional skilled talents will be added. The Company will further enhance its fine management at the same time to improve its overall operation capacity.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to the colleagues in the Board and the management team, and convey my respect to all front-line staff members. We will face various challenges in the new year, but we firmly believe that under the guidance of the strategies and with the unremitting efforts of all staff, the Group will surely enjoy a brighter future.

Hong Zhihua
Chairman
26 March 2021

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and profit attributable to shareholders

In 2020, the Group recorded net revenue of approximately RMB289 million (2019: RMB651 million), which represents a decrease by approximately 56% compared to that of 2019. Loss attributable to owners of the Company in 2020 was approximately RMB919 million (2019: RMB2,257 million). Such loss was mainly attributable to the following: (1) the delivered area of properties sold by the Group decreased for the reporting year, resulting in a decrease in revenue and gross profit from property development; (2) the Group recorded unrealized revaluation losses on investment properties as a result of COVID-19 pandemic and the economic slowdown; and (3) the Group provided certain impairment losses for individual investments after a prudent evaluation on property investments in different market environments.

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2020, cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB382 million (2019: RMB522 million). Working capital (net current assets) of the Group as at 31 December 2020 amounted to approximately RMB398 million (2019: RMB1,254 million), representing a decrease of 68% as compared to the preceding year, and the current ratio was approximately 1.08x (2019: 1.27x).

As at 31 December 2020, the Group's total liabilities to total equity increased to 2.17x (2019: 1.82x). As at 31 December 2020, the Group's gearing ratio was approximately 48% (2019: 43%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balances) over total capital (total equity and net borrowings).

EVENTS AFTER THE REPORTING YEAR

The Group did not have any material subsequent events after the end of the reporting year.

EMPLOYEES

As at 31 December 2020, the Group had 407 (2019: 419) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for 2020 amounted to approximately RMB102 million (2019: RMB133 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, total bank and other borrowings of approximately RMB1,627 million (2019: RMB1,743 million) were secured by pledge of the Group's assets including leasehold land, investment properties, property, plant and equipment, properties held or under development on mortgage, or by pledge of equity interests in certain subsidiaries or bank deposits.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulting purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB165 million and these contracts were still effective as at the close of business on 31 December 2020.

The Group also provided guarantee to the bank loan for a joint venture of the Group. As at 31 December 2020, such guarantee amounted to approximately RMB3,452 million (31 December 2019: approximately RMB3,414 million).

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$178 million as at 31 December 2020 (2019: US$34.95 million). Relevantly, the Group provided a deposit of US$24.92 million as at 31 December 2020 (31 December 2019: US$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

INFORMATION ON BUSINESS REVIEW

The Group is committed to supporting the environmental sustainability. Being an integrated real estate developer, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Group recognizes that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

Details of properties under development for sale:

Project	Location	Land Use	GFA (sqm)	Expected Date of Completion	Completion Rate of Construction	Group's Holding Proportion
Jiaxing Project	No.1, Linghu Road, Nanhu District, Jiaxing, Zhejiang Province, the PRC	Phase II Residential	42,662	2021	95%	100%
		Phase II Commercial	10,513	2021	90%	100%
		Phase II Facility	2,157	2021	35%	100%
		Phase II Underground	20,029	2021	100%	100%
Shanghai Rich Gate I	Daxing Street, Huangpu District, Shanghai, the PRC	Residential	72,660	2024	0%	51%
		Commercial	9,244	2024	0%	51%
		Office	48,600	2024	0%	51%
		Underground	44,000	2024	0%	51%
Changsha Fudi Albany Garden	Pengjia Lane, Laodaohe Street, Kaifu District, Changsha, Hunan Province, the PRC	Phase I Residential	197,081	2023	0%	49.5%
		Phase I Commercial	5,085	2023	0%	49.5%
		Phase I Underground	52,129	2023	5%	49.5%
		Phase II Residential	82,068	2025	0%	49.5%
		Phase II Underground	31,100	2025	0%	49.5%
		Phase III Residential	41,858	2025	0%	49.5%
		Phase III Commercial	2,877	2025	0%	49.5%
		Phase III Underground	15,242	2025	0%	49.5%
Dalian Oasis City Garden	West of West Outer Ring Street and South of North Ring Road, Xincheng District, Wafangdian City, Dalian, Liaoning Province, the PRC	Phase I Facilities	1,474	2022	0%	51%
		Phase I Residential	105,784	2022	0%	51%
		Phase I Commercial	5,076	2022	0%	51%
		Phase I Underground	39,150	2022	0%	51%
		Phase II Residential	82,399	2023	0%	51%
		Phase II Underground	63,691	2023	0%	51%
		Phase III Residential	90,642	2025	0%	51%
		Phase III Commercial	25,000	2025	0%	51%
		Phase III Underground	31,486	2025	0%	51%
		Phase IV Residential	104,508	2026	0%	51%
		Phase IV Commercial	3,600	2026	0%	51%
		Phase IV Underground	23,016	2026	0%	51%
		Phase V Residential	125,535	2029	0%	51%
		Phase V Underground	23,716	2029	0%	51%

Management Discussion and Analysis

Project	Location	Land Use	GFA (sqm)	Expected Date of Completion	Completion Rate of Construction	Group's Holding Proportion
Shanghai Malaren World	No.8, Meilanhu Road, Baoshan District, Shanghai, the PRC	Phase II Commercial	60,303	2021	5%	72.63%
		Phase II Facility	735	2021	0%	72.63%
		Phase II Underground	29,257	2021	15%	72.63%
Shanghai Shengnan International Garden	Yongfa Road, Pudong New District, Shanghai, the PRC	Residential	58,492	Not yet decided	0%	100%
75 Howard	75 Howard Street, San Francisco, the USA	Residential	20,318	2021	85%	65%
		Commercial	456	2021	85%	65%
		Underground	3,306	2021	100%	65%
		Facility	7,063	2021	85%	65%
Napa	Devlin Road, Napa, San Francisco, the USA	Hotel	27,247	Not yet decided	0%	79.33%
Romduol	Bourei Muoy Roy Khnang villages, Tuek Thla Commune, Sen Sok District, Phnom Penh City, Cambodia	Phase I Apartment	24,713	2022	40%	100%
		Phase I Commercial	1,797	2022	40%	100%
		Phase I Facility	2,668	2022	40%	100%
		Phase II Apartment	61,884	Not yet decided	0%	100%
		Phase II Commercial	4,057	Not yet decided	0%	100%
		Phase II Facility	2,956	Not yet decided	0%	100%
		Phase II Car Park	18,785	Not yet decided	0%	100%
		Phase II Club	415	Not yet decided	0%	100%

Details of completed investment properties:

Project	Location	Land Use	GFA (sqm)	Holding Proportion of SRE
Shenyang Richgate	No. 118, Harbin Road, Shenhe District, Shenyang City, Liaoning Province, the PRC	Commercial	245,252	100%
Oasis Central Ring Center	No. 915, Zhenbei Road, Putuo District, Shanghai the PRC	Retail	1,782	97%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, the PRC	Retail	32,566	97%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, the PRC	Retail	6,499	97%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, the PRC	Car Park	57,045	97%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, the PRC	Car Park	4,048	97%
Transportation Hub of Lake Malaren	No. 1088, Luofen Road, Baoshan District, Shanghai, the PRC	Commercial	29,389	72.63%
Retail Street of Lake Malaren	Lane 989, Luofen Road and Lane 555, Luofen Road, Baoshan District, Shanghai, the PRC	Commercial	72,943	72.63%

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

The Group hereby releases the 2020 Environmental, Social and Governance Report ("ESG Report"), in which we introduce our concepts and practices of sustainable development and social responsibility to our stakeholders from the perspectives of environmental and social issues. For the information on the Group's corporate governance, please refer to the annual Corporate Governance Report.

Reporting Scope

The ESG Report covers the period from 1 January 2020 to 31 December 2020 (the "Reporting Period").

The environmental key performance indicators (KPIs) disclosed during the Reporting Period measure the performance of the Group's commercial properties Lake Malaren Golf Club Shanghai (referred to as the "Golf Course") and Shanghai Lake Malaren Obstetrics and Gynecology Hospital (referred to as the "Obstetrics and Gynecology Hospital" or the "Hospital"), Shenyang Rich Gate Shopping Mall (referred to as the "Shenyang Rich Gate") and Lake Malaren International Convention Center (referred to as the "International Convention Center"). Unless otherwise stated, other information and key performance indicators disclosed in the ESG Report include the Company and our subsidiaries, covering the Group's property development and property leasing — the principal businesses of the Group — as well as commercial properties.

Compared to the ESG report published in the 2019 Annual Report of the Company, the commercial property International Convention Center was included into the reporting scope of the environmental KPI during the Reporting Period after the comprehensive analysis of the environmental impacts, the maturity of the KPI collection system and so forth.

Reporting Standards and Principles

The ESG Report was prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited based on the following Reporting Principles:

- Materiality: The Group identifies material ESG issues through stakeholder engagement and materiality assessment. See details in the Stakeholder Engagement and Materiality Assessment section;

- Balance: The ESG Report provides an unbiased picture of the Group's environmental and social performance;

- Quantitative: The ESG Report discloses standards and methodologies for the reporting of data about emissions and energy sources, as well as the sources of conversion factors. See details in the Low Carbon and Environmental Protection section;

- Consistency: The environmental KPIs and its methodology are consistent with that of the previous year.

ESG Management Organizational Structure

The Group values the importance of sustainability to our operations. We incorporated ESG factors into our business strategy and established a top-down organizational structure to properly manage our ESG issues.

Board of Directors	The board of directors, as the highest decision-making body of ESG work, assumes full responsibility of the Company's ESG strategy and reporting.	✓ Setting ESG management approach, strategy and objectives; ✓ Reviewing the Group's performance periodically against ESG-related goals and targets; ✓ Evaluating, prioritising and managing material ESG-related issues and the risks to the Company's business; ✓ Approving the annual ESG report.
Senior Management	Senior management arranges the tasks of the ESG working group according to the ESG strategy established by the Board	✓ Implementing ESG risk management and internal control systems and reporting on major ESG trends and related risks and opportunities to the ESG committee; ✓ Reporting on the progress of the Group's ESG work and the achievement of our ESG goals to the Board; ✓ Reporting the annual ESG report to the Board.
ESG Working Group	The ESG working group is led by General Management Department, and it is composed of Risk Management Department, Quality Control Department, Cost Contract Department, Human Resources Department and Finance Department	✓ Implementing the Board's ESG strategy and policies; ✓ Carrying out ESG work according to the arrangement of senior management; ✓ Preparing the annual ESG report; ✓ Reporting ESG progress and annual ESG report to senior management.

Stakeholder Engagement

We communicate with internal and external stakeholders through a variety of channels to understand their opinions and suggestions on the Group's sustainability and strategy, and take the expectations and concerns of stakeholders as an important reference for the Group's ESG work.

Stakeholders	Expectations and concerns	Communication approach	Communication frequency
Government and regulators	Compliance operations Strictly implementing regulations	Compliance inspection Reporting	Many times a year
Shareholders and investors	Investment returns Corporate governance Information disclosure	Annual reports, announcements and circulars Annual general meetings Investor meetings	Many times a year
Employees	Protection of employee rights and interests Career development channel Healthy and safe working environment	Employee satisfaction survey Regular meetings and training sessions Employee care activities WeChat Enterprise	Many times a month
Customers	Product quality and safety Protection of customer rights and interests Compliance promotion	Satisfaction survey Complaint channels On-site communication	Many times a week
Suppliers	Business ethics Win-win cooperation	Business visits Routine meetings Academic exchange meetings	Many times a week

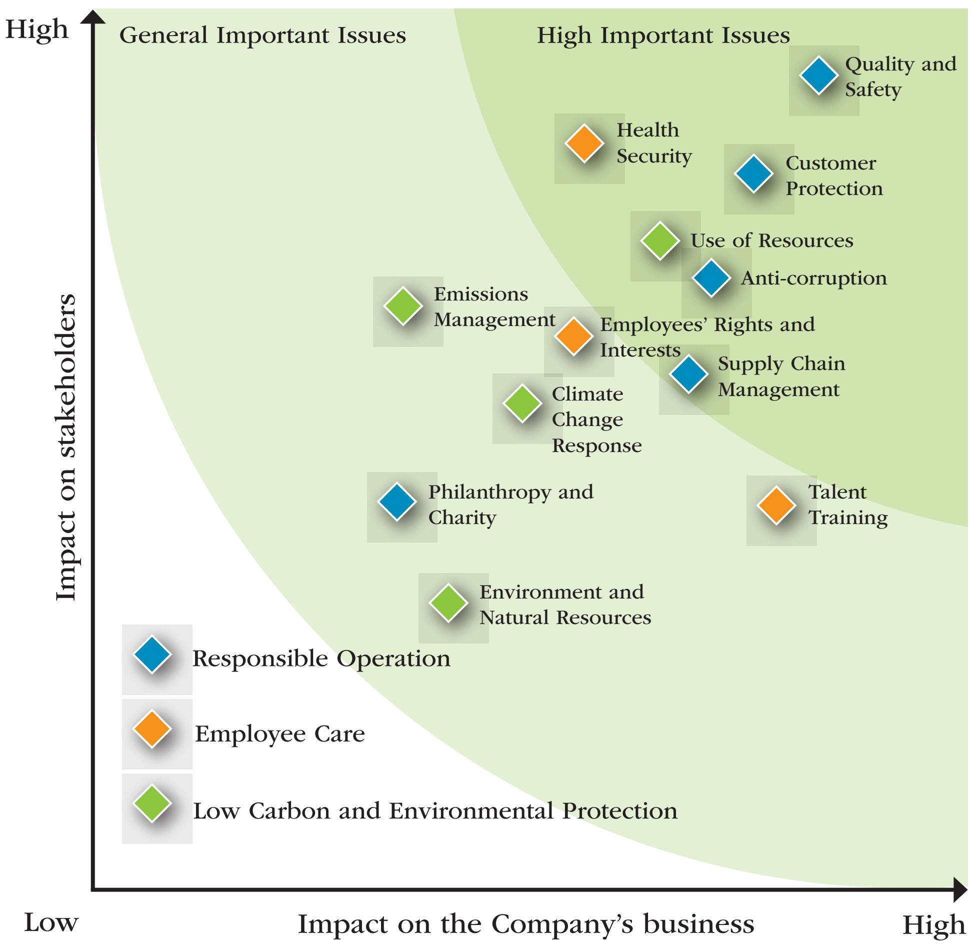
Materiality Assessment

In 2020, we conducted a materiality assessment through the following steps to identify material ESG issues to guide the Group's ESG work:

Step 1: The Group identified 12 related ESG issues in accordance with the ESG Guide and based on our actual business and industry characteristics;

Step 2: We identified important internal and external stakeholders and got their opinions on the importance of various ESG issues and suggestions for our ESG work through online questionnaires. We made an analysis from the two dimensions of "Impact on the company's business development" and "Impact on stakeholders" to form a materiality matrix according to the results of the questionnaire;

Step 3: The Group's senior management and the ESG working group reviewed the materiality matrix, took into consideration experts' opinions to determine the importance of each issue, and reported to the Board.



Outcomes of a materiality assessment

RESPONSIBLE OPERATION

Quality and Safety

The Group strictly complies with all relevant laws and regulations, including but not limited to the Law of the People's Republic of China on Protection of Consumer Rights and Interests, the Urban Real Estate Administration Law of the People's Republic of China, the Regulations on Urban Real Estate Development and Operation, the Regulations on Quality Control of Construction Projects, the Standards on Construction Safety Inspection and the Technical Regulations on Fire Safety at Construction Sites. A series of policies, systems and operational guidelines have been formulated to standardise project construction management and ensure the quality and safety of all projects.

Management systems and operation guides, etc:

- ✓ Engineering Technology Management Regulations
- ✓ Operation Guide for Quality Inspection of Key Parts of Projects
- ✓ Key Points for Quality Control of Construction Projects
- ✓ Project Work Assessment
- ✓ Management Measures for Construction Files
- ✓ Project Management Regulations
- ✓ Guidelines for On-site Management
- ✓ Management Measures of Project Completion and Delivery
- ✓ Operational Guidelines for Construction Safety Inspections
- ✓ …

The Group's project companies set forth safety management objectives, established a safe production responsibility system and safety rules and regulations, assigned qualified full-time safety officers, and integrated safety inspection measures into construction organisation design.

We provided three-level safety education for on-site staff, organised annual safety training for management staff, regularly inspected the permits for special work and compiled work-related accident management records. The Group reported no work-related fatalities in the past three years. There were 16.5 lost working days due to work-related injuries during the Reporting Period.

During the construction process, we required each project company to submit monthly and semi-annual reports on the construction. The Group strictly monitored project progress and clarified the implementation of various guidelines and management measures, so as to ensure construction quality of the projects. Each project company was required to conduct on-site safety and civilized construction inspection at least once a month. The inspection was led and organised by the person in charge of the project, and participated by site persons in charge of the turnkey project and the supervision unit. The inspection items include civilized construction, construction elevators, tower cranes, scaffolding, foundation pit supporting, water and electricity installation, fire safety and other hazard sources. Items under inspection were listed, graded, and counted toward a final inspection score. The supervision unit issued suspension notices to sites whose scores were unsatisfactory. Their construction could not resume until rectification by the construction unit was completed and checked.

Upon project completion, a completion acceptance team comprising the design unit, the general contractor, subcontractors and the supervision unit reported to government authorities for completion acceptance after finishing the pre-acceptance. We set stringent acceptance standards for completion inspection. In addition to following completion acceptance regulations issued by local governmental construction authorities, we added 99 sub-items under 43 items to the home inspection checklist, covering public space, entrance space, decoration, doors and windows, kitchen space, living room parts, sanitation, and meter readings. A pre-delivery inspection and acceptance team comprising a project company, marketing department and engineering department examined houses prior to project delivery in accordance with local administration requirements and the agreement with the property management company.

Customer Protection

We continuously provided high quality products and services for the market and upheld the concept of product responsibility for sustainable development. We worked closely with suppliers to create value for customers and protect their interests through the fine control of the whole value chain of real estate development, with high-quality services in design, construction, sales and the whole process.

We strictly protected the privacy of customers and laid down the Customer Information Management System. We required all business units to define a level of confidentiality for customer information. All units must abide by rules about the levels of confidentiality and relevant rights and responsibilities when requiring access to such information. They can check customer information only after receiving the approval. Moreover, we set permissions on customers' electronic information and prohibited all business units from retaining any form of paper information. Under special circumstances, customer information can be printed only after approval by the person in charge of the business unit. In addition, we have formulated the Management Measures on Confidentiality, requesting employees to sign a confidentiality agreement when signing a labour contract, in which we specified the confidentiality content, rights and obligations, term of agreement and liability for breach of contract, etc., so as to prevent leakage of our information.

We adopted rigorous brand management and publicity strategies, abided by relevant laws and regulations including the Advertising Law of the People's Republic of China, established a news reporting system, standardised the contents of publicity documents and materials of each business unit, and unified the publicity wording. We issued the Notice on Strengthening the Relevant Work of Brand Management, requiring all publicity materials to be reviewed and approved internally before public release. The General Management Department took the lead in formulating an internal work system and related procedures to properly manage and protect intellectual property rights of the Group. Due to the characteristics of our business, KPI B6.1 — Percentage of total products sold or shipped subject to recalls for safety and health reasons — is not applicable to the Group.

The Golf Course formulated the Course Rules, Club Rules and Reservation Management System, in which it clarified the course order and customer service measures. It regularly maintained the bunker, ecological grass area and other natural areas, so as to provide customers with a comfortable golfing environment. In order to avoid thunder and lightning accidents, the Golf Course adhered to the principle of "Safety above everything", installed two sets of thunder and lightning warning equipment and multiple lightning rods, and required all employees to be clear about the specific operation process of lightning warning, in order to effectively protect the safety of customers. In addition, the Golf Course carries out a customer satisfaction survey every year to collect customers' comments and opinions on each service link, which are classified and summarised and submitted to the relevant departments for rectification and improvement. During the Reporting Period, customer satisfaction for the Golf Course was 83.88%.

The Obstetrics and Gynecology Hospital developed its Customer Satisfaction Management System and regularly conducted customer satisfaction survey to understand customers' opinions and suggestions. The Hospital has established special positions to receive and handle customer complaints, so that the complaints can be solved on the spot. A staff member was designated to follow-up. In 2020, it maintained and renovated the facilities, including underground storm drain, surrounding steps and facilities inside the hospital. The Hospital also regularly spread maternal and child knowledge and offered prenatal education courses, creating a good environment of medical treatment and rehabilitation for customers. During the Reporting Period, the Obstetrics and Gynecology Hospital received 317 customer complaints, which were all satisfactorily resolved.

According to the Customer Complaint Handling Management and Regulations, the International Convention Center classified customer complaints and set corresponding handling procedures to effectively handle the complaints in time. In the meantime, it summarised and sorted out the complaints in order to continuously improve the quality of service.

The Obstetrics and Gynecology Hospital held the seventh anniversary celebration themed on "Shiny Seven Stars, Blessing for Newborn Babies" in November 2020, which attracted a total of 166 families to take part in the event.

The annual Lake Malaren Golf Championship/Year-end Appreciation Banquet rounded off in December 2020. A total of 120 members participated in the event.

Topics: Pandemic prevention and control

The COVID-19 outbreak suddenly happened in early 2020. In order to strictly prevent the spread of the pandemic and protect the health and safety of customers, each business premises took corresponding prevention and control measures according to its operation characteristics, including but not limited to:

Golf Course:

- Establishing a pandemic prevention management agency and laying down a work plan and an emergency plan for pandemic prevention and control;
- Assigning special staff for pandemic prevention and control, setting up temperature measurement points and temporary isolation rooms, and purchasing protective masks, disinfectants, infrared thermometers and other supplies;
- Publicising knowledge of pandemic prevention and control;
- Checking and disinfecting the visiting customers and keeping the files well.

Obstetrics and Gynecology Hospital:

- Releasing and strictly implementing the Fever Precheck Rules and Regulations, the Patient Admission Management System during the Outbreak, the Family Visiting and Accompanying System during the Outbreak, etc.;
- Requesting all the individuals entering the hospital to wear masks, take their temperature, show the Shanghai QR code and trip code, and sign a health commitment letter;
- Strengthening the prevention and control training of doctors and nurses and conducting assessments;
- Implementing the disinfection and isolation system and strengthening the monitoring of disinfection and sterilization effects.

Shenyang Rich Gate:

- Disinfecting the shopping mall every day;
- Constantly tracking the health of merchants;
- Requesting customers to show their health code and have their temperature measured;
- Planning various online marketing activities for merchants and assisting merchants in their operation through online marketing sharing platforms such as WeChat public accounts, Tik Tok, Moments and mini programs.

Topics: Pandemic prevention and control
International Convention Center:
• Establishing a pandemic emergency response team and formulating an emergency response plan; • Requesting all guests to fill in the Health Status Information Registration Form and setting up a ledger and keeping the registration information; • In terms of catering, establishing a unified raw material procurement management mechanism and selecting traceable suppliers, in a bid to ensure the health and safety during procurement, transportation, and storage; • Strengthening the daily cleaning and disinfection of public areas and guest rooms, and strictly changing and sterilising the cloth products in guest rooms.

Anti-corruption

We comply with all relevant laws and regulations, including but not limited to the Group Law of the People's Republic of China, the Tendering and Bidding Law of the People's Republic of China, the Regulation on the Management of Tendering and Bidding of Construction Projects, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Prohibiting Commercial Briberies, and the Anti-Money Laundering Law of the People's Republic of China. We established the Code of Conduct for the Integrity for Employees and requested employees to sign the Integrity Agreement to prevent misconducts like bribery, extortion, fraud and money laundering.

We also included the Performance Guarantee and Integrity Agreement into bidding documents, requiring both parties to fulfil the integrity commitment to prevent the occurrence of irregularities.

We strictly supervised each unit of the Group and focused on key processes, such as bidding and tendering, supplies purchasing, financial capital management, significant investment management, selection and appointment of employees, project visa management, commercial operation management, demolition and relocation management and marketing management. We imposed penalties for violations of laws and regulations and acts that endanger our normal interests. The System on the Management of Inspection and Reporting and the Notice on Strengthening the Company's Integrity Management were formulated. A clear reporting channel was set up. This means that all of the Group's employees and individuals from units with which the Group has established business relations can blow the whistle on misconducts via a dedicated email address. We kept confidential the personal information of the whistleblower and the contents reported, and rewarded the whistleblower according to the actual situation.

Additionally, the Group actively stepped up efforts on education and training in fighting corruption, and called on and required the Board, management and employees at all levels to stick to their personal ethics and working style of law abiding, integrity, honesty, self-discipline and dedication. We have established a complete anti-corruption mechanism through institutional prevention, behaviour restriction and ideological education. In November 2020, the Group organized anti-corruption training for directors and senior executives and emphasized their responsibilities, the consequences of incidents and the way to deal with incidents and so forth, in order to ensure that our directors and executives can understand and abide by laws and regulations, and conduct business with integrity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Win-win Cooperation

We have formulated a series of management systems to standardise the bidding process. According to the type of suppliers, we established a qualification evaluation form and a bid evaluation standard respectively, and conducted the full-lifecycle management of suppliers from admission, management, evaluation, etc. We maintained good communication with suppliers, set up a dedicated email address to receive reports and complaints from suppliers, and kept tracking and replying to their questions.

The Group imposed control on the supply chain and integrated the Safety Responsibility Agreement, Performance Guarantee and Integrity Agreement into bidding documents. We put forward environmental, health and safety (EHS) requirements to the construction subcontractors, and internalised the sustainable development concept of safety and environmental protection into all business segments.

New fixed assets due to renovation projects, low-value consumables, materials for items, raw materials and so forth were managed centrally. The Group also built a library of self-owned suppliers, with a view to further strengthening the management and restriction of the environmental and social risks faced by suppliers.

Supplier management systems:

✓ Detailed Rules of Operation on Invitation for Bids of SRE Group
✓ Management Measures on Bidding and Procurement of SRE Group
✓ Detailed Rules of Operation on Simple Bidding of SRE Group
✓ Procurement Management and Supervision System for Lake Malaren Assets Package
✓ Guidelines for Management of Suppliers of SRE Group and Attachments thereto
✓ Cost Management Method of SRE Group
✓ ……

As of the end of the Reporting Period, the Group had 330 suppliers, which were classified by region as follows:

Region	Quantity
Shanghai	158
Other provinces and municipalities in China	157
Overseas	15

Philanthropy and Charity

With the Management Measures on Charitable & Public Welfare Activities, the Group held charity activities in many ways based on our business characteristics, in a bid to fulfil our due social responsibilities as a corporate citizen.

CASE: THE GROUP DONATED ANTI-PANDEMIC SUPPLIES TO CAMBODIA

In April 2020, when the world was facing the threat of COVID-19, we donated 22,000 medical protective masks to Cambodia through the domestic procurement channel to support the Cambodian people in their fight against COVID-19. Mr. You Pisey, Deputy Secretary of State, Cambodia's Ministry of Health, expressed his gratitude for the support of the Group.

LOW CARBON AND ENVIRONMENTAL PROTECTION

The Group was keenly aware of the impact of corporate operations on the environment. We have responded by implementing an environmental protection management system and environmental protection measures, striving to increase the efficiency for the use of resources and energy. We set environmental goals of “strengthening green operation level, raising staff’s environmental awareness, reducing resource consumption and achieving compliance with emissions” to reduce the impact of business activities on the environment.

Use of Resources

The Group’s major areas of resource consumption comprise electricity and domestic water consumed during construction and operational activities. With the exception of surface water consumed by the Golf Course, the water consumed by the Group came from municipal water supplies.

We made constant efforts to strengthen energy conservation management, carry out green operations, and require all employees to actively participate in energy and water conservation work. Furthermore, the Group urged project companies and the general contractors to save resources during the construction process, and included the requirement in the Engineering Assessment Management Measures, which has promoted the development of a green industrial chain.

We aim to reduce the use of resources by creating energy-saving office spaces and promoting green offices, including but not limited to:

- Activating power saving mode for office equipment that was not in use, buying electric equipment that reach the required energy efficiency level, and switching off electric equipment during non-working hours;
- Paying attention to water conservation in toilets and improving routine maintenance and management of water facilities to prevent water waste;
- Calling for e-working, choosing communication methods such as telephone and email, and encouraging employees to use video conferencing system to reduce unnecessary business trips;
- Standardising procurement, approval and issuance of office supplies, controlling quantity of office supplies issued, encouraging recycling, and establishing a waste paper collection system.

Golf Course	The Golf Course implemented the Energy Management System to regulate the water use for greening and increased the use of water-saving methods such sprinkling irrigation, micro irrigation and trickle irrigation. It periodically observed and analysed the water consumption and adjusted the amount of irrigation water depending on the weather. Efforts were made to renovate the dormitory and increase water control facilities in bathhouses in 2020, in order to save daily water consumption.
Obstetrics and Gynecology Hospital	The Obstetrics and Gynecology Hospital laid down the Water Saving Management System for the Hospital, the Electricity Saving Safety Management System for the Hospital, the Environmental Sanitation Management System for the Hospital, the Energy Saving Measures for Gas and Air Conditioning, etc. to encourage all departments to save water and electricity and rationalise the use of resources. In 2020, three boilers were upgraded for energy conservation, with a low-nitrogen burner used and a flue gas recirculation system installed to improve the energy efficiency of the boilers and reduce flue gas emissions.

CASE: GREEN BUILDING — CHANGSHA SRE OASIS ALBANY PROJECT

We were committed to the philosophy of green buildings and integrated environmental protection and health into building development and construction starting from the design stage, aiming to build high-quality buildings with a high degree of harmony between man and nature. We tried our best to control and reduce the impact of buildings on the environment during construction and use, so as to create a healthy, suitable and efficient living and working environment for our customers.

Houses of the Changsha SRE Oasis Albany Project were built with a double-height balcony, which creates a hanging garden with a certain scale, coupled with green planting. This provides users with a new, comfortable living environment and experience.

Details of the Group's use of resources during the Reporting Period are shown in the table below.

	Use of resources[1]	2020
Energy consumption	Diesel (MWh)	283.00
	Petrol (MWh)	168.26
	Natural gas (MWh)	4,060.12
	Total direct energy consumption (MWh)	4,511.38
	Electricity (MWh)	14,039.03
	Heating (MWh)	33,217.11
	Total indirect energy consumption (MWh)	47,256.14
	Total energy consumption (MWh)	51,768.52
	Energy consumption intensity (MWh/revenue of RMB1 million)	455.66
Water consumption	Total water consumption (tonnes)	350,660.00
	Total water consumption intensity (tonne/revenue of RMB1 million)	3,086.52

Note: 1. Total energy consumption is calculated based on the amount of purchased electricity, natural gas, diesel and gasoline consumed, and is expressed in MWh (kWh in '000s). Relevant conversion factors come from the Appendix 1: default value of fossil fuels and Appendix 2: default value of fuel intensity set out in the Guide to Greenhouse Gas Accounting and Reporting for Public Building Operators released by the National Development and Reform Commission.

2. KPI A2.5 Total packaging material used for finished products and with reference to per unit produced is not applicable to the Group and is therefore not disclosed in this ESG Report.

Climate Change

We are concerned about the impact of climate change trends and the evolving laws and regulations at home and abroad on our business operations. The Group's ESG working group proactively identified the risks and opportunities it faces with regard to climate change and formulated the corresponding countermeasures. It has been assessed that extreme weather, such as typhoons and heavy rains, would have a potential impact on our business operations. Therefore, we have established emergency procedures and response mechanisms against extreme weather. For instance, both the Golf Course and the Obstetrics and Gynecology Hospital laid down and improved emergency plans related to heavy rain, hail, flood, power failure, etc., in a bid to mitigate the impact of irresistible natural factors on our business operations.

The Group's greenhouse gas emissions are mainly comprised of direct emissions from the consumption of fossil fuels and indirect emissions from the consumption of electricity and heating during construction and operation. Various measures were taken to strengthen energy conservation and emission reduction in order to reduce greenhouse gas emissions. The Group standardised the use of company cars in accordance with the Company Car Management Measures and encouraged employees to use public transportation with limited subsidies as specified in the Notice on Further Increasing Revenue and Reducing Expenditure, with a view to reducing greenhouse gas emissions.

Details of the Group's greenhouse gas emissions during the Reporting Period are shown in the table below.

Greenhouse gases	**2020**
Scope 1: Direct greenhouse gas emissions (tCO2e)	926.92
Scope 2: Energy indirect greenhouse gas emissions (tCO2e)	23,624.97
Total greenhouse gas emissions (tCO2e)	24,551.89
Greenhouse gas emissions intensity (tCO2e/revenue of RMB1 million)	216.11

Note: Greenhouse gas emissions are expressed in carbon dioxide equivalent and the calculation method and conversion factors come from the Guide to Greenhouse Gas Accounting and Reporting for Public Building Operators released by the National Development and Reform Commission.

Control of Emissions

We complied fully with relevant laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China, the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China, the Law on the Prevention and Control of Water Pollution of the People's Republic of China, and the Law on Prevention and Control of Pollution from Environmental Noise of the People's Republic of China. We strictly controlled all emissions to achieve compliance.

Exhaust Gas, Wastewater and Noise

The Group's exhaust gas emissions are mainly from fuel combustion during building construction and property operation, dust from construction, and kitchen fumes. The wastewater discharge mainly comes from non-domestic wastewater and domestic wastewater produced during property operation.

As mentioned in the Project Management Assessment Measures, the Group requested the constructor to strictly control all emissions. Meanwhile, we demanded control of dust, noise and water pollution at construction sites as outlined in the Operation Guide for Safe and Civilized Construction Inspection.

We strictly controlled the exhaust gas and wastewater generated during our operations, such as:

- The Golf Course installed fume purifiers, with which the cooking fume was discharged to the roof through a special flue;
- The Golf Course adopted a rain and sewage diversion system;
- The oily wastewater produced by kitchens of the Golf Course was discharged after being treated by grease traps or oil-water separators;
- The Obstetrics and Gynecology Hospital monitored various indicators of wastewater discharge and issued monthly reports to ensure that wastewater discharge met a relevant standard.

Waste

The Group's solid waste mainly comprises non-hazardous waste, such as earthwork and construction waste, and domestic waste, kitchen waste and other harmless wastes generated during property operation, and some hazardous waste from the Golf Course and the Obstetrics and Gynecology Hospital. All wastes are classified and collected and then disposed of by the entrusted qualified municipal sanitation unit.

Waste treatment, as an assessment item for safe and civilised construction, has been included into the Project Management Assessment Measures. The general contractors were required to comply with both national and industry laws and regulations to dispose of all wastes.

Both the Golf Course and the Obstetrics and Gynecology Hospital have set management processes for hazardous waste. The Golf Course identified the waste generated from routine operations using the Hazardous Waste List, and then entrusted a qualified unit to recycle and dispose of hazardous waste, such as used pesticide containers.

In the Medical Waste Disposal System developed by the Obstetrics and Gynecology Hospital, there are strict requirements for each step of the disposal process, from registration, collection, handover, transfer, storage to disposal by a qualified third party. The Hospital has also laid down the Responsibilities of the Person in Charge of the Medical Waste Department, the Provisions on Rewards and Punishments for Medical Waste Management in the Hospital, and the Prescribed Plan for the Loss of Medical Wastes in the Hospital as parts of a complete medical waste management system.

Details of the Group's discharge, hazardous and non-hazardous waste during the Reporting Period are shown in the table below.

Emission targets	**Emissions in 2020**
Wastewater discharged (tonnes)	162,742.66
Total hazardous wastes (tonnes)	4.47
Total hazardous waste intensity (tonne/revenue of RMB1 million)	0.04
Total non-hazardous wastes (tonnes)	2,602.30
Total non-hazardous waste intensity (tonne/revenue of RMB1 million)	22.91

The Environment and Natural Resources

The Golf Course, which uses pesticides and fertilisers in its routine operation, laid down the Management System for Ecological and Environmental Protection to protect the biodiversity around the course and avoid any impact on the environment and natural resources. The specific measures include:


Black swans at the Golf Course

- ✓ Using environmental-friendly pesticides;
- ✓ Strictly controlling the distribution and recycling of pesticides and fertilisers;
- ✓ Classifying and storing empty pesticide containers and fertiliser bags, and handing them to professional agencies for handling;
- ✓ Regularly collecting water and soil samples from the course for professional testing and dealing with problems in time if any, as a scientific reference for rational fertilising in the coming year;
- ✓ Strengthening publicity and training on environmental protection, and raising the environmental awareness of staff.

EMPLOYEE CARE

Health Security

The Group strictly complies with laws and regulations on health and safety, including but not limited to the Production Safety Law of the People's Republic of China and the Occupational Disease Prevention and Control Act of the People's Republic of China. Rules and regulations about health and safety were clarified in the Employee Handbook. We identified possible health and safety risks and took control measures, increased efforts on health- and safety-related education and training, and organised regular physical check-ups, so as to provide a healthy and safe working environment for employees.

We offered the first-aid tips and laid down the Fire Emergency Rescue Plan for personal accidents, with which rescue teams were trained to arrive in time in case of an emergency and to ensure the safety and health of staff during rescue operations. The Golf Course, the Obstetrics and Gynecology Hospital and the International Convention Center set up emergency response plans for each risk point in their operation, and trained and educated employees on a regular basis, with self-cleaning, emergency response plans, and fire safety education, etc.

CASE: THE OBSTETRICS AND GYNECOLOGY HOSPITAL CONDUCTED FIRE DRILLS

The Obstetrics and Gynecology Hospital organised fire drills for all staff in 2020. The exercise was used to broaden staff's firefighting knowledge and improve their capabilities in fire safety inspection, firefighting at an early stage, personnel evacuation and fire safety publicity.

The Group unveiled a series of rules and regulations, such as the Notice on Further Strengthening Pandemic Prevention and Control and the Notice on the Plan of Work Resumption of SRE Group for the resumption of work and production amid the pandemic in 2020. We strictly controlled the comings and goings of staff and cooperated with the property management companies to disinfect the office areas on a regular basis. Employees were required to fill in the Employee Health Screening Form, a move for the Group to know their health status. We distributed free masks, alcohol, disinfectants, disposable hand sanitizers and other anti-pandemic supplies for employees to use. Employees were encouraged to brown-bag their lunch and banned from eating together. In the meantime, the Group stepped up efforts to publicise the knowledge of pandemic prevention and control, and guide employees to maintain their personal hygiene, in order to minimise the risk of infection.

Talent Training

The Group provides employees with a clear career path. Training has been organised to consistently improve the all-round competence of employees. We are consistently building up a talent echelon. Depending on the focus of our strategic development and status quo of our operation and management, we offer a dual-track career path with management positions and positions of skilled professionals, instead of a single management track, through training and work practice. The goal is to ensure and promote the realisation of our strategic objectives.

In order to help new employees grasp their job procedures and quickly integrate into the Company, we train new employees in the fields of policy publicity, corporate culture, work procedures, business planning, etc. The Group launched several internal training programmes, including SRE Gathering, Corporate Culture Training and General Training, to clarify employees' career development path and help them set a career development goal.

- SRE Gathering: Sharing the frontier dynamics of the industry based on industry trends to enhance employees' industry acumen;

- Corporate Culture Training: Strengthening emotional ties, optimising the working atmosphere, and boosting employees' loyalty and sense of belonging through corporate culture building;
- General Training: Improving professional competence through general training, such as workplace etiquette and time management.

CASE: SRE GATHERING — VALUE AND REALISATION PATH FOR COMMERCIAL REAL ESTATE PROJECTS

We invited external partners in January 2020 to illustrate on the value and realisation path for commercial real estate projects to employees. Through the explanation of external lecturers, employees analysed the commercial real estate projects and discussed the future development.

The Group also dispatched both staff and leadership to take part in external training, aiming to improve management capabilities and enable employees to access the latest industry trends. Our departments, subsidiaries and branches held in-house training and sharing activities to help employees enhance their professional competence.

CASE: THE OBSTETRICS AND GYNECOLOGY HOSPITAL ORGANISED FIRST-AID DRILLS

The Hospital held simulated emergency drills about postpartum hemorrhage, neonatal resuscitation, amniotic fluid embolism and other diseases on a regular basis, in a bid to enhance medical staff's professional competence and emergency response capacity. Departments of the Hospital periodically carried out general-level training to improve medical staff's professional ability.

The percentage of employees trained and the average training hours completed per employee by gender and employee category during the Reporting Period are shown in the table below:

		Percentage of employees trained	**Average training hours completed per employee**
Gender	Male	45%	9.2
	Female	55%	6.9
Employee category	Senior management	6%	9.9
	Middle management	15%	11.0
	Grassroots staff	79%	7.2

Employees' Rights and Interests

The Group strictly complies with relevant laws and regulations, including but not limited to the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. We laid down relevant policies and systems to protect employees' rights and interests.

Employee management systems:

- ✓ Management Measures on Recruitment of SRE Group Limited
- ✓ Employee Dismissal Process of SRE Group
- ✓ Management Measures on Attendance and Holidays of SRE Group Limited
- ✓ Management Measures on Staff Performance Assessment of SRE Group
- ✓ Management Measures on Positions and Levels of SRE Group
- ✓ Remuneration System of SRE Group
- ✓ …

Recruitment and Dismissal

Under the principles of advance planning, extensive hunting and stringent screening, matching of talents with posts, and fairness and transparency, the Group attracted talents through a range of channels. The Group has also created Internal Referral Rewards to encourage existing staff to recommend the right candidates. With a talent pool, relevant information of applicants hired are classified and filed. The Group has built a complete dismissal process which ensures that the rights and interests of employees and the Company are not infringed. Dismissal interviews are conducted with departing employees to gain their insights on the Company.

As of the end of the Reporting Period, the Group had a total of 407 employees, of which 405 were full-time employees and 2 were part-time employees. The total number of employees by gender, age group and geographical region and the employee turnover rate during the period are shown in the table below:

		Total employees	Employee turnover rate
Gender	Male	195	20%
	Female	212	17%
Age group	< 30 years old	47	30%
	30-39 years old	191	20%
	40-49 years old	101	9%
	50 years old or older	68	18%
Region	Mainland China	390	17%
	Hong Kong, Macao and Taiwan	3	0%
	Overseas	14	43%

Remuneration and Benefits

The Group standardised our remuneration system. We follow the principles of "two equalities", referring to internal and external equalities, and "three matchings", referring to the assurance that individual remuneration matches the relative value of the position and matches the ability, performance and potential, and that the total remuneration matches the benefits of the Group, aiming to provide competitive remuneration to employees. In performance evaluation, the Group follows the principles of "fairness and openness, objectivity and justice, open communication and compulsory distribution". Employees are assessed for their decision-making ability, leadership, sense of responsibility, consciousness of learning and innovation and other indicators. The performance evaluation results are used as the basis for salary adjustment.

The Shenyang Rich Gate held a rope skipping competition to celebrate the Dragon Boat Festival in June 2020.

Besides social insurance and the housing provident fund, employees can enjoy a variety of benefits, including annual physical check-ups, commercial insurance, heatstroke prevention allowance, meal and transportation allowances, communication allowance, as well as birthday benefits. We held various sports competitions and encouraged employees to actively participate in physical fitness activities.

Working Hours and Holidays

The Management Measures on Attendance and Leave Management of SRE Group Limited were developed in accordance with the State Council's Regulations on Working Hours of Employees. The Group carried out the labour standard system. If an employee needs to work overtime, he/she should apply to the department head after completing the Overtime Authorization Form for Employees, which will take effect after being signed and approved by the department head.

Employees of the Group are entitled to the holidays stipulated by national laws and regulations, and adjustments are allowed according to the national and local laws and policies. The holidays include statutory holidays, marriage leave, maternity leave, breastfeeding leave, sick leave, medical leave, funeral leave, work-related injury leave and annual leave.

Diversity and Non-discrimination

The Group prides ourselves on being an equal employer. All departments, organisations and individuals are required to comply with national and local laws and regulations, and are prohibited from discriminating against any individual employees in matters of recruitment, labour, salary, training, promotion and compensation on the basis of gender, colour, age, family, culture, religion, appearance or nationality.

Labour Standards

The Group fully complies with the Labour Law of the People's Republic of China, the Provisions on Prohibition of Child Labour and other relevant laws and regulations, resolutely putting an end to child and forced labour. The Group appointed a third party to conduct background surveys and compile reports on each employee to prevent academic and age fraud, in a bid to further eliminate child labour.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Hong Zhihua, aged 61, was appointed as an executive Director and chairman of the Board on 23 October 2020. He is also the chairman of the Nomination Committee and the Investment Committee of the Company. Mr. Hong is currently the chairman of China Minsheng Jiaye Investment Co., Ltd. (a controlling shareholder of the Company). Mr. Hong obtained a bachelor's degree in economics and management from Shanghai University in 1997, a master's degree in business administration from La Trobe University in Australia in 1998 and a doctoral degree in business administration from the University of South Australia in 2005. Mr. Hong worked as secretary of Youth League Committee at the Shanghai Bureau of Transportation (上海交通運輸局) from 1979 to 1993. From 1993 to 2005, Mr. Hong served as deputy head of Shanghai Pudong Economic and Trade Bureau (上海浦東新區經濟貿易局), deputy director of Shanghai Pudong New Area Cooperation Office (上海浦東新區協作辦公室), vice president of Shanghai Waigaoqiao Group Co., Ltd. (上海外高橋(集團)有限公司), chairman of the board of directors of Shanghai Waigaoqiao New Development Co., Ltd. (上海外高橋新發展有限公司), and vice president of Shanghai Lujiazui (Group) Co., Ltd. (上海陸家嘴(集團)有限公司). Mr. Hong served as executive director and executive vice president of Yanlord Land Group Limited from 2005 to 2016. Mr. Hong served as executive director and chief executive officer of Sino-Singapore Nanjing Eco Hi-Tech Development Co., Ltd. (中新南京生態科技島開發有限公司) from 2009 to 2015. Mr. Hong served as the executive vice president of China Minsheng Jiaye Investment Co., Ltd. from October 2020 to January 2021. Since 2016 until now, Mr. Hong has been the chairman of the board of directors of Kangyao Urban Comprehensive Development (Shanghai) Co., Ltd. (康耀城市綜合開發(上海)有限公司). Mr. Hong was awarded the title of economist by the Shanghai Bureau of Transportation in 1985. Mr. Hong has extensive experience in urban construction, real estate development, corporate management and operations.

Mr. Kong Yong, aged 48, joined the Group as a vice president in October 2020 and was appointed as an executive Director and acting chief executive officer on 19 January 2021. He is also a member of the Investment Committee and an authorized representative of the Company. Mr. Kong graduated from the school of management of Anhui University in 1996 with a major in real estate operation and management. From 1998 to 2014, Mr. Kong worked in real estate sales and sales management department of Hefei Yide Real Estate Planning Company (合肥藝德地產策劃公司), Tongling Runfeng Real Estate Co., Ltd. (銅陵潤豐置業有限公司), Guangdong Dingfeng Real Estate Group Co., Ltd. (廣東鼎峰地產集團有限公司) and Wanda Group Co., Ltd. (萬達集團公司). From 2014 to 2016, Mr. Kong served as project general manager of Beijing Jinhao Real Estate Company (北京金豪地產公司). From 2016 to 2017, Mr. Kong was project general manager of Anhui Huichuang Real Estate Company (安徽徽創地產公司). Mr. Kong was general manager of Lai Fung Group Linquan Project Company (麗豐集團臨泉項目公司) from 2017 to 2018. From 2018 to September 2020, Mr. Kong was deputy director of Wanxin Group (萬新集團) in the Fujian region and general manager of Zhangzhou City Company (漳州城市公司). Mr. Kong has extensive experience in real estate development, construction and real estate operation management.

Ms. Qin Wenying, aged 57, was appointed as an executive Director on 6 June 2016. Ms. Qin graduated from Fudan University with a bachelor's degree in philosophy in July 1986 and obtained an advanced master's degree in business administration from Fudan University in April 2004. She has been qualified as a senior human resources professional authenticated by the Ministry of Human Resources and Social Security and as a senior political scientist authenticated by the State-owned Assets Supervision and Administration Commission. Ms. Qin has over 20-year experience in establishment of human resources and corporate culture and operation management and supervision management in property development and hotel management and property management industry. Ms. Qin had held various positions in the past. In 1998, she joined Sinochem Group; from 1998 to 2010, she worked as the deputy head of the chief executive office, general manager of human resources department, vice chairman of labour union and supervisor of China Jin Mao (Group) Limited (currently known as Jinmao (China) Hotel Investments and Management Limited (stock code: 6139)); in May 2010, she was the chairman of labour union, the director of the department of Party-civilian relationship and the officer of the disciplinary and inspection department of Franshion Properties (China) Limited (currently known as China Jinmao Holdings Group Limited (stock code: 817)); in August 2014, she was the deputy general manager of the Shanghai office of China Jinmao; in August 2015, she was appointed as the secretary of the disciplinary committee of Sinochem International Corporation listed on the Shanghai Stock Exchange (stock code: 600500).

Mr. Jiang Qi, aged 38, was appointed as an executive Director on 13 July 2018. Mr. Jiang graduated from California State Polytechnic University, Pomona in the USA with a bachelor's degree in business administration in 2007. Mr. Jiang has many years of work experience in administrative personnel management, project sites management and marketing planning. Mr. Jiang joined SRE Investment Holding Limited in 2007, and he served as assistant of general manager and deputy general manager in Shenyang Lixiang New Town Development Co., Ltd. (瀋陽李相新城置業有限公司), a subsidiary of SRE Investment Holding Limited from July 2007 to April 2009. He also served as deputy general manager in Shanghai Shuo Cheng Real Estate Co., Ltd. (上海碩誠置業有限公司) from May 2009 to August 2012; the person-in-charge of the preparatory working group of The Haikou Westin Hotal from August 2012 to June 2013; deputy general manager in Guo Kai Chuan Sha (Shanghai) Urban Investment Development Co., Ltd. (國開川沙(上海)城鎮投資發展有限公司), a subsidiary of SRE Investment Holding Limited, from September 2013 to December 2017.

Non-executive Directors

Ms. Cheng Liang, aged 36, was appointed as a non-executive Director on 19 January 2021. She is also a member of the Investment Committee of the Company. Ms. Cheng obtained a bachelor's degree in marketing from Hainan University in 2007 and a master's degree in communications from Northwest University in 2010. Ms. Cheng was corporate customer manager of the Bank of Beijing (Xi'an branch) from 2010 to 2013. From 2013 to 2015, Ms. Cheng was vice president of the West Chang'an Street sub-branch of the Bank of Beijing (Xi'an branch). From 2015 to 2017, Ms. Cheng was general manager of structured business division of Bank of Beijing (Xi'an branch). Ms. Cheng was vice president of Shaanxi Rongmin Financial Holding Group (陝西榮民金融控股集團) from 2017 to September 2020. Since October 2020, Ms. Cheng has been vice president of China Minsheng Jiaye Investment Co., Ltd. (a controlling shareholder of the Company). Ms. Cheng has extensive experience in corporate finance, foreign investment, public relations maintenance and land development for companies of the Group.

Mr. Luo Guorong, aged 44, was appointed as a non-executive Director on 19 January 2021. Mr. Luo obtained a bachelor's degree in accounting from the School of Management of the Wuhan University of Technology in 1999 and a master's degree and a doctoral degree in accounting from the School of Management of Xiamen University in 2002 and 2005 respectively. Mr. Luo was responsible for comparative study of accounting standards at the China Accounting Standards Committee from 2003 to 2005. Mr. Luo was head of the access section and deputy director of the cooperation office of the Henan Office of the China Banking Regulatory Commission ("CBRC") from 2005 to 2006 and from 2006 to 2009 respectively. Mr. Luo then worked as deputy director for institutional affairs at the accounting department of the CBRC from 2009 to 2010. From 2010 to 2011, Mr. Luo worked as deputy director of the office at the Henan Office of the CBRC. From 2011 to 2014, Mr. Luo worked as director of operations at the funds custody department of the China Everbright Bank. Mr. Luo was deputy director of the department of industry sector risk of China Minsheng Investment Corporation Ltd. ("CMIC"), a controlling shareholder and the ultimate holding company of the Group, from 2014 to 2015. Mr. Luo was director of risk control at CMIG Asia Asset Management Co., Ltd. from 2017 to 2019. Mr. Luo worked as the deputy director of the investment management office at CMIC from March 2015 to January 2021. Since January 2021, Mr. Luo serves as the financial controller of CMIG (Shanghai) Equity Investment Co., Ltd. and CMIG Aviation Investment Co., Ltd. Mr. Luo is a registered accountant in the PRC and is licensed to deal in funds and securities in the PRC. Mr. Luo has extensive experience in investment management, corporate finance and accounting practice development.

Directors and Senior Management

Independent Non-executive Directors

Mr. Zhuo Fumin, aged 69, was appointed as an independent non-executive Director on 30 November 2010. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science in 1983 and obtained a master's degree in economics from Fudan University in 1997. Mr. Zhuo served senior positions such as the assistant officer and the head of the administrative office of the Shanghai Economic System Reform Committee. Subsequently, Mr. Zhuo held various senior positions at Shanghai Industrial Investment (Holdings) Co., Ltd., including the chief executive officer and the vice chairman of Shanghai Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 363) and the chairman and an executive director of SIIC Medical Science and Technology (Group) Limited. Mr. Zhuo was devoted to private equity investment since 2002, and was the chairman and the chief executive officer of Vertex China Investment Co., Ltd., a wholly owned subsidiary of Vertex Management Group which is a global venture capital fund management company. Mr. Zhuo co-founded SIG Capital Limited. Since 2008, Mr. Zhuo has been a partner of GGV Capital. Mr. Zhuo was appointed as an independent director of Daqo New Energy Corp., a company listed on the New York Stock Exchange (stock code: DQ) and a non-executive director of Besunyen Holdings Company Limited, a company listed on the Stock Exchange (stock code: 926) since October 2009. Mr. Zhuo was appointed as an independent director of Arcplus Group Plc, a company listed on the Shanghai Stock Exchange (stock code: 600629) since September 2015, an independent director of Focus Media Information Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2027) since January 2016, and an independent non-executive director of Sinopharm Group Co. Ltd., a company listed on the Stock Exchange (stock code: 1099) since March 2016. Mr. Zhuo was appointed as an independent director of Shanghai Shine-link International Logistics Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603648) since September 2016. Mr. Zhuo was appointed as an independent director of Dazhong Transportation Group, a company listed on the Shanghai Stock Exchange (stock code: 600611) since May 2018.

Mr. Chan, Charles Sheung Wai, aged 67, was appointed as an independent non-executive Director on 10 July 2012. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Chan obtained a bachelor's degree in commerce at the University of Manitoba, Canada in 1977. He is a member of the Chartered Accountants of Canada as well as a member of the Hong Kong Institute of Certified Public Accountants. He started his career as an audit staff at the Canadian office of Arthur Andersen in 1977 and was admitted to partnership in 1988. He subsequently joined the China/Hong Kong office of Arthur Andersen as an audit partner in 1994. For the period from July 2002 to June 2012, he was a partner of the China/Hong Kong Office of Pricewaterhouse Coopers. Mr. Chan served as a member of the Listing Committee of the Stock Exchange during the period from 1998 to 2001 and also served as a member of the Selection Committee for the first Legislative Council of the Hong Kong Special Administrative Region in 1998. From 1996 to 1999, he was a council member of the Hong Kong Society of Certified Public Accountants. From January 2016 to April 2016, Mr. Chen was appointed as an independent non-executive director of SPI Energy Co., Ltd., a company listed on NASDAQ (stock code: SPI). From May 2016 to May 2019, Mr. Chan was appointed as an independent non-executive director of CITIC Securities Company Limited, a company listed on the Stock Exchange (stock code: 6030) and Shanghai Stock Exchange (stock code: 600030). From September 2013 to April 2020, Mr. Chan was appointed as an independent non-executive director of Beijing Changyou Times Digital Technology Co., Ltd., a company listed on NASDAQ (stock code: CYOU). Mr. Chan was appointed as an independent non-executive director of Maoyan Entertainment, a company listed on the Stock Exchange (stock code: 1896) on 22 August 2018, effective on 4 February 2019. Mr. Chan has been appointed as an independent non-executive director of Hansoh Pharmaceutical Group Company Limited, a company listed on the Stock Exchange (stock code: 3692) since June 2019. Mr. Chan has been appointed as an independent non-executive director of Sun Art Retail Group Limited, a company listed on the Stock Exchange (stock code: 6808) since 31 January 2021.

Mr. Ma Lishan, aged 69, was appointed as an independent non-executive Director on 31 March 2016. He is also the chairman of the Remuneration Committee and a member of the Audit Committee, Nomination Committee, and the Investment Committee of the Company. He has extensive experience in corporate operation and management. Mr. Ma graduated from Beijing Foreign Studies University in the People's Republic of China in 1975. Mr. Ma served in various managerial positions such as chairman, executive director and general manager in certain large- scale joint ventures under China Oil & Foodstuff Corporation. From January 1996, Mr. Ma served as an executive director of China Foods Limited (中國食品有限公司), a company listed on the Stock Exchange (stock code: 506). From May 1997 to June 2003, Mr. Ma served as executive director and managing director of China Foods Limited. In 2000, Mr. Ma was appointed as the vice president of China Oil & Foodstuff Corporation (COFCO). From June 2008 to January 2009, Mr. Ma was an executive director of Sino Resources Group Limited (now known as Elife Holdings Limited), a company listed on the Stock Exchange (stock code: 223). From September 2010 to August 2012, he was the executive director, managing director and chairman of Hao Tian Resources Group Limited (now known as Hao Tian Development Group Limited), a company listed on the Stock Exchange (stock code: 474). He was the senior consultant in Hao Tian Development Group Limited from August 2012 to August 2016. From March 2008 to present, he is an independent non-executive director of Silver Base Group Holdings Limited, a company listed on the Stock Exchange (stock code: 886). From August 2009 to present, he is an independent non-executive director of Sunac China Holdings Limited, a company listed on the Stock Exchange (stock code: 1918). Mr. Ma was appointed as an independent non-executive director of China Minsheng Drawin Technology Group Limited (now known as China Minsheng DIT Group Limited), a company listed on the Stock Exchange (stock code: 726) since 28 June 2016 and an independent non-executive director of Huarong International Financial Holdings Limited, a company listed on the Stock Exchange (stock code: 993) since 19 August 2016.

Senior Management

Mr. Lv Yun, aged 45, was appointed the vice president of the Group in 2016. Mr. Lv obtained a bachelor's degree in business administration from Tongji University in 2000 and a master's degree in finance from Shanghai University of Finance and Economics in 2012. Mr. Lv has over 12 years of experience in the aspect of investment and development in real estate, and had worked in various positions, including the deputy general manager of Changsha Company of China Jinmao Holdings Group Limited, a company listed on the Stock Exchange (stock code: 817) and the general manager of sales planning department of Jinmao Investments (Changsha) Co., Ltd. (金茂投資(長沙)有限公司). He had also worked in companies such as Forte Group Sales Planning (復地集團營銷策劃), Cushman & Wakefield (戴德梁行) and Eslite Real Estate (誠品房地產).

Mr. Yang Lei, aged 49, was appointed as the Chief Financial Officer of the Group on 23 October 2020. Mr. Yang graduated from Heilongjiang University in 1993 and obtained a bachelor's degree in accounting. Mr. Yang then obtained a postgraduate certificate in business administration from Dongbei University of Finance and Economics in 2003. Mr. Yang was certified as an accountant and a senior accountant in 1997 and 2006 respectively. Mr. Yang was project manager and practicing registered accountant at Liaoning Tianjian Accounting Firm Dalian Branch (遼寧天健會計師事務所大連分所) from 1993 to 1996. Mr. Yang was head of finance department of Dalian Free Trade Zone Real Estate Development Corporation (大連保稅區房地產開發總公司) from 1996 to 1998. Mr. Yang served as chief financial officer, chief supervisor and group deputy general manager of Dalian Dongte Enterprise (Group) Co., Ltd. (大連東特企業(集團)有限公司) from 1998 to 2007. From 2007 to October 2020, Mr. Yang has been the assistant to the chairman of the board of directors and group vice president at Dalian Shunhe Group (大連順和集團).

Mr. Chu Hoe Tin, aged 38, was appointed as the Company Secretary of the Company on 1 July 2019. He has over 15 years of professional experience in accounting, auditing, taxation and company secretarial work. Mr. Chu graduated with a Bachelor of Arts (Hons) in Accounting from Napier University, United Kingdom in 2007 and obtained the degree of Master of Corporate Governance from the Open University of Hong Kong in 2018. He is also a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Chartered Secretaries. He has been appointed as an independent non-executive director of TBK & Sons Holdings Limited, a company listed on the Stock Exchange (stock code: 1960) since 30 September 2019.

Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group are mainly engaged in real estate development and investment in Mainland China, on projects located in gateway cities of developed markets. The principal activities of its principal subsidiaries, joint ventures and associates are respectively set out in notes 47, 23 and 22 to the consolidated financial statements.

SEGMENTAL INFORMATION

Details of the Group's revenue and profit or loss by principal activity and geographical area for the year ended 31 December 2020 are set out in note 4 to the consolidated financial statements.

RESULTS

Details of the Group's results for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income. No interim dividend was declared by the board of the Directors (the "Board"). The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of bank loans, overdrafts and other borrowings of the Group are set out in note 33 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are respectively set out in the consolidated statement of changes in equity and in note 48 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As computed in accordance with the Companies Act 1981 of Bermuda, the Company does not have retained profits for distribution to shareholders as at 31 December 2020 (2019: Nil). The share premium account with balance of approximately RMB5,046 million (2019: RMB5,046 million) may be distributed when certain conditions are met.

SHARE CAPITAL

There was no movement in share capital during the year. Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 5 of this annual report.

BUSINESS REVIEW

The information on business review of the Group for the year ended 31 December 2020 is provided in the Chairman's Statement and Management Discussion and Analysis of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of the movement in fixed assets and investment properties of the Group are respectively set out in notes 17 and 19 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of the related party transactions (which also include connected transactions) of the Group for the year ended 31 December 2020 are set out in note 43 to the consolidated financial statements. The related party transactions as set out in note 43 to the consolidated financial statements do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONSULTING PROFESSIONAL TAX ADVISERS

Shareholders of the Company are recommended to consult professional advisers if they are in any doubt as to the tax implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Company's shares.

REPORT OF THE DIRECTORS

DIRECTORS

The directors who held office during the year and as of the date when the annual report was published are:

Executive Directors

Mr. Hong Zhihua	*(appointed on 23 October 2020)*
Mr. Lei Dechao	*(resigned on 23 October 2020)*
Mr. Kong Yong	*(appointed on 19 January 2021)*
Mr. Zhu Qiang	*(resigned on 19 January 2021)*
Ms. Qin Wenying	
Mr. Jiang Qi	
Ms. Jiang Chuming	*(resigned on 19 January 2021)*
Mr. Zong Shihua	*(resigned on 28 May 2020)*
Mr. Peng Xinkuang	*(removed on 29 June 2020)*
Mr. Chen Donghui	*(removed on 29 June 2020)*

Non-executive Directors

Ms. Cheng Liang	*(appointed on 19 January 2021)*
Mr. Luo Guorong	*(appointed on 19 January 2021)*

Independent non-executive Directors

Mr. Zhuo Fumin	
Mr. Chan, Charles Sheung Wai	
Mr. Ma Lishan	
Mr. Han Gensheng	*(resigned on 12 October 2020)*

The Company had received confirmation from each of the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules and considered all independent non-executive Directors to be independent.

In accordance with Bye-laws 86(2), 87(1) and 87(2) of the Bye-laws of the Company, Mr. Hong Zhihua, Mr. Kong Yong, Ms. Cheng Liang, Mr. Luo Guorong and Mr. Chan, Charles Sheung Wai will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election.

Biographical details of the Directors are set out on pages 46 to 49 of this annual report.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors since the disclosure made in the Interim Report 2020 and up to the date of this annual report of the Company are set out below:

Name of Director(s)	Detail(s) of Change
Mr. Hong Zhihua	He has been appointed as an executive Director, chairman of the Board, chairman of the Nomination Committee, chairman of the Investment Committee and authorized representative on 23 October 2020.
Mr. Lei Dechao	He has resigned as an executive Director, chairman of the Board, chairman of the Nomination Committee, chairman of the Investment Committee and authorized representative on 23 October 2020.
Mr. Kong Yong	He has been appointed as an executive Director, Acting Chief Executive Officer, a member of the Investment Committee and authorized representative on 19 January 2021.
Mr. Zhu Qiang	He has resigned as an executive Director, Acting Chief Executive Officer and a member of the Investment Committee and authorized representative on 19 January 2021.
Ms. Cheng Liang	She has been appointed as a non-executive Director and a member of the Investment Committee on 19 January 2021.
Mr. Luo Guorong	He has been appointed as a non-executive Director on 19 January 2021.
Ms. Jiang Chuming	She has resigned as an executive Director and a member of the Investment Committee on 19 January 2021.
Mr. Chan, Charles Sheung Wai	He has been appointed as an independent non-executive director of Sun Art Retail Group Limited (a Stock Exchange-listed company (stock code: 6808)) on 31 January 2021.

DIRECTORS' EMOLUMENTS

The fixed annual remuneration of the executive Directors is determined by the Remuneration Committee of the Company. Each executive Director is also entitled to an annual management bonus under the relevant service contract, the amount of which is to be determined by the Board from time to time, provided that the aggregate management bonus payable to all executive Directors for a financial year shall not be more than 10% of the Company's net profit after taxation and non-controlling interests as shown in the audited consolidated financial statements of the Company for the relevant year.

Details of Directors' emoluments are set out in note 11 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with any member of the Group which is not determinable within one year without the payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director, or an entity connected with a Director, of the Company had a material interest (direct or indirect), subsisted at the end of the financial year or at any time during the year ended 31 December 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of Share Option Scheme of this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND 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 and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long position in shares of the Company (the "Shares") and underlying Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Zhu Qiang (resigned on 19 January 2021)	84,000,000 (Note 1)	–	–	84,000,000	0.41%
Qin Wenying	84,000,000 (Note 1)	–	–	84,000,000	0.41%
Zhuo Fumin	–	160,000 (Note 2)	–	160,000	0.0008%
Jiang Chuming (resigned on 19 January 2021)	500,000	–	–	500,000	0.0024%

Notes:

(1) This refers to the underlying Shares covered by share options granted, such options being unlisted physically settled equity derivatives.

(2) These Shares were held by Madam He Pei Pei, the spouse of Mr. Zhuo Fumin.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executives of the Company, nor any of their close associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2020, so far as is known to any Director or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under the section 336 of the SFO:

Long positions in the Shares

Name of Shareholders	Capacity/Nature of interest	Notes	Number of issued ordinary Share (Sub-total)	Approximate percentage of shareholding (Sub-total)	Number of issued ordinary Shares (Total)	Approximate percentage of shareholding (Total)
China Minsheng Investment Corp., Ltd.	Interest in controlled corporation	i			15,523,751,128	75.49%
China Minsheng Jiaye Investment Co., Ltd.	Interest in controlled corporation	i			15,523,751,128	75.49%
Jiaxin Investment (Shanghai) Co., Ltd.	Interest in controlled corporation	iv			15,523,751,128	75.49%
Jiasheng (Holding) Investment Limited	Interest in controlled corporation	iv			15,389,659,128	74.84%
Jiashun (Holding) Investment Limited	Beneficial owner	iv			15,389,659,128	74.84%
Zhi Tong Investment Limited Partnership	Beneficial owner	i, ii, iii			2,022,761,390	9.84%
Jia Yun Investment Limited	Person having a security interest in Shares	vi	866,897,738	4.21%	2,889,659,128	14.05%
	Interest in controlled corporation	ii, iii	2,022,761,390	9.84%		
Shi Jian	Beneficial owner		13,006,991	0.06%	2,902,666,119	14.11%
	Interest in controlled corporation	v	2,889,659,128	14.05%		
Si Xiao Dong	Beneficial owner		2,324	0.00%	2,889,661,452	14.05%
	Interest in controlled corporation	v	2,889,659,128	14.05%		
SRE Investment Holding Limited	Beneficial owner	vi	866,897,738	4.21%	2,889,659,128	14.05%
	Interest in controlled corporation	ii, iii	2,022,761,390	9.84%		
Starite International Limited	Interest in controlled corporation	ii, iiii			2,022,761,390	9.84%
Zuo Xin	Nominee for another person (other than a bare trustee)	ii, iii			2,022,761,390	9.84%
Jiabo Investment Limited	Interest in controlled corporation	ii, iii, vi			2,889,659,128	14.05%
Jiazhi Investment Limited	Interest in controlled corporation	ii, iii			2,022,761,390	9.84%

REPORT OF THE DIRECTORS

Notes:

i. China Minsheng Investment Corp., Ltd. holds a 67.26% direct interest in China Minsheng Jiaye Investment Co., Ltd. Pursuant to Part XV of the SFO, China Minsheng Investment Corp., Ltd. and China Minsheng Jiaye Investment Co., Ltd. are respectively deemed to be interested in the Shares directly held or interested in by (a) Jiashun (Holding) Investment Limited (12,500,000,000 Shares), (b) Zhi Tong Investment Limited Partnership (2,022,761,390 Shares), (c) Jia Yun Investment Limited (866,897,738 Shares) and (d) Jiayou (International) Investment Limited (134,092,000 Shares).

ii. A 100% direct interest in Jia Yun Investment Limited is held by Jiabo Investment Limited, which is 100% indirectly owned by China Minsheng Jiaye Investment Co., Ltd. Jia Yun Investment Limited holds a 60% direct interest in Jiazhi Investment Limited, which is a general partner of Zhi Tong Investment Limited Partnership. Accordingly, each of Jiabo Investment Limited, Jia Yun Investment Limited and Jiazhi Investment Limited is deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership under Part XV of the SFO.

The remaining 40% interests in Jiazhi Investment Limited is held by Starite International Limited, which is wholly-owned by Zuo Xin (as a nominee and representative of SRE Investment Holding Limited). Therefore, Starite International Limited, Zuo Xin and SRE Investment Holding Limited are deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership under Part XV of the SFO.

iii. These Shares are held by Zhi Tong Investment Limited Partnership. Jiazhi Investment Limited is a general partner of Zhi Tong Investment Limited Partnership and is held as to 60% by Jia Yun Investment Limited and 40% by Starite International Limited. Jia Yun Investment Limited is also a limited partner of Zhi Tong Investment Limited Partnership.

iv. These Shares are held by Jiashun (Holding) Investment Limited. Jiashun (Holding) Investment Limited is 100% directly owned by Jiasheng (Holding) Investment Limited, which is 100% directly owned by Jiaxin Investment (Shanghai) Co., Ltd. Jiaxin Investment (Shanghai) Co., Ltd. is 100% directly owned by China Minsheng Jiaye Investment Co., Ltd., which is owned as to 67.26% by China Minsheng Investment Corp., Ltd. Therefore, according to Part XV of the SFO, Jiasheng (Holding) Investment Limited, Jiaxin Investment (Shanghai) Co., Ltd., China Minsheng Jiaye Investment Co., Ltd. and China Minsheng Investment Corp., Ltd. are deemed to be interested in the Shares held by Jiashun (Holding) Investment Limited.

v. As each of Mr. Shi Jian and Ms. Si Xiao Dong has one-third or more of the voting rights at shareholders' meetings of SRE Investment Holding Limited, they are deemed to be interested in all the Shares interested in by SRE Investment Holding Limited under the SFO.

vi. 866,897,738 Shares held by SRE Investment Holding Limited are charged to Jia Yun Investment Limited. SRE Investment Holding Limited retains the voting rights attached to the Shares. China Minsheng Investment Corp., Ltd. has confirmed to the Company that if the enforcement of the share charge will result in the Company failing to meet the public float requirement, China Minsheng Investment Corp., Ltd. will use its best efforts to assist the Company to maintain or restore its public float to comply with Rule 8.08(1)(a) of the Listing Rules, such as to sell its Shares in the open market.

Save as disclosed above, as at 31 December 2020, none of the Directors nor the chief executives of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which were required to be recorded in the register kept by the Company under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Base on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, 5,907,200,332 Shares (representing approximately 28.72% of the issued share capital of the Company) were held by the public. Accordingly, the Company is in compliance with the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

SHARE OPTION SCHEME

On 3 June 2016, the Board proposed to adopt a new share option scheme (the "Scheme"), which was approved and adopted by the shareholders of the Company on 6 July 2016.

On 14 July 2016 (the "Date of Grant"), options to subscribe (the "Share Options") for a total of 1,073,717,976 new Shares were offered to certain Directors and employees of the Group (the "Grantees"). The Share Options granted to each Grantee are valid for a period of five years commencing from the Date of Grant and shall be vested in three tranches in accordance with the following vesting dates: (i) 40% of the Share Options granted to each Grantee shall be vested and exercisable from 30 August 2016 to 13 July 2021; (ii) an additional 30% (i.e. up to 70% in total) shall be vested and exercisable from 30 August 2017 to 13 July 2021; and (iii) the remaining 30% (i.e. up to 100% in total) shall be vested and exercisable from 30 August 2018 to 13 July 2021.

The exercise price of the Share Options is HK$0.2132 per Share, which represents the highest of (i) the closing price of the Shares of HK$0.212 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the Date of Grant; (ii) the average closing prices of the Shares of HK$0.2132 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share, which is HK$0.10.

The Share Options were granted to the following Directors:

Executive Directors	**Number of Share Options Granted**
He Binwu *(resigned on 24 October 2017)*	160,000,000
Peng Xinkuang *(removed on 29 June 2020)*	160,000,000
Zhu Qiang *(resigned on 19 January 2021)*	120,000,000
Qin Wenying	120,000,000
Chen Donghui *(removed on 29 June 2020)*	80,000,000
Chen Chao *(retired on 3 June 2019)*	80,000,000
Shi Janson Bing *(resigned on 13 July 2018)*	50,000,000

The grant of the Share Options to each of the above Directors has been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules. Save as disclosed above, none of the Grantees is a Director, chief executive or substantial shareholder of the Company, or an associate of any of them.

The fair value of options granted during the period determined on the date on which the options were granted using the Binomial valuation model was divided into three trenches according to vesting period, being HK$7.80 cents per option for options vested on 30 August 2016, HK$7.99 cents per option for options vested on 30 August 2017 and HK$8.21 cents per option for options vested on 30 August 2018. The significant inputs into the model were closing share price of HK$0.2120 at the grant date, exercise price shown above, volatility of 46%, dividend yield of nil, an expected option life of 5, 4 and 3 years respectively and an annual risk-free interest rate of 0.69%. The volatility measured at the standard deviation of continuously compounded share returns is based on the average rate of comparable companies. The Binomial valuation model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

390,002,583 Share Options were cancelled during the twelve months ended on 31 December 2020. 160,000,000 Share Options were lapsed during 2017. 309,115,393 Share Options were lapsed during 2018. 1,400,000 Share Options were lapsed during 2019. The number of outstanding Share Options as at 1 January 2020 and 31 December 2020 are 603,202,583 and 213,200,000 respectively.

The following is a summary of the principal terms of the Scheme:

1. Purpose of the Scheme:

   The purpose of the Scheme is to reward the contributions made by any Directors or employees of the Group (the "Eligible Employees"), to provide incentive for the Eligible Employees to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the shareholders of the Company as a whole.

2. Participants of the Scheme:

   The Board may at its discretion grant options to the Eligible Employees.

3. Grant of option under the Scheme

   An offer of the grant of an option shall be made to an Eligible Employee by letter in such form as the Board may from time to time determine, requiring the Eligible Employee to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Scheme. The offer shall remain open for acceptance for a period of 14 days from the date of grant. Subject to the terms of the offer letter, there shall be no minimum holding period for the vesting or exercise of the options.

   An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date of grant.

4. Total number of Shares available for issue under the Scheme and percentage of issued share capital as at 31 December 2020:

   As at 31 December 2020, the total number of Shares which may be issued under the Scheme must not exceed 2,056,471,372 Shares, representing approximately 10% of the issued share capital of the Company.

5. Maximum entitlement of each participant under the Scheme:

   Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

6. The period within which the options must be exercised under the Scheme:

   The period during which an option may be exercised in accordance with the terms of the Scheme ("Option Period") shall be a period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the date of grant.

7. The basis of determining the exercise price:

   The subscription price per Share payable on the exercise of an option is to be determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant.

8. The remaining life of the Scheme:

   Subject to early termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme is deemed to take effect in accordance with its terms, after which time no further options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Scheme.

COMPETING INTERESTS

None of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers from whom the revenue of continuing operations was derived are widely dispersed. No customer nor a single group of customers under common control of continuing operations contributed 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019. For the year ended 31 December 2020, less than 30% of the Group's revenue was attributable to the Group's five largest customers combined.

For the year ended 31 December 2020, less than 30% of the Group's purchases was attributable to the Group's five largest suppliers combined.

AUDIT COMMITTEE

The audited annual consolidated financial statements for the year ended 31 December 2020 has been reviewed by the Audit Committee of the Company.

PENSION SCHEME

Details of the Group's pension schemes are set out in the section of employee benefits of Note 15 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, Certified Public Accountants.

There has been no change in the auditor of the Company during the past three years.

PERMITTED INDEMNITY PROVISION

The Bye-laws of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021 (both days inclusive), for the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting of the Company. No transfer of shares during the said period will be registered. In order to qualify to attend and vote at the meeting, all completed transfer forms, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Thursday, 27 May 2021.

On behalf of the Board
Hong Zhihua
Chairman

Hong Kong, 26 March 2021

CORPORATE GOVERNANCE REPORT

The Company firmly believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its stakeholders. The Board and senior management are committed to maintaining a high standard of corporate governance which provides a framework and a solid foundation for achieving a high standard of accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2020, and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.2.1

Mr. Peng Xinkuang ("Mr. Peng"), a former director of the Company, served as both the chairman and the chief executive officer of the Group during the period from 18 July 2019 to 28 February 2020. As disclosed in the Company's announcement dated 28 February 2020, all administrative and executive duties and powers of Mr. Peng as an executive director of the Company had been suspended with effect from 28 February 2020. Mr. Peng was removed as an executive director of the Company by ordinary resolution of the shareholders of the Company on 29 June 2020. Since the said suspension of Mr. Peng's duties and powers on 28 February 2020, the roles of chairman and chief executive of the Company have been performed by different members of the Board.

Code Provision A.2.7

Code provision of A.2.7 requires the Chairman of the Board to hold meetings at least annually with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Chairman of the Board is also an executive director, the Company has technically deviated from this code provision.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

BOARD OF DIRECTORS

Throughout the year ended 31 December 2020, the Company has complied with the Board's practices and procedures as set out in the Listing Rules.

Board Composition

As at 31 December 2020, the Board consists of eight Directors, including five executive Directors, namely Mr. Hong Zhihua, Mr. Zhu Qiang, Ms. Qin Wenying, Mr. Jiang Qi and Ms. Jiang Chuming; and three independent non-executive Directors, namely, Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai and Mr. Ma Lishan.

As at 19 January 2021, the Board appointed three additional members, including one executive Director, namely Mr. Kong Yong, and two non-executive Directors, namely Ms. Cheng Liang and Mr. Luo Guorong. The Board also reduced two members, being two executive Directors, namely Mr. Zhu Qiang and Ms. Jiang Chuming.

Save as disclosed in the above section "Directors and Senior Management", there is no financial, business, family or other material/relevant relationship amongst the Directors.

Role of the Board

The Board, which is accountable to the shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The Directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board formulates, approves and monitors Group-wide strategies and policies, evaluates the performance of the Company, and supervises the management of the Company. The management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer of the Group.

Chairman and Chief Executive Officer

The Chairman of the Company is responsible for formulating, developing and reassessing the Group's strategies and policies and for all Board matters. The Chief Executive Officer of the Group is responsible for the execution of the Group's business strategies and plans. The positions of the Chairman of the Company and the Chief Executive Officer of the Group were held by separate individuals so as to maintain an effective segregation of duties as at the date of this annual report.

Independent Non-executive Directors

As at 31 December 2020, the Board had 8 members with 3 of them being independent non-executive Directors. This satisfies both the requirements of having at least 3 independent non-executive Directors under Rule 3.10(1) of the Listing Rules, as well as of having independent non-executive Directors representing at least one-third of the Board under Rule 3.10A of the Listing Rules. The independent non-executive Directors were expressly identified in all corporate communications pursuant to the Listing Rules.

The functions of independent non-executive Directors include:

- expressing an independent view and judgement at Board meetings;
- taking the lead to identify potential conflicts of interests if any;
- serving on Board committees if invited; and
- scrutinizing the Company's performance and monitoring performance reporting.

The independent non-executive Directors have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They gave the Board and the Board committees the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Corporate Governance Function

The Board is collectively responsible for performing the corporate governance duties including:

(a) to develop, review and implement the Company's policies and practices on corporate governance;
(b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct applicable to employees and the Directors; and
(e) to review the Company's compliance with the CG Code and its disclosure in the Corporate Governance Report.

Meetings

The Board meets at least four times a year at approximately quarterly intervals. In 2020, the Board held twelve meetings to review the financial performance, annual and interim results, material investments, Board restructuring, operating report and other significant matters of the Group. The Bye-laws of the Company provides for the convening of the Board or Board committee meetings by way of telephonic or similar communications.

The attendance records of the Directors at the Board meetings, the Board committee meetings and the annual general meeting of the Company for the financial year ended 31 December 2020 are set out below:

		Attendance/Number of Meetings (during Director's tenure)					
		Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Investment Committee**	**Annual General**
Executive Directors							
Lei Dechao	(Note 1)	6/7		2/3		0/1	1/1
Hong Zhihua	(Note 2)	1/1		0/0		0/0	0/0
Zhu Qiang	(Note 3)	12/12				2/2	1/1
Qin Wenying		12/12					1/1
Jiang Qi		12/12					1/1
Jiang Chuming	(Note 3)	12/12				2/2	1/1
Zong Shihua	(Note 4)	7/8					0/0
Peng Xinkuang	(Note 5)	0/0		0/0		0/0	0/0
Chen Donghui	(Note 5)	0/0					0/0
Non-executive Directors							
Cheng Liang	(Note 6)	0/0				0/0	0/0
Luo Guorong	(Note 6)	0/0					0/0
Independent Non-executive Directors							
Zhuo Fumin		11/12	3/4	4/4	5/5		1/1
Chan, Charles Sheung Wai		12/12	4/4		5/5		1/1
Ma Lishan		12/12	1/1	4/4	5/5	2/2	1/1
Han Gensheng	(Note 7)	8/9	3/3				1/1

Notes:

1. Mr. Lei Dechao resigned as an executive Director on 23 October 2020.
2. Mr. Hong Zhihua was appointed as an executive Director on 23 October 2020.
3. Mr. Zhu Qiang and Ms. Jiang Chuming resigned as executive Directors on 19 January 2021.
4. Mr. Zong Shihua resigned as an executive Director on 28 May 2020.
5. Mr. Peng Xinkuang and Mr. Chen Donghui were removed as executive Directors on 29 June 2020.
6. Ms Cheng Liang and Mr. Luo Guorong were appointed as non-executive Directors on 19 January 2021.
7. Mr. Han Gensheng resigned as an independent non-executive Director on 12 October 2020.

Board papers are circulated and the Company Secretary attends all regular board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company maintains a procedure for the Directors to seek independent professional advice in appropriate circumstances.

BOARD COMMITTEES

The Board has established 4 committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Investment Committee. These committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management. The respective terms of reference are available on the websites of the Company and the Stock Exchange. The Company has provided sufficient resources to the Board committees to perform their duties.

Audit Committee

The Company has established the Audit Committee of the Company. During the financial year ended 31 December 2020, the Audit Committee of the Company comprised three members as follows:

Independent non-executive Directors
Mr. Chan, Charles Sheung Wai — Chairman
Mr. Zhuo Fumin — Member
Mr. Ma Lishan — Member *(appointed on 12 October 2020)*
Mr. Han Gensheng — Member *(resigned on 12 October 2020)*

The major duties of the Audit Committee of the Company include:

- to consider and recommend the appointment, re-appointment and removal of external auditor;
- to approve the remuneration and terms of engagement of external auditor, any questions of resignation or dismissal of external auditor;
- to review and monitor external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on the engagement of external auditor to supply non-audit services and to make recommendation of any measures for improvements to be taken;
- to review the interim and annual financial statements and the interim and annual reports before submission to the Board;
- to review the Group's financial controls, risk management and internal control and ensure that the management has discharged its duty to have effective risk management and internal control systems;

- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;

- to review and consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, their training programmes and budget, and the changes in the nature and extent of significant risks;

- to consider any significant or unusual items that are, or may need to be, reflected in reports and accounts and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors;

- to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group and to review and monitor the effectiveness of the internal audit function;

- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised; and

- to review the Group's financial and accounting policies and practices.

The Audit Committee of the Company has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access to reasonable resources and assistance from the management to discharge its duties properly.

In 2020, the Audit Committee of the Company held four meetings to, among other things, review the interim and annual results of the Group, and review other significant matters. The Audit Committee of the Company had reviewed the Group's significant internal control and financial matters, and discussed with the management of the Company and the external auditors. The Audit Committee of the Company had also reviewed the audit plans and findings of the external auditors, the independence of the external auditors, the Group's accounting principles and practices, the Listing Rules and statutory compliance, financial reporting, internal control and risk management. The attendance record of each committee member is shown on page 64 in the section of Meetings of this report.

The Audit Committee of the Company had met with the external auditors three times during the financial year ended 31 December 2020. There was no disagreement between the Board and the Audit Committee of the Company regarding the selection and appointment of external auditors. The Audit Committee of the Company is satisfied that the external auditors are able to meet the audit obligations of the Company.

The external auditors of the Company were invited to attend the meeting without the presence of the management to discuss with the Audit Committee of the Company issues arising from the audit and financial reporting matters.

Nomination Committee

The Company has established the Nomination Committee of the Company. During the financial year ended 31 December 2020, the Nomination Committee of the Company comprised three members as follows:

Executive Director
Mr. Hong Zhihua — Chairman *(appointed on 23 October 2020)*
Mr. Lei Dechao — Chairman *(resigned on 23 October 2020)*

Independent non-executive Directors
Mr. Zhuo Fumin — Member
Mr. Ma Lishan — Member

The major duties of the Nomination Committee of the Company include:

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to review the structure, size and composition (including the diversity of skills, knowledge, experience and perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to develop and review, as appropriate, the Board's diversity policy ("Board Diversity Policy") and any measurable objectives for implementing the Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives;

- to develop and review, as appropriate, the policy for nomination of Directors setting out the process and criteria to select and recommend to the Board candidates for directorship;

- to assess the independence of the independent non-executive Directors, with regard to the requirements under the Listing Rules; and

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer.

In 2020, the Nomination Committee of the Company held four meetings. The Nomination Committee of the Company had reviewed the structure, size, composition and diversity of the Board, and considered the appointment of Directors of the Company. The attendance record of each committee member is shown on page 64 in the section of Meetings of this report.

The Company had also assessed the independence of all the independent non-executive Directors and considers that all of them are independent under Rule 3.13 of the Listing Rules, having taken into account (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment.

Board Diversity Policy

The Board adopted the Board Diversity Policy on 29 August 2013 and amended it on 19 December 2018, setting out the approach to achieve diversity within the Board. In assessing the Board composition, the Nomination Committee of the Company would take into account various aspects set out in the policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, industry and regional experience, and any other factors that the Board may consider relevant and applicable from time to time. In identifying and selecting suitable candidates for directorships, the Nomination Committee of the Company would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board. The current Board is considered well-balanced and of a diverse mix appropriate for the business of the Group. Selection of candidates would be based on the Company's director nomination policy and would also take into account the Board Diversity Policy. The Nomination Committee of the Company would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The Nomination Committee of the Company would also monitor the implementation of the Board Diversity Policy by conducting periodic review as appropriate and recommend revisions, if any, to the Board for consideration and approval.

The nomination procedures for the Directors can be accessed on the website of the Company.

Director Nomination Policy

The Group adopted a director nomination policy (the "Director Nomination Policy") on 19 December 2018. A summary of this policy is disclosed as below.

1. *Introduction*

1.1 The Company has the Board Diversity Policy in place in compliance with the Listing Rules. This director nomination policy ("Procedures") aims at applying the principles of the Board Diversity Policy and other provisions under the Listing Rules to improve transparency around the process and criteria adopted by the Nomination Committee of the Company in selecting and recommending candidates as Directors of the Company.

1.2 These Procedures shall be reviewed by the Nomination Committee of the Company at least annually to ensure full compliance with the Listing Rules, the Company's Bye-laws ("Bye-laws") and applicable laws of Bermuda.

2. *Applicable Bye-laws*

2.1 According to Bye-law 86.(2) of the Bye-laws, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board.

2.2 The Board shall give due consideration to the recommendation of the Nomination Committee of the Company applying the following procedures when approving any appointment of Directors.

3. *Procedures for nomination of a Director*

Any Director may nominate a person for appointment, election or re-election as a Director by the Board or at the general meeting upon first obtaining the following information:

(a) a written consent given by the candidate ("Candidate") to be appointed, elected or re-elected (as the case may be) as a Director stating his consent for acting as a Director and the supply and disclosure of his information as required under the Listing Rules and other applicable laws and regulations;

(b) details of the character, qualifications, background, experience and other business interests of the Candidate for the purpose of Rules 3.09, 3.10 and 3.12 of the Listing Rules, together with supporting documents evidencing the same (if applicable);

(c) (for a Candidate who may be nominated as a non-executive Director or independent non-executive Director) details assessing the Candidate's independence under Code Provisions A.3.3 (Best Recommended Practice) and A.4.3 of the CG Code, and Rule 3.13 of the Listing Rules, together with supporting documents evidencing the same (if applicable);

(d) details of the Candidate's information, together with supporting documents evidencing the same (if applicable), as required to be disclosed under Rule 13.51(2) of the Listing Rules;

(e) (for a Candidate who may be nominated as an independent non-executive Director at a general meeting) explanation from the Candidate for information required under Code Provision A5.5 of the CG Code;

(f) (for a Candidate who may be nominated to be appointed as a member of the Audit Committee of the Company) details assessing the Candidate's independence under Code Provision C.3.2 of the CG Code, together with supporting documents evidencing the same; and

(g) up-to-date contact details of the Candidate.

4. *Criteria for nomination of a Director*

4.1 Upon obtaining the information listed in paragraph 3 above, the Nomination Committee of the Company shall review whether the Candidate is qualified to be appointed, elected or re-elected into the Board under the relevant Listing Rules and CG code provisions.

4.2 Upon fulfilment of the condition set out in paragraph 4.1, the Nomination Committee of the Company shall consider the following factors in assessing the suitability of the Candidate for directorship:

(a) reputation for integrity;

(b) accomplishment and experience in the property development sector;

(c) commitment in respect of available time and relevant interest;

(d) whether (and how) the Candidate can contribute his/her perspectives, skills and experience to the Board;

(e) the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee of the Company for achieving diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and

(f) such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee of the Company has the discretion to nominate any person, as it considers appropriate.

4.3 Upon the Candidate's fulfilment of the above criteria, the Nomination Committee of the Company shall convene a meeting to discuss and consider the recommendation of the Candidate to the Board for appointment as a Director.

Appointment, Re-election and Removal of Directors

Pursuant to the letters of appointment, all non-executive Directors are appointed for a term of three years subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

Pursuant to the letters of appointment, all independent non-executive Directors are appointed for a term of two years subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

The procedures and processes of appointment, re-election and removal of the Directors are laid down in the Bye-laws of the Company. Recommendations for appointments and re-appointments of the Directors and appointments of the members of various Board committees are made by the Nomination Committee of the Company to the Board for consideration and appointment. Any Director appointed by the Board shall hold office only until, and shall retire on, the next following annual general meeting of the Company. The Bye-laws of the Company provides that at each annual general meeting of the Company, one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. If the Directors obliged to retire who then wish to retire and not offer themselves for re-election account for less than one-third, those who have been longest in office since their last re-election or appointment shall retire to make up for the shortfall. Each Director should retire at least once every three years. A retiring Director is eligible for re-election by the shareholders at the annual general meeting of the Company.

Mr. Chan, Charles Sheung Wai will be retiring by rotation pursuant to the bye-law 87 of Bye-laws of the Company at the forthcoming annual general meeting of the Company, and Mr. Hong Zhihua, Mr. Kong Yong, Ms. Cheng Liang and Mr. Luo Guorong will be retiring pursuant to the bye-law 86(2) of Bye-laws of the Company at the forthcoming annual general meeting of the Company. The retiring Directors are eligible for re-election at the forthcoming annual general meeting of the Company.

Remuneration Committee

The Company has established the Remuneration Committee of the Company. During the financial year ended 31 December 2020, the Remuneration Committee of the Company comprised three members as follows:

Independent non-executive Directors
Mr. Ma Lishan — Chairman
Mr. Chan, Charles Sheung Wai — Member
Mr. Zhuo Fumin — Member

The major duties of the Remuneration Committee of the Company include:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management of the Company;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee of the Company should consult the Chairman of the Company and/or the Chief Executive Officer of the Group about their remuneration proposals for other executive Directors and have access to independent professional advice if necessary.

In 2020, the Remuneration Committee of the Company held five meetings. The Remuneration Committee of the Company had reviewed the Company's remuneration policies and the remuneration packages of the Directors, reviewed and recommended the remuneration of the Directors, and reviewed other significant matters. No Director should involve in deciding his own remuneration. The attendance record of each committee member is shown on page 64 in the section of Meetings of this report.

Details of the Directors' and senior management's remuneration are set out in notes 11 and 43(b)(viii) to the consolidated financial statements. In addition, pursuant to the Code Provision B.1.5 of the CG Code, the annual remuneration of other members of the senior management (other than the Directors) by bands for the year ended 31 December 2020 is set out below:

	Number of employees
RMB0 to RMB1,000,000	5
RMB1,000,001 to RMB3,000,000	0

* Partial of annual remuneration which was not approved or paid as of the date of approval of this report was not included in amounts above for the year ended 31 December 2020.

Investment Committee

The Company has established the Investment Committee of the Company. During the financial year ended 31 December 2020, the Investment Committee of the Company comprised four members as follows:

Executive Directors
Mr. Hong Zhihua — Chairman *(appointed on 23 October 2020)*
Mr. Lei Dechao — Chairman *(resigned on 23 October 2020)*
Mr. Zhu Qiang — Member *(resigned on 19 January 2021)*
Ms. Jiang Chuming — Member *(resigned on 19 January 2021)*

Non-executive Directors
Mr. Luo Guorong — Member *(appointed on 19 January 2021)*
Ms. Cheng Liang — Member *(appointed on 19 January 2021)*

Independent non-executive Directors
Mr. Ma Lishan — Member

The major duties of the Investment Committee of the Company include:

- to review the management's recommended investment opportunities, objectives, strategies, policies and guidelines that direct the investment of the portfolio;
- to review the management's recommended portfolio financial goals and requirements, including asset allocation, risk tolerance, investment time horizon and capital adequacy;
- to review and evaluate the performance of the investment portfolio regularly to assure adherence to policy guidelines and monitor progress toward achieving investment objectives; and
- to review the shares purchase, redemption or other share acquisition activities conducted by the Company.

In 2020, the Investment Committee of the Company held two meeting. The Investment Committee of the Company had reviewed the change of members of the Investment Committee of the Company. The attendance record of each committee member is shown on page 64 in the section of Meetings of this report.

DIRECTORS' TRAINING AND COMMITMENT

Upon appointment, each Director receives appropriate induction training and coaching to develop individual skills as required. The Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings. They also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of business operations and governance practices.

The Directors have confirmed that they have complied with the Code Provision A.6.5 of the CG Code on directors' training. During the financial year ended 31 December 2020, the Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills and provided their records of training to the Company.

	Topics		
Name of Directors	**Legal, Regulatory and Corporate Governance**	**Group's Business and Industry Updates**	**Directors' Roles, Functions and Duties**
Executive Directors			
Hong Zhihua *(appointed on 23 October 2020)*	✓	✓	✓
Lei Dechao *(resigned on 23 October 2020)*	✓	✓	✓
Zhu Qiang *(resigned on 19 January 2021)*	✓	✓	✓
Qin Wenying	✓	✓	✓
Jiang Qi	✓	✓	✓
Jiang Chuming *(resigned on 19 January 2021)*	✓	✓	✓
Zong Shihua *(resigned on 28 May 2020)*	✓	✓	✓
Peng Xinkuang *(removed on 29 June 2020)*	✓	✓	✓
Chen Donghui *(removed on 29 June 2020)*	✓	✓	✓
Non-executive Directors			
Cheng Liang *(appointed on 19 January 2021)*	✓	✓	✓
Luo Guorong *(appointed on 19 January 2021)*	✓	✓	✓
Independent non-executive Directors			
Zhuo Fumin	✓	✓	✓
Chan, Charles Sheung Wai	✓	✓	✓
Ma Lishan	✓	✓	✓
Han Gensheng *(resigned on 12 October 2020)*	✓	✓	✓

Confirmation has been received from the Directors that they have provided sufficient time and attention to the affairs of the Group. Besides, the Directors must be disclosed to the Company their interests as the director and other office in other public companies and organisations in a timely manner and update the Company on any subsequent changes.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the financial year ended 31 December 2020, no legal action was made against any of the Directors and officers in relation to duties performed for the Company.

COMPANY SECRETARY

The company secretary of the Company is an employee of the Company, and is responsible for facilitating the procedures of the Board and advising the Board on corporate governance matters. During the year under review, the company secretary of the Company has taken not less than 15 hours of relevant professional training.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The responsibility of the Directors is to prepare the financial statements, while the responsibility of the auditors is to express an opinion on the Group's consolidated financial statements based on their audit, for particulars please refer to the "Independent Auditor's Report" section of this report. The Board should ensure that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for the relevant financial period. In regard to this, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. Besides, the Directors are also responsible for ensuring that the Group operates an efficient financial reporting system, keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Group has employed sufficient qualified staff to assist the preparation of financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority designed to help the business achieve its objectives, to safeguard assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

During the year ended 31 December 2020, the Board examined the effectiveness of the risk management and internal control system of the Group through the Audit Committee of the Company on an annual basis, including financial, operational compliance and risk management aspects, and considered that the risk management and internal control system is effective and adequate and the Group has complied with the code provisions on risk management and internal control of the CG Code.

AUDITOR'S REMUNERATION

During the year, the auditor of the Company, PricewaterhouseCoopers, Certified Public Accountants charged RMB3.20 million for annual audit services and RMB587 thousand for non-audit services.

INVESTOR RELATIONS

The Company uses a number of formal communications channels to account to its shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) annual general meetings or special general meetings of the Company providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the website of the Company; (iv) the Company's website offering a communication platform between the Company and its shareholders and investors; and (v) the Company's share registrar in Hong Kong serving the shareholders of the Company regarding all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear and detailed information of the Group to shareholders of the Company in a timely manner and on a regular basis through the publication of interim and annual reports and/or dispatching circulars, notices, announcements and other corporate communications.

Investors may write to the Company at the principal place of business or via email to general@sregroup.com.hk for any enquiries.

During the year ended 31 December 2020, there is no change in the constitutional documents of the Company. The Memorandum of Association and Bye-laws of the Company are available on the website of the Company.

SHAREHOLDERS' RIGHT TO CONVENE AND PUT FORWARD PROPOSALS AT SPECIAL GENERAL MEETINGS

Pursuant to the Bye-laws of the Company, members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board and the Company Secretary at the principal place of business set out in the section of Corporate Information of this annual report, to require a special general meeting of the Company 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 requisitionists themselves may do so in the same manner.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 19 December 2018 (the "Dividend Policy").

The aim of the Dividend Policy is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the future growth and development of the Group.

In considering any dividend payout, the Board shall consider the following:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Bermuda and the Company's Bye-laws. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

THE BOARD'S RESPONSE TO THE OPINION OF THE INDEPENDENT AUDITOR

In the independent auditor's report contained in the Company's annual report for the year ended 31 December 2020, the independent auditor issued an opinion on the issues as set out in the paragraph headed "Material Uncertainty Related to Going Concern" in the independent auditor's report. The Board's considerations and responses to the aforesaid issues are as follows:

1. The operation of the Group is the most important consideration for the lenders to exercise their rights to demand immediate repayment

The Board considers that the Group has been relatively independent from its ultimate holding company China Minsheng Investment Corp., Ltd. ("China Minsheng") without significant transactions. In response to the measures imposed on Mr. Peng Xinkuang and Mr. Chen Donghui by the relevant PRC authorities, the Board proposed an ordinary resolution at the annual general meeting of the Company held on 29 June 2020 to remove each of Mr. Peng Xinkuang and Mr. Chen Donghui as an executive director of the Company, and such ordinary resolution was duly passed at the annual general meeting. Whether the lenders would demand the immediate repayment of the defaulted loans in accordance with the standard terms is mainly based on the judgment of the Group's operation, and the Group has been proactively communicating with the relevant lenders.

As of the date of approval of this report, the Group has made normal repayment and renewal of various loans and the overall operating conditions remained stable. The directors are confident of convincing the relevant lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

2. The Group has the ability to repay loans due

As at 31 December 2020, without taking into consideration of the borrowings re-classified as immediately repayable, the actual amount of the Group's current portion of long-term borrowings was RMB389 million. Among which, as of the date of approval of this report, RMB33 million has been repaid, and RMB356 million is originally scheduled to be repaid within the rest of 2021. The deterioration of financial conditions of China Minsheng since 2018, and the arrest of Mr. Peng Xinkuang and the detention of Mr. Chen Donghui (each a former director of the Company) by the relevant PRC authorities in January and February 2020, constituted the occurrence of certain triggering events under the loan agreements resulting in defaults of certain loans of the Group and a joint venture's loan guaranteed by the Group. The Group has been proactively communicating with the relevant lenders, and the lenders have neither demanded the immediate repayment of the relevant loans, nor requested the Group to immediately fulfill its guarantee obligation to repay the loan on behalf of the joint venture. The Board is confident of convincing the lenders not to exercise such rights to request the joint venture or the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

The Board considers that the Group's operations, including its pre-sale and receivables collection, remain normal. The interest payments and the repayments of relevant loans have been made in accordance with original repayment schedules. No demand for immediate repayment or fulfillment of guarantee obligation has been made by the relevant lenders. The Group has been proactively communicating with the relevant lenders to explain that the Group's business, operations, financial condition and cash position remain normal and stable.

The Group is actively negotiating with several financial institutions for grant of new loans, offering a sufficient pledge of assets and at a reasonable cost. Certain financial institutions have indicated their intention to grant new loans to the Group. The Group also continued speeding up its divestments of its equity holding in certain joint ventures and associated companies, and the preparation and negotiations with certain counterparties in divestments of equity holding in certain joint ventures progressed well. The Board believes that the Group has sufficient financial resources to support the normal repayments of the relevant loans.

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF SRE GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of SRE Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 202, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other 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 this 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2020 the Group's current liabilities included RMB1,511.3 million of borrowings, out of which RMB1,067.1 million were defaulted and became immediately repayable triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding Company of the Group since 2018; and (2) the detention and arrest of two executive directors of the Company by the authorities in the People's Republic of China. The above events also resulted in the defaults of a joint venture's loan guaranteed by the Group, while the relevant lenders have the right to demand the Group to fulfill its guarantee obligation to repay the loan of RMB3,451.8 million of the joint venture. Such conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section above, we have determined below to be the key audit matters to be communicated in our report.

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

- Fair value of investment properties
- Recoverability of receivables
- Impairment of investments in joint ventures and associates

KEY AUDIT MATTERS *(continued)*

Key Audit Matter 1

Fair Value of Investment Properties	How our audit addressed the Key Audit Matter
Refer to Note 3 (Critical accounting judgements and estimates) and Note 19 (Investment properties) to the consolidated financial statements. The Group's investment properties were measured at fair value and carried at approximately RMB4,112.5 million as at 31 December 2020 with a net fair value loss of approximately RMB189.0 million for the year then ended. The fair values of investment properties were determined by the Group based on the valuations performed by an independent professional valuer (the "Valuer") engaged by the Group. The determination of fair values involves significant accounting estimates, including the use of valuation methodologies and inputs. Major inputs include market rental rates, reversionary yield, term yield and estimated occupancy rates. We focused on this area and identified it as a key audit matter due to the valuation results of the investment properties are significant to the consolidated financial statements, and the valuation of the investment properties involved accounting estimates which are subject to high degree of estimation uncertainty, given the complexity of the valuation methodologies and the subjectivity of the significant assumptions applied by the Group.	We obtained an understanding of the Group's internal control related to the estimation of fair value of investment properties, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity. We evaluated the Valuer's competence, capabilities and objectivity by considering its qualification, relevant experience and relationship with the Group. We obtained and read the valuation reports issued by the Valuer for each of the investment properties, and assessed the appropriateness of valuation methods applied by the Valuer. For all the valuation reports, we matched the data including rental income, rentable areas and lease terms, to the underlying property records held by the Group. We checked the data used in the valuations to the rent rolls and the rent rates as stated in the relevant lease contracts, if applicable, as well as the location, the size and the age of the properties with property certificates. We paid site visit to each of the investment properties and observed physical conditions of the properties. We also discussed with management to understand the basis of their consideration applied in the property valuations in light of physical conditions of the properties. We corroborated the key assumptions used in the valuations of all the investment properties, including market rental rates, reversionary yield, term yield, and estimated occupancy rates, gathering and analysing the data of comparable properties in the market and the characteristics of the Group's properties. We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuer and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations. We also tested the mathematical accuracy used in the valuations for all the investment properties by recalculating the valuation values. Based on the above procedures performed, we found the data used and the key assumptions adopted in management's valuation assessments, were supportable by the evidence we gathered.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter 2

Recoverability of Receivables

Refer to Note 3 (Critical accounting judgements and estimates), Note 26 (Other receivables), Note 27 (Trade receivables) and Note 29 (Other financial assets at amortised cost) to the consolidated financial statements.

As at 31 December 2020, the Group had a balance of other receivables of approximately RMB2,767.6 million (before provision), a balance of trade receivables of approximately RMB64.8 million (before provision) and a balance of other financial assets at amortised cost of approximately RMB2,278.0 million (before provision), with a provision for impairment of approximately RMB910.6 million, approximately RMB22.7 million and approximately RMB814.8 million, respectively (together, the "receivables"). The impairments were provided for those receivables which are subject to high collectability risk due to financial difficulty of the debtors, default in payments, relevant legal disputes and other indicators for a decrease in the estimated future cash flows.

The Group estimated impairment losses at year end based on the available information, including the financial position of the debtors, litigation progress, value of pledged assets, credit risk of counterparties, as well as future performance and cash flow forecast, recoverable value of underlying assets of joint ventures and associates for those advances to these related parties.

We focused on this area because the amount of impairment is significant to the consolidated financial statements and the subjectivity and uncertainty involved in the significant estimates applied by the Group in assessing recoverability of the receivables.

How our audit addressed the Key Audit Matter

We obtained and evaluated key management controls over impairment assessment, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and subjectivity.

For receivables with material balance, we obtained and read the agreements and the supplemental agreements, if applicable.

For receivables with disputes, we checked the litigation progress, latest court decisions, and legal counsel's opinion whereas necessary.

We also checked the settlement history of the receivables as well as subsequent settlement after year end date on sample basis.

We further evaluated management's assessment on impairment provisions on receivables with material balance by:

- interviewing and collaborating with the Group's risk management department responsible for the collection of the receivables in disputes or for monitoring the status of the receivables to assess the rationale of making the accounting estimates;
- assessing the financial position of the debtors, where information is available; and
- assessing other alternative and available sources of settlement, including the value of the pledged assets or the financial status of the financial guarantors.
- for those balances due from joint venture and associates, assessing the future performance and cash flow forecast of these entities, and recoverable value of underlying assets within these entities.

Based on our audit procedures performed, we found the management's assessment on impairment provision of receivables was supportable by evidence obtained.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter 3

Impairment of investments in joint ventures and associates

Refer to Note 3 (Critical accounting judgements and estimates), Note 22 (Investments in associates) and Note 23 (Investments in joint ventures) to the consolidated financial statements.

As at 31 December 2020, the Group had a balance of investments in associates of approximately RMB1,256.7 million (before provision) and a balance of investments in joint ventures of approximately RMB3,211.5 million (before provision), with a provision for impairment of approximately RMB272.9 million and approximately RMB592.4 million, respectively. The impairments were provided for those investments whose underlying assets were subject to decrease in value or the Group's ability to exert influence on which was weakened.

The Group assessed the impairment losses at year end for those investments with significant balances based on the valuations performed by the Valuer and other available market information.

We focused on this area because the amount of impairment is significant to the consolidated financial statements and the uncertainty and subjectivity involved in the significant estimates applied by the Group in assessing impairments of investments in joint ventures and associates.

How our audit addressed the Key Audit Matter

We obtained an understanding of management process in assessing the impairment losses of investment in joint ventures and associates, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and subjectivity.

We obtained and reviewed the financial statements of major associates and joint ventures as of 31 December 2020, evaluated their operation and financial status and assessed if there were indicators of impairment by comparing the carrying value of the interests held by the Group in those associates and joint ventures.

For those investments with significant balances, we obtained and read the valuation report used in calculation of impairment. We evaluated the Valuer's competence, capabilities and objectivity by considering its qualification, relevant experience and relationship with the Group. We assessed the appropriateness of valuation methods applied by the Valuer.

For all the valuation reports obtained, we matched the data including cost incurred, project budget, completion progress, saleable area and unit price, used in valuation of the property assets in these associate and joint ventures, etc. We checked the data used in the valuations to the conditions of the properties and the reasonableness of the market price as well as the location and the size of the properties with property certificates.

We corroborated the key assumptions used in the valuations of all the properties, including future investments and sales price or rental rate by gathering and analysing the data of comparable properties in the market and the characteristics of the Group's properties.

We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuer and compared the valuations of investments in associates and joint ventures, on a sample basis, to our independently formed market expectations.

We also tested the mathematical accuracy used in the valuations for those investments in associates and joint ventures by recalculating the valuation values.

Based on our audit procedures performed, we found the management's assessment on impairment provision of investments in joint ventures and associates was supportable by evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement, management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), and the board's response to the opinion of the independent auditor, which we obtained prior to the date of this auditor's report, and the corporate information, introduction of the Group, financial summary, environmental, social and governance report, directors and senior management, report of the directors and corporate governance report which are expected to be made available to us after that date.

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

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

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

When we read the corporate information, introduction of the Group, financial summary, environmental, social and governance report, directors and senior management, report of the directors and corporate governance report, if we conclude there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND 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, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2020	2019
Revenue	5	**289,201**	651,335
Cost of sales	7	**(352,662)**	(464,490)
Gross (loss)/profit		**(63,461)**	186,845
Gains from disposal of subsidiaries and interests in a joint venture – net	23, 41	**81,418**	157,336
Net impairment losses on financial assets	7	**(278,148)**	(1,066,013)
Other income	6	**139,416**	–
Other losses – net	6	**(484,442)**	(1,099,169)
Selling and marketing expenses	7	**(24,493)**	(35,270)
Administrative expenses	7	**(160,832)**	(215,557)
Operating loss		**(790,542)**	(2,071,828)
Finance income	9	**8,059**	130,127
Finance costs	10	**(208,229)**	(395,678)
Finance costs – net		**(200,170)**	(265,551)
Share of results of associates		**81,114**	106,722
Share of results of joint ventures		**(57,067)**	(5,233)
Loss before income tax		**(966,665)**	(2,235,890)
Income tax expense	12	**30,226**	(45,252)
Loss for the year		**(936,439)**	(2,281,142)
Other comprehensive (losses)/income, net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(77,786)**	(8,403)
Item recycled to profit or loss:			
Exchange differences previously recognised through other comprehensive income recycled to profit or loss and included in gains from disposal of subsidiaries		**(392)**	1,917
Other comprehensive losses for the year, net of tax		**(78,178)**	(6,486)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,014,617)**	(2,287,628)

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**2020**	2019
Loss attributable to:			
Owners of the Company		**(918,778)**	(2,256,630)
Non-controlling interests		**(17,661)**	(24,512)
		(936,439)	(2,281,142)
Total comprehensive loss attributable to:			
Owners of the Company		**(996,956)**	(2,260,404)
Non-controlling interests		**(17,661)**	(27,224)
		(1,014,617)	(2,287,628)
Losses per share attributable to owners of the Company	14		
– Basic		**RMB (0.04)**	RMB (0.11)
– Diluted		**RMB (0.04)**	RMB (0.11)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	31 December 2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	17	**178,259**	185,628
Investment properties	19	**4,112,500**	4,270,400
Right-of-use assets	18	**221,380**	230,705
Goodwill	21	**–**	16,271
Investments in associates	22	**983,778**	1,192,517
Investments in joint ventures	23	**2,619,175**	3,177,540
Deferred tax assets	34	**253,004**	243,869
Financial assets at fair value through other comprehensive income	16	**38,056**	150,657
Other non-current assets	30	**162,401**	173,634
		8,568,553	9,641,221
Current assets			
Prepaid land lease payments	20	**756,407**	931,711
Properties held or under development for sale	24	**1,031,028**	996,677
Inventories		**448**	876
Trade receivables	27	**42,057**	11,573
Other receivables	26	**1,857,011**	2,103,803
Prepayments and other current assets	25	**61,642**	35,298
Prepaid income tax	12	**25,369**	68,302
Other financial assets at amortised cost	29	**1,463,229**	1,169,623
Cash and cash equivalents	28	**379,654**	518,956
Restricted cash	28	**2,641**	2,632
		5,619,486	5,839,451
Total assets		**14,188,039**	15,480,672

Consolidated Statement of Financial Position

As at 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	31 December 2020	2019
EQUITY AND LIABILITIES			
Equity			
Issued share capital and share premium	31	**6,747,788**	6,747,788
Other reserves	32	**167,842**	236,121
Accumulated losses		**(2,732,024)**	(1,803,347)
Equity attributable to owners of the Company		**4,183,606**	5,180,562
Non-controlling interests		**287,287**	304,948
Total equity		**4,470,893**	5,485,510
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	33	**3,064,658**	3,938,973
Lease liabilities	18	**32,599**	35,025
Deferred tax liabilities	34	**1,398,301**	1,436,028
		4,495,558	5,410,026
Current liabilities			
Interest-bearing bank and other borrowings	33	**1,511,281**	697,855
Lease liabilities	18	**5,682**	7,538
Contract liabilities	35	**546,270**	295,791
Trade payables	36	**445,888**	453,755
Other payables and accruals	37	**1,821,103**	2,237,226
Current income tax liabilities		**891,364**	892,971
		5,221,588	4,585,136
Total liabilities		**9,717,146**	9,995,162
Total equity and liabilities		**14,188,039**	15,480,672

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the consolidated financial statements.

The consolidated financial statements on pages 86 to 202 were approved by the Board of Directors on 26 March 2021 and were signed by the following Directors on its behalf:

Hong Zhihua	**Kong Yong**
Chairman	*Acting Chief Executive Officer*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Attributable to owners of the Company					
	Issued share capital and share premium (Note 31)	Other reserves (Note 32)	Accumulated losses	Total	Non-controlling interests	Total equity
At 1 January 2020	6,747,788	236,121	(1,803,347)	5,180,562	304,948	5,485,510
Comprehensive loss						
Loss for the year	–	–	(918,778)	(918,778)	(17,661)	(936,439)
Other comprehensive losses	–	(78,178)	–	(78,178)	–	(78,178)
Total comprehensive loss for the year	–	(78,178)	(918,778)	(996,956)	(17,661)	(1,014,617)
Transactions with owners						
Statutory reserve	–	9,899	(9,899)	–	–	–
Total transactions with owners	–	9,899	(9,899)	–	–	–
At 31 December 2020	6,747,788	167,842	(2,732,024)	4,183,606	287,287	4,470,893

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Attributable to owners of the Company					
	Issued share capital and share premium (Note 31)	Other reserves (Note 32)	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
At 1 January 2019	6,747,788	235,929	461,772	7,445,489	372,762	7,818,251
Comprehensive loss						
Loss for the year	–	–	(2,256,630)	(2,256,630)	(24,512)	(2,281,142)
Other comprehensive losses	–	(3,774)	–	(3,774)	(2,712)	(6,486)
Total comprehensive loss for the year	–	(3,774)	(2,256,630)	(2,260,404)	(27,224)	(2,287,628)
Transactions with owners						
Statutory reserve	–	7,838	(7,838)	–	–	–
Disposal of subsidiaries (Note 41)	–	–	–	–	(40,590)	(40,590)
Dividends to non-controlling shareholders	–	–	(651)	(651)	–	(651)
Share-based payments (Note 15)	–	(3,872)	–	(3,872)	–	(3,872)
Total transactions with owners	–	3,966	(8,489)	(4,523)	(40,590)	(45,113)
At 31 December 2019	6,747,788	236,121	(1,803,347)	5,180,562	304,948	5,485,510

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/from operations	38	**(28,068)**	109,203
Interest paid		**(245,206)**	(269,833)
Income tax paid		**(13,730)**	(37,541)
Income tax refunds received		**45,918**	10,579
Net cash outflow from operating activities		**(241,086)**	(187,592)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(696)**	(2,727)
Proceeds from disposal of property, plant and equipment		**5,439**	363
Proceeds from disposal of investment properties		**3,220**	14,353
Proceeds from disposal of subsidiaries and a joint venture, net of cash disposed	41	**116,377**	866,267
Payments for costs incurred on investment properties		**(25,788)**	(12,773)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**31,575**	128,436
Investments in joint ventures		**–**	(8,965)
Reduction of capital from joint ventures and an associate		**329,821**	55,008
Advance to joint ventures and associates		**(395,656)**	(243,774)
Proceeds from disposal of partial shareholder loan to a joint venture		**–**	24,800
Return of advances made to joint ventures		**84,354**	691,926
Advance received from a joint venture and an associate		**34,529**	–
Collection of amounts due from subsidiaries associated with disposal of these subsidiaries	41	**166,414**	256,841
Dividends received from a joint venture and associates		**109,772**	19,448
Proceeds from other investment activities		**–**	40,679
Return of payments for other investing activities		**–**	202,216
Net cash inflow from investing activities		**459,361**	2,032,098

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in restricted cash		(9)	(9)
Collection of deposit for guarantee of a borrowing		–	12,290
Principal elements of lease payments		(5,268)	(3,382)
Proceeds from short-term borrowings		4,559	–
Repayments of short-term borrowings		(4,559)	(791,580)
Proceeds from long-term borrowings		321,715	818,721
Repayments of long-term borrowings		(473,346)	(2,257,838)
Proceeds from a related party		–	200,000
Repayment of fundings from a related party		(200,000)	–
Dividends paid to non-controlling interests of subsidiaries		–	(651)
Net cash outflow from financing activities		(356,908)	(2,022,449)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(138,633)	(177,943)
Cash and cash equivalents at beginning of year		518,956	698,610
Effect of foreign exchange rate changes, net		(669)	(1,711)
CASH AND CASH EQUIVALENTS AT END OF YEAR		379,654	518,956

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

SRE Group Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company began to list on the Stock Exchange on 10 December 1999. The principal place of business of the Company in Hong Kong was changed from Suite 1001, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong to Level 11, Admiralty Tower 2, 18 Harcourt Road, Admiralty, Hong Kong on 15 August 2019.

The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in real estate development and investment in Mainland China, on projects located in gateway cities of developed and developing markets.

As at 31 December 2020, the Company's parent company is China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye"), which holds 61.44% (2019: 61.41%) of the Company's shares.

The consolidated financial statements are presented in thousands of Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through other comprehensive income which have been measured at fair value.

Going concern basis

As at 31 December 2020, the Group's current liabilities included RMB1,511.3 million of borrowings, out of which RMB1,067.1 million were defaulted and became immediately repayable on demand triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018; and (2) the arrest of Mr. Peng Xinkuang, a former director of the Company, and the detention of Mr. Chen Donghui, a former director of the Company, by the relevant authorities in the PRC in January and February 2020. The above events also resulted in the defaults of a joint venture's loan of RMB3,451.8 million guaranteed by the Group which gave rights of the relevant lenders to demand the Group to fulfill its guarantee obligation to repay the loan of the joint venture. As at 31 December 2020, however, the Group's cash and cash equivalents amounted to RMB379.7 million only.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstance, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern. The Group has formulated the following plans and measures to mitigate the liquidity pressure and to improve its cash flows.

1) Although no demand for immediate repayment has been made by the relevant lenders, the Group has been proactively communicating with the relevant lenders to explain that the Group's business, operations, financial condition and cash position remain normal and stable, and the Group has sufficient financial resources to support the repayments of the relevant loans under original repayment schedules. The directors are confident of convincing the relevant lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

2) The Group has also been proactively communicating with the lenders of the loan of the joint venture guaranteed by the Group, and the lenders have neither demanded the joint venture for immediate repayment of the loan nor requested the Group to immediately fulfil its guarantee obligation to repay the loan on behalf of the joint venture. The directors are confident of convincing the lenders not to exercise such rights to request the joint venture for immediate repayment of the loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

3) The Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost. Certain financial institutions have indicated their intention to grant new loans to the Group. Considering the Group's good credit history and its ability in providing sufficient pledges of properties and other assets, the directors are confident that the Group will be able to secure new loans at a reasonable cost, if necessary.

4) The Group will continue to speed up its divestments of its financial assets investments, its collection of proceeds from previous disposal transaction, and its return from previous investments in certain joint ventures after their pre-sales of properties under development. Considering the Group's investments in financial assets and joint ventures have property projects as underlying assets, the directors are confident that the Group will be able to successfully and timely generate cash inflows for the Group from above-mentioned transactions and investments.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management of the Company, which covers a period of at least 12 months from 31 December 2020. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within the next 12 months from 31 December 2020. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the followings:

(i) successful maintenance of a continuing and normal business relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to exercise their contractual rights to demand immediate repayment of the relevant borrowings;

(ii) successful maintenance of a continuing and normal business relationship with the lenders of the joint venture of the Group such that no action will be taken by the lenders to exercise their contractual rights to demand immediate repayment of the joint venture's loan and request the Group to fulfil its guarantee obligation;

(iii) successful in obtaining additional sources of financing as and when needed;

(iv) successful and timely divestments of the Group's financial assets investments, timely collection of proceeds from previous disposal transaction, and successful and timely collections of returns from previous investments in certain joint ventures.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than 12 months. The Group's current assets include assets (such as properties held or under development for sale and prepaid land lease payments for property development for sale and prepaid taxes) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the end of the reporting period.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New Standard, amendments and interpretation of HKFRSs adopted by the Group in 2020

The following new standard, amendments and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2020 and are relevant to the Group's operations:

Amendments to HKAS 1 and HKAS 8 regarding a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting clarify when information is material and incorporate some of the guidance in HKAS 1 about immaterial information.

Amendments to HKFRS 3 amend the definition of a business which requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 provide certain reliefs in relation to interest rate benchmark reforms.

Revised Conceptual Framework for Financial Reporting will be used in standard-setting decisions with immediate effect.

Amendments to HKFRS 16 — COVID-19-Related Rent Concessions provide lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications.

The adoption of the above new standard, amendments and interpretation of HKFRSs does not have a material impact on the financial position and performance of the Group for the year ended 31 December 2020, nor results in restatement of comprehensive figures.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATION

Certain new standards, amendments and interpretation of HKFRSs have been published but are not yet effective for the annual period beginning on 1 January 2020. Those that are relevant to the Group's operations are as follows:

HKFRS 17	*Insurance Contracts (effective for annual periods originally beginning on or after 1 January 2021, but extended to 1 January 2023 by the HKICPA)*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (effective for annual periods originally beginning on or after 1 January 2022, but extended to 1 January 2023 by the HKICPA)*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before intended use (effective for annual periods beginning on or after 1 January 2022)*
Amendments to HKFRS 3	*Reference to the Conceptual Framework use (effective for annual periods beginning on or after 1 January 2022)*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)*
Annual Improvements to HKFRS Standards 2018–2020	*There are some improvements to HKFRS 9 Financial Instruments, HKFRS 16 Leases, HKFRS 1 First-time Adoption of International Financial Reporting Standards and HKAS 41 Agriculture (effective for annual periods beginning on or after 1 January 2022)*
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021)*
Accounting Guideline 5 (revised)	*Revised Accounting Guideline 5 Merger (effective for periods beginning on or after 1 January 2022)*
Amendments to HKFRS 3, HKAS 16 and HKAS 37	*Narrow-scope amendments (effective for annual periods beginning on or after 1 January 2022)*
Hong Kong Interpretation 5 (2020)	*Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause (effective for annual periods beginning on or after 1 January 2023)*
Amendments to HKFRS 10 and HKAS 28	*Sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods to be determined)*

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATION *(continued)*

The Group has not early adopted any new financial reporting and accounting standards, amendments or interpretations of HKFRSs that were issued but are not yet effective for the year ended 31 December 2020.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 17 was issued as replacement for HKFRS 4 'Insurance Contracts'. It requires a current measurement model where estimates are re-measured in each reporting period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The narrow-scope amendments to HKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date .

The amended HKAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The amended HKFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

The amended HKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally between 20% and 50% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control of the investee.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

  or

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

Hotel buildings	40 years
Other buildings	20 years
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Furniture, fittings, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss and other comprehensive income.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

(c) Measurement *(continued)*

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss 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 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

(d) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, interest-bearing bank loans and other borrowings. Financial liabilities 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.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in the statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Other financial liabilities measured at amortised cost-loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Financial guarantee contracts

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(a) Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

(c) Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties held or under development for sale comprise specifically identified cost, including acquisition costs, development expenditures, capitalised borrowing costs and other related expenditure directly attributable to the development of such properties. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Inventories

Inventories mainly comprise food, beverages, operating supplies and low value consumables, and are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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.

Provisions

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

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

Income tax

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and 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 the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- 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.

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

A contract liability is recognised for advances received from sales of development properties until control over the relevant properties passed to the customer.

For details of the Group's revenue recognition policies are as follows:

Sale of development properties

Revenue is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefit of the property.

Significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

Property leasing under operating leases

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when it is reasonably certain that the lessee will exercise the option at the inception of the lease.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Construction of infrastructure for intelligent network

Revenue from the construction of infrastructure for intelligent network is recognised as follows:

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the time in which construction is conducted, respectively, as revenues and expenses. The Group uses the percentage of completion method (out-put method) to determine the appropriate amount of revenue and costs to be recognised over time. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred and it is probable that such costs incurred will be recovered.

Property management revenue

Property management revenue is recognised in the accounting period in which the services are rendered.

Hospital service revenue

The Group operates a hospital to provide obstetrical and gynecological services to the customer. The services include:

(i) out-patient services;

(ii) sale of relevant pharmaceutical products;

(iii) obstetrical operation; and

(iv) in-patient postpartum care service.

Revenue from (i) to (iii) is recognised at a point in time when the customer obtains the control of the completed services or pharmaceutical products and the Group has the present right to payment and the collection of consideration is probable.

Revenue from (iv) is recognised over the service period when the customer simultaneously receives the services and consumes the benefits provided by the Group's performance.

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).

Dividend income

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Employee retirement scheme

The employees of the Group's entities which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute 14% to 22% (2019: 14% to 22%) of the standard salary announced by the government to the central pension scheme. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme. In addition, the Group participates in the Mandatory Provident Fund Scheme, under which contributions of 5% of the Hong Kong employee's basic salaries are made by the employer and the Hong Kong employees, respectively. The provision and contributions have been included in the statement of profit or loss and other comprehensive income upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Share-based payments

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

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

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

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

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate has been applied to the expenditure on the individual assets.

Leases

Leases including land-use rights and office are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

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

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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.

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

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

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

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 assets are depreciated over the underlying asset's useful life.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

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

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the relevant asset before arriving at the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facilities services.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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 that makes strategic decisions.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

(a) Functional and presentation currencies

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's and its major subsidiaries' functional currency is RMB, as the major revenues are derived from operations in Mainland China. Since the year ended 31 December 2016, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to RMB for the preparation of its financial statements.

(b) Transactions and balances

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

(c) Group companies

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

(i) assets and liabilities of the Group are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period;

(ii) income and expenses of the Group are translated into the presentation currency at the average exchange rates for the period (unless such average rates are not the reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated into the presentation currency at the exchange rates ruling at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

(c) Group companies (continued)

For the purpose of the consolidated statement of cash flows, the cash flows of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of which arise throughout the year are translated into the presentation currency at the weighted average exchange rates for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, if any, and all monetary items that provide an effective hedge for such investments, if any, are recognised in other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities (except for contingent liabilities recognised in a business combination) and assets are not recognised on the statement of financial position of the Group and the Company.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification of subsidiary, joint venture and associate

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

The Group makes judgement based on the substance of the arrangements and the definition of subsidiary, joint venture and associate as disclosed in Note 2.4.

Estimation uncertainty

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

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period during the years ended 31 December 2020 and 31 December 2019 using the term and reversion method on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

For details of change in fair values of investment properties and further details including the key assumptions used for fair value measurement and a sensitivity analysis in 2020, please see Note 19.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of fair value of financial assets at FVOCI

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

Impairment of receivables

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the receivables and impairment of receivables/reversal of impairment in the period in which such estimate has been changed. The impairment for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the Group's past history existing market conditions as well as forward–looking estimates at the end of each reporting period. Details are disclosed in Note 46.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. The carrying value of the cash generating units ("CGUs"), or group of CGUs, containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. The carrying amount of goodwill at 31 December 2020 was nil (2019: approximately RMB16 million). For details of goodwill, please see Note 21.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment test exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Deferred tax assets and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of these provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the domicile of the respective group entity.

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed. For details of deferred tax assets and liabilities and income tax, please see Note 34 and Note 12.

4. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The Board has determined the operating segments based on the Group's products and services. The performance of each segment is evaluated based on its operating profit or loss before income tax and the methodology used for its calculation is the same as that for the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

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

The reportable operating segments are as follows:

- The property development segment develops and sells residential and commercial properties;

- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;

The other operations comprises, principally, the corporate activities that are not allocated to segments and miscellaneous insignificant operations including provision of property management services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

An analysis by operating segment is as follows:

	2020			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	113,614	94,615	80,972	289,201
Intersegment sales	–	–	50,518	50,518
	113,614	94,615	131,490	339,719
Reconciliation:				
Elimination of intersegment sales				(50,518)
Revenue				289,201
Segment loss	(115,003)	(144,850)	(530,689)	(790,542)
Finance income				8,059
Finance costs				(208,229)
Finance costs — net				(200,170)
Share of results of associates				81,114
Share of results of joint ventures				(57,067)
Loss before income tax				(966,665)
Segment assets and liabilities				
Segment assets	3,214,318	4,840,315	2,530,453	10,585,086
Investments in associates				983,778
Investments in joint ventures				2,619,175
Total assets				14,188,039
Segment liabilities	5,134,447	1,612,882	2,969,817	9,717,146
Total liabilities	5,134,447	1,612,882	2,969,817	9,717,146

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

An analysis by operating segment is as follows: *(continued)*

	2020			
	Property development	Property leasing	Other operations	Total
Other segment information:				
Depreciation and amortisation	615	261	17,176	18,052
Capital expenditure*	113	35,876	1,159	37,148
Net fair value loss on investment properties	–	189,033	–	189,033
Provision for impairment of properties held or under development for sale	52,222	–	–	52,222
Provision for impairment of prepaid land lease payments	142,696	–	–	142,696
Provision for impairment of goodwill	16,271	–	–	16,271
Net impairment loss on financial assets	195,792	37,208	45,148	278,148
Provision for impairment of investments in joint ventures				12,581
Provision for impairment of investments in associates				268,735

* Capital expenditure consists of additions of property, plant and equipment (RMB5,029 thousand), additions in cost of investment properties (RMB31,133 thousand) and additions of right-of-use assets (RMB986 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

An analysis by operating segment is as follows: *(continued)*

	2019			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	443,270	113,909	94,156	651,335
Intersegment sales	–	–	53,716	53,716
	443,270	113,909	147,872	705,051
Reconciliation:				
Elimination of intersegment sales				(53,716)
Revenue				651,335
Segment (loss)/profit	(57,499)	4,417	(2,018,746)	(2,071,828)
Finance income				130,127
Finance costs				(395,678)
Finance costs — net				(265,551)
Share of results of associates				106,722
Share of results of joint ventures				(5,233)
Loss before income tax				(2,235,890)
Segment assets and liabilities				
Segment assets	3,307,828	3,265,876	4,536,911	11,110,615
Investments in associates				1,192,517
Investments in joint ventures				3,177,540
Total assets				15,480,672
Segment liabilities	4,471,166	1,199,605	4,324,391	9,995,162
Total liabilities	4,471,166	1,199,605	4,324,391	9,995,162

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

An analysis by operating segment is as follows: *(continued)*

	2019			
	Property development	Property leasing	Other operations	Total
Other segment information:				
Depreciation and amortisation	591	301	31,487	32,379
Capital expenditure*	10	12,920	44,535	57,465
Net fair value loss on investment properties	–	32,719	–	32,719
Reversal of impairment of properties held or under development for sale	(6,887)	–	–	(6,887)
Reversal of impairment of prepaid land lease payments	(61,894)	–	–	(61,894)
Provision for investments in property, plant and equipment	753	36,579	466,689	504,021
Net impairment loss on financial assets	674,383	–	391,630	1,066,013
Provision for impairment of investments in joint ventures				549,878
Provision for impairment of investments in associates				4,172

* Capital expenditure consists of additions of property, plant and equipment (RMB2,727 thousand), additions in cost of investment properties (RMB12,773 thousand) and additions of right-of-use assets (RMB41,965 thousand).

Geographical information

(a) For the year ended 31 December 2020: 100% (2019: 96.3%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2020, more than 89% (2019: more than 87%) of the Group's non-current assets (based on the locations of the assets and excludes financial instruments and deferred tax assets) were located in Mainland China.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers

The Group's customers from whom the revenue is derived are widely dispersed. No customer or a single group of customers which are known to be under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019.

5. REVENUE

An analysis of revenue is as follows:

	2020	2019
Revenue from contracts with customers recognized at a point in time		
— Revenue from sale of properties (a)	**114,268**	451,378
— Revenue from hospital service (b)	**13,944**	18,918
	128,212	470,296
Revenue from contracts with customers recognized over time		
— Revenue from properties management (c)	**28,288**	22,885
— Revenue from hospital service (b)	**32,572**	34,728
— Revenue from construction of infrastructure for an intelligent network (b)	**1,049**	1,837
	61,909	59,450
Revenue from property leasing	**94,888**	114,312
Other revenue	**6,001**	17,068
Less: Tax and surcharges (d)	**(1,809)**	(9,791)
Total revenue	**289,201**	651,335

(a) Unsatisfied contracts

The following table shows unsatisfied performance obligations resulting from sale of properties:

	2020	2019
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	**636,931**	457,256

Management expects that 91% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2020 will be recognised as revenue during the next reporting period (RMB577 million). The remaining 9% (RMB60 million) will be recognised in the 2022 financial year. The amount disclosed above does not include variable consideration which is constrained.

(b) For hospital service and construction of infrastructure for intelligent network, all the contracts have an original expected duration of one year or less. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

(c) The Group recognised revenue from property management in the amount directly with the value to the customers of the Group's performance to data on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

5. REVENUE *(continued)*

(d) Tax and surcharges

Tax and surcharges included government surcharges, comprising city maintenance and construction tax, education surtax and river way management fee, which are calculated at certain percentages of value-added tax ("VAT").

Effective from 1 May 2016, the Group's revenue is subject to VAT which is deducted directly from the revenue proceeds. The applicable VAT rate for the Group's revenue is as follows:

- Pursuant to the 'Public Notice on Relevant Polices for Deepening VAT Reform' jointly issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs on 29 March 2019, the applicable tax rates of revenue arising from sale and lease of properties and revenue arising from construction of infrastructure for intelligent network are 9% from 1 April 2019, while they were 10% from 1 May 2018 to 31 March 2019, and 11% before 1 May 2018. Sales and leasing of properties of qualified old projects, which are those with construction commenced on or before 30 April 2016, can adopt a simplified VAT method at a rate of 5% with no deduction of input VAT. Revenue from property management services is subject to VAT at 6%.

6. OTHER INCOME AND OTHER LOSSES — NET

An analysis of other income is as follows:

	2020	2019
Interest income from loans receivable due from related parties (a)	102,681	–
Gain from guarantee provided to a joint venture (b)	36,735	–
	139,416	–

(a) Interest income from loans receivable due from related parties of approximately RMB97,286 thousand for the year ended 31 December 2019 was recorded in finance income.

(b) Income from guarantee provided to a joint venture of approximately RMB7,968 thousand for the year ended 31 December 2019 was recorded in revenue.

An analysis of other losses — net is as follows:

	2020	2019
Impairment of investment in associates (Note 22)	(268,735)	(4,172)
Impairment of investment in joint ventures (Note 23)	(12,581)	(549,878)
Impairment of investment in property, plant and equipment (Note 17)	–	(504,021)
Net fair value loss on investment properties (Note 19)	(189,033)	(32,719)
Loss from disposal of financial assets at fair value through other comprehensive income (Note 16)	(43,818)	–
Adjustment of forfeiture of prepayments	–	(16,248)
Loss from disposal of an investment property	–	(4,837)
Penalties on idle land	–	(2,000)
Net gain on disposal of property, plant and equipment	785	249
Others	28,940	14,457
	(484,442)	(1,099,169)

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

7. EXPENSES BY NATURE

An analysis of expenses by nature is as follows:

	2020	2019
Cost of inventories sold (excluding depreciation, reversal of impairment of properties held or under development for sale and prepaid land lease payments)	118,928	496,327
Depreciation of items of property, plant and equipment (Note 17)	7,741	19,488
Depreciation of items of right-of-use assets (Note 18)	10,311	12,891
Employee benefit expense (including directors' and chief executive officer's emoluments, excluding those capitalised in property under development) (Note 8)	95,327	130,927
Provision for/(reversal of) impairment of properties held or under development for sale (Note 24)	52,222	(6,887)
Provision for/(reversal of) impairment of prepaid land lease payments (Note 20)	142,696	(61,894)
Professional service fees	22,351	31,274
Agent and sale commission for sale of properties	17,180	18,153
Operating lease payments in respect of buildings (Note 18)	688	3,980
Auditor's remuneration (*)		
— Annual audit services	3,200	4,900
— Non-audit services	587	832
Advertising costs	3,483	8,464
Miscellaneous tax	12,765	15,790
Transportation fee	3,413	6,435
Office expenses	2,816	5,856
Water and electricity costs	3,286	4,284
Net impairment loss on financial assets		
— Provision for impairment of other receivables (Note 26)	175,117	476,811
— Reversal of provision for impairment of trade receivables (Note 27)	–	(74)
— Provision for impairment of other financial assets at amortised cost (Note 29)	64,337	589,273
— Provision for impairment of financial assets at FVOCI (Note 16)	37,208	–
— (Reversal of)/provision for impairment of other non-current assets (Note 30)	(14)	3
— Provision for impairment of prepayment (Note 25)	1,500	–
Provision for impairment of goodwill (Note 21)	16,271	–
Others	24,722	24,497
	816,135	1,781,330

* Auditor's remuneration for 2020 included non-audit service fees of RMB448 thousand (2019: RMB712 thousand for circulars issued in 2019) in respect of services for circulars issued in 2020 and RMB139 thousand (2019: RMB120 thousand) in respect for consulting services relating to environmental, social and governance report.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

8. EMPLOYEE BENEFIT EXPENSES

	2020	2019
Wages and salaries	87,642	116,576
Share-based payments (Note 15)	–	(3,872)
Pension costs — defined contribution plans	7,685	18,223
Total employee benefit expenses	95,327	130,927

(a) Pensions — defined contribution plans

All Chinese employees of the Group participate in defined contribution employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the governmental authorities. The Group has no other substantial commitments to employees.

(b) Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2019: two directors), details of whose remuneration are set out in Note 11. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
Salaries, housing allowances, share option scheme, other allowances and benefits in kind*	4,827	3,498
	4,827	3,498

* Partial of annual remuneration which was not approved or paid as of the date of approval of these consolidated financial statements was not included in amounts above for the year ended 31 December 2020 and 2019.

No discretionary bonuses, inducement fees or employer's contribution to pension schemes were given to any of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company during the years ended 31 December 2020 and 2019.

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2020	2019
RMB0 — RMB1,000,000	1	–
RMB1,000,001 — RMB2,000,000	2	3

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

9. FINANCE INCOME

An analysis of finance income is as follows:

	2020	2019
Interest from financial assets held for cash management purposes	**8,059**	130,127

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
Interest on bank borrowings and other borrowings	**293,994**	447,439
Interest on lease liabilities (Note 18)	**2,418**	2,962
Less: interest capitalised	**(16,695)**	(49,347)
Interest expense	**279,717**	401,054
Net foreign exchange gain	**(71,488)**	(5,376)
Finance costs	**208,229**	395,678

During the year ended 31 December 2020, the weighted average interest capitalisation rate was 6.04% (2019: 6.58%) per annum.

11. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out as follows:

	2020	2019
Fees	**1,179**	1,276
Other emoluments:		
Salaries	**3,768**	4,929
Share-based payments	**–**	–
	4,947	6,205

* Partial of annual remuneration which was not approved or paid as of the date of approval of these consolidated financial statements was not included in amounts above for the year ended 31 December 2020 and 2019.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

11. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Executive directors, non-executive directors and independent non-executive directors:

Name of directors and the chief executive	Salaries	2020 fees	Share option scheme	Total
Chairman				
— Mr. Lei Dechao (appointed and resigned in 2020)*	867	–	–	867
— Mr. Hong Zhihua (appointed in 2020)	182	–	–	182
Executive directors				
— Mr. Zong Shihua (appointed in 2019 and resigned in 2020)*	22	–	–	22
— Ms. Jiang Chuming (appointed in 2019 and resigned in 2021)*	704	–	–	704
— Mr. Zhu Qiang (resigned in 2021)*	747	–	–	747
— Mr. Chen Donghui (removed in 2020)*	7	–	–	7
— Ms. Qin Wenying	693	–	–	693
— Mr. Jiang Qi	521	–	–	521
Independent non-executive directors				
— Mr. Chan, Charles Sheung Wai	–	312	–	312
— Mr. Zhuo Fumin	–	312	–	312
— Mr. Ma Lishan	–	312	–	312
— Mr. Han Gensheng (resigned in 2020)*	–	243	–	243
Chief executive				
— Mr. Peng Xinkuang (appointed in 2019 and removed in 2020) *	25	–	–	25
Total	3,768	1,179	–	4,947

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

11. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Name of directors and the chief executive	Salaries	2019 fees	Share option scheme	Total
Executive directors				
— Mr. Zong Shihua (appointed in 2019)	432	–	–	432
— Ms. Jiang Chuming (appointed in 2019)	222	–	–	222
— Mr. Chen Chao (retired in 2019)*	23	–	–	23
— Mr. Zhu Qiang	660	–	–	660
— Mr. Chen Donghui (removed in 2020)*	53	–	–	53
— Ms. Qin Wenying	780	–	–	780
— Mr. Jiang Qi (appointed in 2018)	531	–	–	531
Independent non-executive directors				
— Mr. Chan, Charles Sheung Wai	–	319	–	319
— Mr. Zhuo Fumin	–	319	–	319
— Mr. Ma Lishan	–	319	–	319
— Mr. Han Gensheng	–	319	–	319
Chief executive				
— Mr. Peng Xinkuang (appointed in 2019 and removed in 2020)*	1,353	–	–	1,353
— Mr. Liu Feng (resigned in 2019)*	875	–	–	875
Total	4,929	1,276	–	6,205

* In October 2020, Mr. Han Gensheng has resigned as an independent non-executive director.

* In May 2020, Mr. Zong Shihua has resigned as an executive director.

* In February 2020, all administrative and executive duties and powers of Mr. Peng Xinkuang in the Company were suspended and his 160 million shares granted under the share option scheme forfeited, and he was further removed in June 2020. Mr. Zhu Qiang was appointed as acting chief executive officer and Mr. Lei Dechao was appointed as an executive director, the chairman of the Board, the chairman of the Nomination Committee and the Investment Committee of the Company. In October 2020, Mr. Lei Dechao resigned. In January 2021, Mr. Zhu Qiang and Mr. Jiang Chuming resigned.

* In February 2020, all administrative and executive duties and powers of Mr. Chen Donghui in the Company as executive director have been suspended and his 80 million shares granted under the share option scheme forfeited, and he was further removed in June 2020.

* In July 2019, Mr. Liu Feng has resigned as an executive director and the chief executive officer of the Group and ceased to be a member of the Investment Committee of the Company and an authorised representative.

* In June 2019, Mr. Chen Chao has retired as an executive director. In 2020, his 80 million shares granted under the share option scheme forfeited.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

11. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

No discretionary bonuses, inducement fees or employer's contribution to pension schemes were given to any of the directors during the years ended 31 December 2020 and 2019. In July 2019, HK$1,815 thousand was given to Mr. Liu Feng as compensation for loss of office as a director. Except for Mr. Liu Feng, no other directors have received such kind of compensation during financial year 2019.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

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 any time during the year.

12. INCOME TAX EXPENSE/(CREDIT)

An analysis of income tax is as follows:

	2020	2019
Current taxation		
— Mainland China income tax (a)	**13,657**	66,057
— Mainland China LAT (c)	**2,979**	(8,777)
	16,636	57,280
Deferred taxation		
— Mainland China income tax	**(39,692)**	7,585
— Mainland China LAT	**(513)**	(1,856)
— Mainland China withholding tax (d)	**(6,657)**	(17,757)
	(46,862)	(12,028)
Total tax (credit)/charge for the year	**(30,226)**	45,252

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25% in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. The outstanding balance recorded in "prepaid income tax" was approximately RMB4 million as at 31 December 2020 (2019: approximately RMB52 million). Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

12. INCOME TAX EXPENSE/(CREDIT) *(continued)*

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2035. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2019: Nil).

(c) Mainland China land appreciation tax ("LAT")

LAT is incurred upon transfer of property and land ownership and is levied 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 land costs, borrowing costs, taxes and all property development expenditures.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1% to 2% (2019: 1% to 2%) on proceeds from the sale and pre-sale of properties. Prepaid LAT has been recorded in "prepaid income tax" with an amount of approximately RMB21 million as at 31 December 2020 (2019: approximately RMB16 million). Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition. The credit to the statement of profit or loss and other comprehensive income in 2019 was due to the tax refund received by a certain project provision upon the final assessment of LAT.

(d) Mainland China withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China and on gain from disposal of equity interests to non-tax resident enterprises. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from retained profits as at 31 December 2007 are exempted from withholding tax.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

12. INCOME TAX EXPENSE/(CREDIT) *(continued)*

A reconciliation of the tax expense applicable to loss before income tax using the statutory tax rate of 25% for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	2020	2019
Loss before income tax	**(966,665)**	(2,235,890)
Tax at the applicable tax rate of 25%	**(241,666)**	(558,973)
Effect of different tax rate	**–**	9,466
Tax effect of results attributable to associates and joint ventures	**(6,012)**	(25,372)
Impact of LAT (which is itself classified as part of income tax) as it is deductible for income tax purposes	**(617)**	2,658
Income not subject to tax	**(3,244)**	(479)
Utilisation of previously unrecognised tax losses	**(7,326)**	(16,940)
Tax losses not recognised as deferred tax assets	**45,865**	141,757
Temporary differences not recognised as deferred tax assets due to non-recoverability	**186,416**	520,464
Expenses not deductible for tax	**549**	1,061
Effect of withholding tax at 10% on the retained profits expected to be distributed, for the Group's subsidiaries in Mainland China	**(6,657)**	(17,757)
Mainland China income tax	**(32,692)**	55,885
Mainland China LAT (including deferred LAT)	**2,466**	(10,633)
Total tax (credit)/expense for the year at the Group's effective tax rate	**(30,226)**	45,252

13. DIVIDENDS PAID AND PROPOSED

The Board of Directors has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2020 (2019: Nil).

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

14. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

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

	2020	2019
Loss attributable to owners of the Company	(918,778)	(2,256,630)
Weighted average number of ordinary shares in issue (thousands)	20,564,713	20,564,713
Basic losses per share	(0.04)	(0.11)

(b) Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The share options issued in 2016 constitute dilutive shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the years ended 31 December 2020 and 2019, as the average annual market share price of the Company's shares was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, the impact of exercise of the share options on losses per share is anti-dilutive.

15. SHARE-BASED PAYMENTS

On 3 June 2016, the Board proposed to adopt a new share option scheme (the "Scheme") to reward the contributions made by the employees that are eligible under the Scheme (the "Eligible Employees"), which was approved and adopted by the shareholders of the Company on 6 July 2016.

On 14 July 2016, options to subscribe for a total of 1,073,717,976 new shares were offered to the Eligible Employees. The exercise price of the granted options is equal to the average closing prices per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of the grant which is 14 July 2016. The options shall be vested in three tranches in accordance with the following vesting date and conditions: (i) 40% of the options shall be vested on 30 August 2016 and exercisable from 30 August 2016 to 13 July 2021 at a condition of the Group achieving its target to turn losses into gains for the six months ended 30 June 2016; (ii) an additional 30% shall be vested on 30 August 2017 and exercisable from 30 August 2017 to 13 July 2021 at a condition of the Group achieving a net profit of no less than RMB350 million for the six months ending 30 June 2017; and (iii) the remaining 30% shall be vested on 30 August 2018 and exercisable from 30 August 2018 to 13 July 2021 at a condition of the Group achieving a growth rate of net profit of no less than 50% comparing the six months ending 30 June 2018 to the six months ending 30 June 2017. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

15. SHARE-BASED PAYMENTS *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Average exercise price in HK$ per share option	Number of share options (thousands)	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1 January	0.2120	603,623	0.2120	604,603
Late forfeited (a)	0.2120	(390,423)	0.2120	(980)
At 31 December	0.2120	213,200	0.2120	603,623

(a) In 2020, the 390,243 thousand options (2019: 980 thousand) were late forfeited due to the resignation of directors and employees (Note 11).

As at 31 December 2020, all of the outstanding options were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price in HK$ per share option	Number of share options (thousands) 2020	Number of share options (thousands) 2019
Expiry date — 13 July 2021	0.2132	213,200	603,623

The fair value of options granted during the period determined using the Binomial valuation model was divided into three tranches according to vesting period, being HK$7.80 cents per option for options vested on 30 August 2016, HK$7.99 cents per option for options to be vested on 30 August 2017 and HK$8.21 cents per option for options to be vested on 30 August 2018. The significant inputs into the model were closing share price of HK$0.2120 at the grant date, exercise price shown above, volatility of 46%, dividend yield of nil, an expected option life of 5, 4 and 3 years respectively, and an annual risk-free interest rate of 0.69%. The volatility measured at the standard deviation of continuously compounded share returns is based on the average rate of comparable companies. See Note 7 for the total expense recognised in the statement of profit or loss and other comprehensive income for share options granted to directors and employees.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 Financial assets	2019 Financial assets
At 1 January	**150,657**	150,657
Disposals	**(75,393)**	–
Less: provision for impairment	**(37,208)**	–
At 31 December	**38,056**	150,657

Breakdown of financial assets at FVOCI as at 31 December 2020:

		Percentage of shares (%)	Cost at 31 December 2020	Fair value at 31 December 2020	% to total assets at 31 December 2020
Investment					
Secured loan package from Industrial and Commercial Bank of China ("ICBC")	(a)	**Not applicable**	**75,264**	**38,056**	**0.3%**

Breakdown of financial assets at FVOCI as at 31 December 2019:

		Percentage of shares (%)	Cost at 31 December 2019	Fair value at 31 December 2019	% to total assets at 31 December 2019
Investment					
Secured loan package from ICBC	(a)	Not applicable	150,657	150,657	1.0%

(a) In 2020, the Group disposed partial of the secured loan packages originated from ICBC and recorded losses from disposal of financial assets at FVOCI of approximately RMB44 million.

As at 31 December 2020, the Group held the secured loan packages originated from ICBC with fair value of approximately RMB38 million (2019: approximately RMB151 million). The fair value is within level 3 of the fair value hierarchy. The significant unobservable inputs are the adjusted unit market value of the comparative properties. In 2020, the Group made provision of approximately RMB37 million (2019: Nil) against the balance.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

Amounts recognised in profit or loss and other comprehensive income:

During the year, the following losses were recognised in profit or loss and other comprehensive income.

	2020	2019
Loss from disposal of financial assets at FVOCI recognised in other losses (Note 6)	**(43,818)**	–
Provision for impairment of finance assets at FVOCI recognised in net impairment losses on financial assets (Note 7)	**(37,208)**	–
	(81,026)	–

17. PROPERTY, PLANT AND EQUIPMENT

	2020				
	Buildings	**Leasehold improvements**	**Furniture, fittings, fixtures and office equipment**	**Motor vehicles**	**Total**
Cost					
Beginning of year	**648,035**	**2,767**	**108,376**	**19,630**	**778,808**
Additions	**4,504**	**–**	**525**	**–**	**5,029**
Disposals	**(4,504)**	**–**	**(813)**	**(1,173)**	**(6,490)**
End of year	**648,035**	**2,767**	**108,088**	**18,457**	**777,347**
Accumulated depreciation					
Beginning of year	**53,481**	**2,767**	**14,728**	**18,936**	**89,912**
Depreciation charge (Note 7)	**3,722**	**–**	**3,452**	**567**	**7,741**
Disposals	**(18)**	**–**	**(651)**	**(1,164)**	**(1,833)**
End of year	**57,185**	**2,767**	**17,529**	**18,339**	**95,820**
Impairment					
Beginning of year	**503,268**	**–**	**–**	**–**	**503,268**
End of year	**503,268**	**–**	**–**	**–**	**503,268**
Net carrying amount					
Balance, end of year	**87,582**	**–**	**90,559**	**118**	**178,259**
Balance, beginning of year	**91,286**	**–**	**93,648**	**694**	**185,628**

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	2019				
	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Motor vehicles	Total
Cost					
Beginning of year	649,535	2,767	107,018	23,445	782,765
Additions	–	–	2,381	346	2,727
Disposal of subsidiaries (Note 41)	(1,500)	–	(451)	(1,483)	(3,434)
Disposals	–	–	(572)	(2,678)	(3,250)
End of year	648,035	2,767	108,376	19,630	778,808
Accumulated depreciation					
Beginning of year	37,427	2,767	15,237	20,567	75,998
Depreciation charge (Note 7)	16,814	–	368	2,306	19,488
Disposal of subsidiaries (Note 41)	(760)	–	(329)	(1,349)	(2,438)
Disposals	–	–	(548)	(2,588)	(3,136)
End of year	53,481	2,767	14,728	18,936	89,912
Impairment					
Beginning of year	–	–	–	–	–
Impairment charge (Note 6)	504,021	–	–	–	504,021
Disposal of subsidiaries (Note 41)	(753)	–	–	–	(753)
End of year	503,268	–	–	–	503,268
Net carrying amount					
Balance, end of year	91,286	–	93,648	694	185,628
Balance, beginning of year	612,108	–	91,781	2,878	706,767

Depreciation expenses of approximately RMB4,193 thousand (2019: approximately RMB4,000 thousand), of approximately RMB143 thousand (2019: approximately RMB14 thousand) and of approximately RMB3,405 thousand (2019: approximately RMB15,474 thousand) had been respectively expensed in cost of goods sold, selling and marketing expenses and administrative expenses.

As at 31 December 2020, the property, plant and equipment with a net carrying amount of RMB74,012 thousand (2019: RMB78,282 thousand) were pledged as collateral for the Group's bank and other borrowings (Note 33).

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

18. LEASES

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

(i) Amounts recognised in the consolidated statement of financial position:

	31 December 2020	1 January 2020
Right-of-use assets		
Land-use rights	**187,326**	192,077
Office	**34,054**	38,628
	221,380	230,705
Lease liabilities		
Current	**5,682**	7,538
Non-current	**32,599**	35,025
	38,281	42,563

The Group has land lease arrangement with mainland China government.

Additions to the right-of-use assets for the year ended 31 December 2020 were RMB986 thousand (2019: RMB41,965 thousand).

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income:

	Notes	**2020**	2019
Depreciation charge of right-of-use assets			
Land-use rights		**4,752**	5,423
Office		**5,559**	7,468
		10,311	12,891
Interest expense (included in finance cost)	10	**2,418**	2,962
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	7	**688**	3,980

The total cash outflows for leases for the year ended 31 December 2020 were RMB8,374 thousand (2019: RMB10,324 thousand).

As at 31 December 2020, the right-of-use assets with a net carrying amount of approximately RMB41,528 thousand (2019: RMB42,718 thousand) were pledged as collateral for the Group's bank borrowing (Note 33).

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

19. INVESTMENT PROPERTIES

Completed investment properties

	2020	2019
At beginning of year	4,270,400	5,408,444
Net fair value loss (Note 6)	(189,033)	(32,719)
Additions in cost	31,133	12,773
Disposal of investment properties	–	(22,410)
Disposal of subsidiaries (Note 41)	–	(1,099,079)
Currency translation differences	–	3,391
At end of year	4,112,500	4,270,400

The investment properties as at 31 December 2020 mainly represent the following properties:

— Shanghai Oasis Central Ring Centre — Portions of eight multi-storey shopping malls and car-park places at Putuo District, Shanghai, with a total fair value of approximately RMB1,061 million (2019: RMB1,063 million), for which the operating leases entered into have terms ranging from 1 to 10 years; and

— Shenyang Richgate Shopping Mall — A seven-storey shopping mall at Shenhe District, Shenyang, with a total fair value of approximately RMB2,096 million (2019: RMB2,261 million), for which the operating leases entered into have terms ranging from 1 to 10 years; and

— Shanghai Lake Malaren Transportation Hub — A five-storey shopping mall at Baoshan District, Shanghai, with a total fair value of approximately RMB246 million (2019: RMB245 million), for which the operating leases entered into have terms ranging from 1 to 11 years; and

— Shanghai Lake Malaren Commercial Street — A commercial street at Baoshan District, Shanghai, with a total fair value of approximately RMB710 million (2019: RMB701 million), for which the operating leases entered into have terms ranging from 1 to 16 years.

As at 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (2019: RMB17,879 thousand).

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

19. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

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

	Fair value measurement As at 31 December 2020 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**3,906,500**	**3,906,500**
Car parks	**–**	**–**	**206,000**	**206,000**
	–	**–**	**4,112,500**	**4,112,500**

	Fair value measurement As at 31 December 2019 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	4,061,400	4,061,400
Car parks	–	–	209,000	209,000
	–	–	4,270,400	4,270,400

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

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

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

19. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties	Car parks	Total
Carrying amount at 1 January 2019	5,196,444	212,000	5,408,444
Net fair value loss (Note 6)	(29,719)	(3,000)	(32,719)
Additions in cost	12,773	–	12,773
Disposal of investment properties	(22,410)	–	(22,410)
Disposal of subsidiaries	(1,099,079)	–	(1,099,079)
Currency translation differences	3,391	–	3,391
Carrying amount at 31 December 2019 and 1 January 2020	**4,061,400**	**209,000**	**4,270,400**
Net fair value loss (Note 6)	**(186,033)**	**(3,000)**	**(189,033)**
Additions in cost	**31,133**	**–**	**31,133**
Carrying amount at 31 December 2020	**3,906,500**	**206,000**	**4,112,500**

As at 31 December 2020, the Group's investment properties were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent professionally qualified property valuer and consultant. The Group's finance team will review the valuation performed by the independent valuer, including:

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

The valuations were performed based on the income approach (term and reversion method or direct capitalisation method).

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Dec 2020 (RMB thousand)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial properties — Mainland China	4,112,500 (2019: 4,270,400)	Income approach	Term yield	Term yield of 3.5%-6.0% (2019: 3.5%-6.0%)	The higher the term yield, the lower the fair value
			Reversionary yield	Reversionary yield of 4.0%-6.5% (2019: 4.0%-6.5%)	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit	RMB39-RMB242 (2019: RMB42-RMB260) per square metre per month	The higher the market unit rent, the higher the fair value

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

19. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates. The direct capitalisation method measures the fair value of the property by assuming a stabilised economic income capitalised by a market yield rate. The market yield was developed based on the research on the sales and rental evidences of the similar properties in the surrounding market and assuming the existing tenancy will be extended. A significant increase/(decrease) in the estimated market yield would result in a significant decrease/(increase) in the fair value of the investment properties.

Were the rental rate and yield rate required assumed to increase or decrease by 10% from management's estimate, the changes in carrying amount of investment properties as at 31 December 2020 and 2019 would have been as follows:

	2020	2019
Investment properties increase/(decrease)		
– 10 percent rental rate higher	**357,000**	393,400
– 10 percent rental rate lower	**(371,700)**	(383,100)
Investment properties increase/(decrease)		
– 10 percent term and reversionary yield rate used higher	**(250,400)**	(261,500)
– 10 percent term and reversionary yield rate used lower	**266,000**	288,400

As at 31 December 2020, the Group's investment properties of approximately RMB2,017 million (2019: approximately RMB2,009 million) were pledged as collateral for the Group's bank and other borrowings (Note 33).

The following amounts relating to the investment properties have been recognised in the consolidated statement of profit or loss and other comprehensive income:

	2020	2019
Rental income (Note 5)	**94,888**	114,312
Direct operating expenses arising from investment properties that generate rental income	**(26,408)**	(35,835)
Loss from change in fair value (Note 6)	**(189,033)**	(32,719)

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

20. PREPAID LAND LEASE PAYMENTS

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	2020	2019
At beginning of year	**931,711**	2,005,904
Change in accounting policy — reclassified prepaid land lease payments relating to property, plant and equipment to right-of-use assets	**–**	(197,500)
Restated at 1 January	**931,711**	1,808,404
Additions	**1,646**	272,287
Disposals with the sale of completed properties	**(1,740)**	(73,869)
Disposal of a subsidiary (Note 41)	**–**	(1,115,456)
Amortisation capitalised as properties under development for sale	**(21,461)**	(24,373)
(Write-down)/reversal of impairment of prepaid land lease payments (Note 7)	**(142,696)**	61,894
Currency translation difference	**(11,053)**	2,824
At end of year	**756,407**	931,711

The movements of impairment of prepaid land lease payments are as follows:

	2020	2019
At 1 January	**4,480**	167,276
Write down/(reversal of impairment) of prepaid land lease payments recognised (Note 7)	**142,696**	(61,894)
Disposal of a subsidiaries (Note 41)	**–**	(100,902)
At 31 December	**147,176**	4,480

As at 31 December 2020, the Group's leasehold land of approximately RMB527 thousand (2019: approximately RMB519 thousand) was pledged as collateral for the Group's bank and other borrowings (Note 33)

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

21. GOODWILL

	2020	2019
Cost		
At beginning of year	174,353	491,006
Disposal of a subsidiary	–	(316,653)
At end of year	174,353	174,353
Accumulated impairment		
At beginning of year	158,082	474,735
Impairment losses recognised (Note 7)	16,271	–
Disposal of a subsidiary	–	(316,653)
At end of year	174,353	158,082
Net carrying amount		
Balance, end of year	–	16,271
Balance, beginning of year	16,271	16,271

Impairment testing of goodwill

As at 31 December 2020, goodwill acquired through certain business combinations has been mainly related to the following cash-generating units for impairment testing:

— Shanghai Haibo Property Development Co., Ltd. ("Haibo")

— Shanghai Xiabo Industry Ltd. ("Xiabo")

As at 31 December 2020 and 2019, cash-generating units were parcels of land in the city of Shanghai.

As at 31 December 2020, the recoverable amounts of Haibo and Xiabo project cash-generating units had been determined based on their fair value less cost of disposal. The estimated recoverable amounts are approximately RMB57 million for Haibo and RMB4 million for Xiabo (2019: RMB219 million for Haibo and RMB113 million for Xiabo). As such, the goodwill relating to Haibo and Xiabo was fully impaired, together with approximately RMB142 million of relevant prepaid land lease payment (Note 20) and RMB50 million of relevant properties held or under development for sale (Note 24) written down for the year ended 31 December 2020.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

21. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Movement of net carrying amount of goodwill is as follows:

	Opening	Impairment	Closing
Shanghai Huating Project ("Huating") (a)	–	–	–
Haibo	12,297	(12,297)	–
Xiabo	1,847	(1,847)	–
Others	2,127	(2,127)	–
	16,271	(16,271)	–

The cost of goodwill allocated to each of the major cash-generating units before impairment is as follows:

	2020	2019
Huating (a)	**144,354**	144,354
Haibo (b)	**12,297**	12,297
Xiabo (b)	**1,847**	1,847
Others	**15,855**	15,855
	174,353	174,353

The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill with the assistance from Jones Lang LaSalle:

— Selling prices — The market prices of comparable properties nearby

— Construction costs — The estimated costs including infrastructure costs to complete the property development projects

— Discount rates — The discount rates used are before income tax and reflect specific risks relating to the relevant cash- generating units

Management also considered the following factors in assessment of goodwill impairment:

(a) The goodwill arose from the acquisition of Shanghai Bairun Real Estate Co., Ltd. ("Bairun") is related to its properties under developments in prior years. The goodwill has been fully impaired pursuant to the sales of these properties.

(b) The goodwill arose from the acquisition of Xiabo and Haibo is related to their parcels of land in the city of Shanghai. The goodwill has been fully impaired pursuant to the irrevertible change of government plan of land not for residential properties but for rural usage.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES

	2020	2019
Share of net assets	1,256,685	1,196,689
Less: provision for impairment	(272,907)	(4,172)
	983,778	1,192,517

As at the 31 December 2020, the Company had indirect interests in the following associates:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest Held by the Company	Proportion of ownership interest Indirectly held	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Housing Industry New Technology Development Co., Ltd. ("New Technology")	PRC/Mainland China 6 May 1997	–	26%	RMB50,000,000	RMB50,000,000	Research and development of housing technology
Shanghai Telecom Broadband Networking Co., Ltd. ("Broadband")	PRC/Mainland China 24 October 2000	–	20%	RMB50,000,000	RMB50,000,000	Development and sale of netware and construction of broadband fibre projects
Mayson Resources Limited ("Mayson")	British Virgin Islands ("BVI") 29 January 2003	–	40%	HK$8	HK$8	Property sales
Shanghai Orda Opto-electronics Science & Tech Co., Ltd. ("Orda")	PRC/Mainland China 23 March 2000	–	24%	RMB8,360,000	RMB11,000,000	Research and development of optoelectronic products
Shanghai Shang Xin Richgate Investment Management Co., Ltd. ("Richgate")	PRC/Mainland China 14 July 2011	–	25%	RMB9,100,000	RMB9,100,000	Investment management
Shanghai Real Estate Asset Management Co., Ltd. ("SRE Asset")	PRC/Mainland China 25 March 2016	–	20%	RMB35,000,000	RMB100,000,000	Investment management
Ningbo Meishan Free Trade Zone Jia Miao Investment Co., Ltd. ("Ningbo Jia Miao")	PRC/Mainland China 24 October 2017	–	33.34%	RMB4,000,000	RMB30,000,000	Investment management

The financial year end dates of the above associates are the same as that of the Group.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES *(continued)*

The Group's shareholdings in the associates comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above associates have been accounted for using the equity method in the consolidated financial statements.

The commitments relating to the Group's interests in associates are presented in Note 40(a). There are no contingent liabilities relating to the Group's interests in the associates.

Extracts of financial information of principal associates

The following tables illustrate the financial information of the Group's principal associates as extracted from their financial statements:

(1) Broadband

	2020	2019
Current assets	**127,287**	116,010
Non-current assets	**39,498**	39,412
Current liabilities	**(45,825)**	(39,783)
Net assets	**120,960**	115,639
Revenue	**122,147**	126,881
Profit after tax	**13,931**	4,656
Total comprehensive income for the year	**13,931**	4,656
Dividend received	**1,722**	1,668

(2) Mayson

	2020	2019
Current assets	**3,468,488**	3,727,128
Non-current assets	**274,250**	281,897
Current liabilities	**(732,384)**	(1,130,454)
Non-current liabilities	**(4,223)**	(14,641)
Net assets	**3,006,131**	2,863,930
Revenue	**569,423**	1,072,415
Profit after tax	**142,201**	225,167
Total comprehensive income for the year	**142,201**	225,167
Dividend received	**–**	–

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES *(continued)*

Extracts of financial information of principal associates *(continued)*

(3) SRE Asset

	2020	2019
Current assets	**21,287**	17,785
Non-current assets	**20,135**	30,632
Current liabilities	**(8,480)**	(17,712)
Net assets	**32,942**	30,705
Revenue	**21,367**	23,490
Profit after tax	**2,237**	3,408
Total comprehensive income for the period	**2,237**	3,408
Dividend received	**–**	–

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associates.

	Broadband		Mayson*		SRE Asset		Others		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Opening net assets	**115,639**	119,323	**2,863,930**	2,638,763	**30,705**	27,297	**71,654**	66,792	**3,081,928**	2,852,175
Profit for the year	**13,931**	4,656	**142,201**	225,167	**2,237**	3,408	**80,876**	57,862	**239,245**	291,093
Dividends distribution	**(8,610)**	(8,340)	**–**	–	**–**	–	**(74,604)**	(53,000)	**(83,214)**	(61,340)
Closing net assets	**120,960**	115,639	**3,006,131**	2,863,930	**32,942**	30,705	**77,926**	71,654	**3,237,959**	3,081,928
Interest in associates	**20%**	20%	**40%**	40%	**20%**	20%				
Impairment in associates	**(1,597)**	(1,597)	**(268,735)**	–	**–**	–	**(2,575)**	(2,575)	**(272,907)**	(4,172)
Goodwill and adjustments	**(298)**	(298)	**–**	–	**638**	638				
Carrying value	**22,297**	21,233	**933,717**	1,145,572	**7,226**	6,779	**20,538**	18,933	**983,778**	1,192,517

* As at 31 December 2020, the carrying amount of interest in Mayson was higher than its recoverable amount. The Group provided a total impairment loss of approximately RMB269 million (2019: Nil) for the year ended 2020. The Group evaluated the investment in Mayson under current market condition and determined a reasonable recoverable amount mainly based on the estimated future sales, taxes, costs to sales etc. of underlying remaining property assets as well as future taxes in distributions.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

23. INVESTMENTS IN JOINT VENTURES

	2020	2019
Share of net assets	3,211,547	3,757,331
Less: provision for impairment	(592,372)	(579,791)
	2,619,175	3,177,540

As at the 31 December 2020, the Company had indirect interests in the following joint ventures:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Jiangsu Da Run Sensor Technology Co., Ltd. ("Da Run")	PRC/Mainland China 20 May 2010	–	12%*	RMB53,000,000	RMB53,000,000	Research and development of sensor
Ningbo Meishan Free Trade Zone Zhi Miao Investment Center LLP ("Ningbo Zhi Miao") (b)	PRC/Mainland China 29 December 2016	–	16.37%*	RMB236,000,000	RMB236,000,000	Equity investment
Certain Business of Golden Luodian ("Relevant Business of Golden Luodian")	PRC/Mainland China 31 December 2016	–	72.63%*	RMB200,000,000	RMB200,000,000	Property development
75 Howard Owner LP ("75 Howard") (c)	USA/Delaware 27 March 2017	–	65%*	United States dollars ("US$") 195,475,487	US$195,475,487	Property development
Shanghai Jinxin Real Estate Co., Ltd. ("Jinxin Real Estate")	PRC/Mainland China 28 October 2002	–	51%*	RMB2,660,000,000	RMB2,660,000,000	Property development
Napa Lifestyle Holdings, LLC ("NAPA")	USA/State of Delaware 01 February 2015	–	79.33%*	US$19,260,310	US$19,260,310	Property development
Shanghai Gaoxin Business Management Co., Ltd. ("Gao Xin") (d)	PRC/Mainland China 17 July 2017	–	50%	–	RMB8,000,000	Management consulting
Changsha Horoy Real Estate Development Co., Ltd. ("Changsha Horoy")	PRC/Mainland China 25 September 2017	–	49.50%*	RMB26,870,000	RMB100,000,000	Property development and Sales
Revenue Concept Investment Limited ("Revenue Concept")(a) (Note 41)	PRC/Hongkong 8 November 2017	–	50%	HK$1,000,000	HK$1,000,000	Equity investment

* The Group accounts for its investments in these companies as joint ventures although the Group holds more or less than 50% of equity interest. According to the investment agreements and articles of associations, the Group and the other investors will jointly control the key relevant activities of these companies.

23. INVESTMENTS IN JOINT VENTURES *(continued)*

(a) In September 2016, the Group entered into an agreement to set up SRegal Sinclair LLP ("Sinclair") for a consideration of approximately Great Britian pounds ("GBP") 13 million (approximately RMB114 million), of which approximately GBP1.8 million (approximately RMB15 million) had been contributed as at 31 December 2016. In January 2017, the Group paid the remaining consideration in Sinclair of approximately GBP11.5 million (equivalent to approximately RMB100 million). In December 2019, the Group reduced the share capital by GBP5.50 million (equivalent to approximately RMB51 million). In April 2020, the Group disposal of 50% of its equity interest in Revenue Concept, which held 92.91% of equity interests in Sinclair. After the transaction, Revenue Concept also became a joint venture of the Group which include the interests in the joint venture of Sinclair.

(b) In December 2016, the Group entered into a joint venture agreement in relation to the formation of the joint venture of Ningbo Zhi Miao with the total capital commitment of approximately RMB5,116 million, of which an aggregate of approximately RMB997 million, being approximately 19% of the total capital commitment, was contributed by the Group. In May 2017, the Group reduced its investment in Ningbo Zhi Miao for a consideration of RMB20 million. Accordingly the Group's interest in Ningbo Zhi Miao is decreased from 19.49% to 19.10% as at 31 December 2017. In December 2018, the investors of Ningbo Zhi Miao reduced investments of approximately RMB1,219 million in total, of which an aggregate of approximately RMB480 million was reduced by the Group. As such, the Group's interest in Ningbo Zhi Miao was decreased from 19.10% to 12.75% as at 31 December 2018. In August 2019, one of the other investors of Ningbo Zhi Miao reduced investment of RMB800 million, and thus the Group's interest in Ningbo Zhimiao was increased from 12.75% to 16.05%. In 2020, one other investor increased investment of approximately RMB1,206 million. In June 2020, the investors of Ningbo Zhi Miao reduced investments of approximately RMB2,861 million in total, of which RMB261 million was reduced by the Group. As such, the Group's interest in Ningbo Zhi Miao was increased from 16.05% to 16.37%. Meanwhile, the Group received basic earnings of approximately RMB68.44 million in relation to this capital reduction RMB261 million, which was recorded as investment income.

(c) In February 2017, the Group entered into an agreement with RDF 75 Howard LP to acquire 75 Howard at a consideration of approximately US$92 million (equivalent to approximately RMB631 million) for 80% equity interest in 75 Howard. In March 2018, the Group disposed 10% of its equity interest in 75 Howard for a consideration of approximately US$12 million (equivalent to approximately RMB80 million), with disposal gain of approximately US$0.5 million (equivalent to approximately RMB3.3 million). Accordingly, the Group's equity interest in 75 Howard was decreased from 80% to 70% as at 31 December 2018. In March 2019, the Group disposed additional 5% interest in 75 Howard at a consideration of approximately US$9.1 million (equivalent to approximately RMB62 million), resulting in a gain of approximately RMB1.8 million. As such, the Group's equity interest in 75 Howard was decreased from 70% to 65% as at 31 December 2019. In 2019, the Group injected additional US$14.7 million (equivalent to approximately RMB101 million) to the joint venture.

The injection of above US$14.7 million was made by writing off US$9.1 million of consideration from disposal of 5% equity interests, US$4.4 million of prepayment to the joint venture, and a remaining cash outflow of US$1.2 million (equivalent to RMB9 million).

(d) In December 2019, the Group and another shareholder reduced investments in Gao Xin of RMB8 million.

The financial year end dates of the above joint ventures are the same as that of the Group.

The Group's shareholdings in the joint ventures comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above joint ventures have been accounted for using the equity method in the consolidated financial statements.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

23. INVESTMENTS IN JOINT VENTURES *(continued)*

Extracts of financial information of principal joint ventures

The following tables illustrate the financial information of the Group's principal joint ventures as extracted from their financial statements:

(1) Ningbo Zhi Miao

	2020	2019
Current assets		
Cash and cash equivalents	232,623	203,972
Other current assets	20,000	865,631
Total current assets	252,623	1,069,603
Non-current assets	2,405,604	3,021,986
Current liabilities	(1,407,817)	(1,205,389)
Net assets	1,250,410	2,886,200
Revenue	–	–
Profit/(loss) after tax	87,650	(197,624)
Total comprehensive income/(loss) for the year	87,650	(197,624)
Dividend received	68,440	–

(2) Relevant Business of Golden Luodian

	2020	2019
Current assets		
Cash and cash equivalents	64,791	4,371
Other current assets	575,268	832,769
Total current assets	640,059	837,140
Non-current assets	807,913	954,451
Current liabilities	(1,660,985)	(1,785,961)
Non-current liabilities	(514,249)	(523,920)
Net assets	(727,262)	(518,290)
Revenue	295,720	463,032
Loss after tax	(208,972)	(677,594)
Total comprehensive loss for the year	(208,972)	(677,594)
Eliminated interest cost	–	100,958
Dividend received	–	–

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

23. INVESTMENTS IN JOINT VENTURES *(continued)*

Extracts of financial information of principal joint ventures *(continued)*

(3) 75 Howard

	2020	2019
Current assets		
Cash and cash equivalents	2,241	2,263
Other current assets	2,578,934	1,850,636
Total current assets	2,581,175	1,852,899
Non-current assets	–	–
Current liabilities	(185,621)	(241,341)
Non-current liabilities	(1,153,979)	(243,835)
Net assets	1,241,575	1,367,723
Revenue	–	–
Loss after tax	(39,426)	(2,210)
Total comprehensive loss for the year	(39,426)	(2,210)
Dividend received	–	–

(4) Jinxin Real Estate

	2020	2019
Current assets		
Cash and cash equivalents	811	3,489
Other current assets	8,929,892	7,862,950
Total current assets	8,930,703	7,866,439
Non-current assets	445	730
Current liabilities	(3,859,961)	(3,716,233)
Non-current liabilities	(938,517)	(17,149)
Net assets	4,132,670	4,133,787
Revenue	–	–
Loss after tax	(1,117)	(1,681)
Total comprehensive loss for the year	(1,117)	(1,681)
Eliminated interest cost	52,256	39,140
Dividend received	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

23. INVESTMENTS IN JOINT VENTURES *(continued)*

Extracts of financial information of principal joint ventures *(continued)*

(5) NAPA

	2020	2019
Current assets		
Cash and cash equivalents	2,372	2,536
Other current assets	140,676	153,740
Total current assets	143,048	156,276
Non-current assets	–	–
Current liabilities	(9,589)	(11,673)
Non-current liabilities	(40,928)	(28,330)
Net assets	92,531	116,273
Revenue	–	–
Loss after tax	(20,623)	–
Total comprehensive loss for the year	(20,623)	–
Eliminated interest cost	2,642	1,547
Dividend received	–	–

(6) Changsha Horoy

	2020	2019
Current assets		
Cash and cash equivalents	24,222	3,893
Other current assets	472,426	1,164,058
Total current assets	496,648	1,167,951
Non-current assets	18	53
Current liabilities	(39,494)	(668,930)
Non-current liabilities	(119,879)	(119,880)
Net assets	337,293	379,194
Revenue	–	–
Loss after tax	(41,901)	(47,948)
Total comprehensive loss for the period	(41,901)	(47,948)
Eliminated interest cost	43,959	38,652
Dividend received	–	–

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

23. INVESTMENTS IN JOINT VENTURES *(continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint ventures.

	Ningbo Zhi Miao	Relevant Business of Golden Luodian	75 Howard	Jinxin Real Estate	NAPA	Changsha Horoy	Others	Total
Opening net assets/(liabilities) at 1 January 2020	2,886,200	(518,290)	1,367,723	4,133,787	116,273	379,194	166,812	8,531,699
Profit/(loss) for the year	87,650	(208,972)	(39,426)	(1,117)	(20,623)	(41,901)	15,837	(208,552)
Other comprehensive loss	–	–	(86,722)	–	(3,119)	–	(817)	(90,658)
Capital injection	1,206,000	–	–	–	–	–	–	1,206,000
Capital reduction	(2,861,000)	–	–	–	–	–	(89,502)	(2,950,502)
Dividends distribution	(68,440)	–	–	–	–	–	(40,428)	(108,868)
Closing net assets/(liabilities)	1,250,410	(727,262)	1,241,575	4,132,670	92,531	337,293	51,902	6,379,119
Interest in joint ventures	16.37%	72.63%	65.00%	51.00%	79.33%	49.50%		
Impairment in joint ventures	–	–	–	(532,088)	(47,703)	–	(12,581)	(592,372)
Goodwill and adjustments	118	–	–	(118,400)	(5,328)	(43,959)		
Carrying value at 31 December 2020	204,810	–	807,024	1,457,174	20,375	123,001	6,791	2,619,175

	Ningbo Zhi Miao	Relevant Business of Golden Luodian	75 Howard	Jinxin Real Estate	NAPA	Changsha Horoy	Others	Total
Opening net assets at 1 January 2019	3,883,824	159,304	1,203,156	4,135,468	114,097	427,142	180,058	10,103,049
(Loss)/profit for the year	(197,624)	(677,594)	(2,210)	(1,681)	–	(47,948)	60,653	(866,404)
Other comprehensive income/ (loss)	–	–	14,566	–	2,176	–	(3,111)	13,631
Capital (reduction)/injection	(800,000)	–	152,211	–	–	–	(62,788)	(710,577)
Dividends distribution	–	–	–	–	–	–	(8,000)	(8,000)
Closing net assets/(liabilities)	2,886,200	(518,290)	1,367,723	4,133,787	116,273	379,194	166,812	8,531,699
Interest in joint ventures	16.05%	72.63%	65.00%	51.00%	79.33%	49.50%		
Impairment in joint ventures	–	–	–	(532,088)*	(47,703)	–	–	(579,791)
Goodwill and adjustments	2,163	–	–	(66,143)	(1,753)	(38,652)		
Carrying value at 31 December 2019	465,398	–	889,020	1,510,000	41,853	149,049	122,220	3,177,540

* As at 31 December 2019, the carrying amount of interest in Jinxin Real Estate was higher than its recoverable amount. The Group provided a total impairment loss of approximately RMB532 million for the year ended 31 December 2019. The Group engaged an independent professional valuer to estimate its share of the present value of the estimated market value of Jinxin Real Estate and determined the recoverable amount.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

24. PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

	2020	2019
At cost	**1,159,650**	1,073,077
Less: provision for impairment loss	**(128,622)**	(76,400)
	1,031,028	996,677
— In Shanghai City, PRC	**247,119**	374,228
— In Chengdu City, PRC	**48,251**	96,784
— In Jiaxing City, PRC	**376,716**	221,438
— In Dalian City, PRC	**272,399**	261,536
— In Phnom Penh City, Cambodia	**86,543**	42,691
	1,031,028	996,677

	2020	2019
Properties held or under development expected to be completed, at net realisable value		
— Within one year	**591,468**	435,855
— After one year	**439,560**	560,822
	1,031,028	996,677

The movements of impairment of properties held or under development for sale are as follows:

	2020	2019
At 1 January	**76,400**	115,271
Write down/(reversal of impairment) of properties held or under development (Note 7)	**52,222**	(6,887)
Disposal of a subsidiary (Note 41)	**–**	(31,984)
At 31 December	**128,622**	76,400

As at 31 December 2020 and 2019, approximately RMB24 million (2019: approximately RMB60 million) of the Group's properties held or under development for sale had been pledged as collateral for the Group's bank and other borrowings (Note 33).

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

25. PREPAYMENTS AND OTHER CURRENT ASSETS

	2020	2019
Non-current		
Prepayment (a)	**5,000**	5,000
Less: Provision for impairment (a)	**(5,000)**	(5,000)
	–	–
Current		
Prepaid tax and surcharges	**5,234**	4,360
Prepaid VAT	**41,139**	19,249
Prepayments (b)	**14,678**	9,374
Others	**18,091**	18,315
	79,142	51,298
Less: provision for impairment	**(17,500)**	(16,000)
	61,642	35,298

(a) On 12 December 2013, the Company signed a letter of intent with a third party (the "Vendor") to acquire a 100% equity interest in a real estate company in Shanghai at a total consideration of RMB800 million. In connection with this transaction, the Group paid RMB5 million to the Vendor as earnest money. Due to the termination of the project as well as the low probability of collection of the aforementioned prepayment, full provision has been made for the earnest money as at 31 December 2020 and 2019.

(b) The prepayments as at 31 December 2020 mainly included approximately RMB15 million (2019: approximately RMB9 million) of prepayments for construction cost of properties under development.

26. OTHER RECEIVABLES

	2020	2019
Receivables from subsidiaries disposed of in prior years	**343,224**	343,224
Receivables from related parties (Note 43)	**1,118,615**	1,086,168
Advance to a non-controlling shareholder of a subsidiary	**190,000**	190,000
Receivable of consideration arising from disposal of subsidiaries (a)	**75,895**	442,214
Interests receivable from related parties (Note 43)	**557,501**	430,698
Advance to a land development project	**206,509**	206,305
Others	**275,823**	140,633
	2,767,567	2,839,242
Less: provision for impairment (Note 46)	**(910,556)**	(735,439)
Other receivables, net	**1,857,011**	2,103,803

(a) As at 31 December 2020, the remaining consideration of approximately RMB63,033 thousand and RMB12,862 thousand had not been received in relation to the disposal of the subsidiaries, Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gao Xiao") and Shanghai Skyway Hotel Co., Ltd. ("Skyway") respectively (2019: approximately RMB429,352 thousand and RMB12,862 thousand for Liaoning Gao Xiao and Skyway).

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

26. OTHER RECEIVABLES *(continued)*

All other receivables are non-interest-bearing and are normally settled within one year.

The movements in the provision for other receivables are as follows:

	2020	2019
At beginning of year	**735,439**	258,628
Additions (Note 7)	**175,117**	476,811
At end of year	**910,556**	735,439

27. TRADE RECEIVABLES

	2020	2019
Trade receivables	**64,800**	34,316
Less: provision for impairment	**(22,743)**	(22,743)
	42,057	11,573

An aged analysis of trade receivables as at the end of the reporting period, from the date when they were recognised, is as follows:

	2020	2019
Within 6 months	**33,786**	3,335
6 months to 1 year	**–**	–
1 to 2 years	**806**	8,238
Over 2 years	**30,208**	22,743
	64,800	34,316

The Group's sales of development properties are generally on a cash basis while the Group's trading terms with its customers for other operations are mainly on credit. The credit terms of the Group are generally within six months.

The Group's trade receivables are related to a large number of diversified customers. There is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The movements in the provision for impairment of trade receivables are as follows:

	2020	2019
At beginning of year	**22,743**	28,015
Reversals (Note 7)	**–**	(74)
Disposal of a subsidiary (Note 41)	**–**	(5,198)
At end of year	**22,743**	22,743

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

28. CASH AND BANK BALANCES

	2020	2019
Cash on hand	382	39
Demand deposits	379,272	518,917
Cash and cash equivalents	379,654	518,956
Restricted bank deposits relating to bank borrowings (a)	2,641	2,632
Cash and bank balances	382,295	521,588

(a) An amount of approximately RMB3 million (2019: approximately RMB3 million) is restricted in connection with bank borrowings.

The carrying amounts of the cash and bank balances which are denominated in the following currencies are:

	2020	2019
HK$	411	12,246
US$	6,408	61,316
Australian dollars ("AUD")	–	15,606
GBP	20,369	255
RMB	355,107	432,165
	382,295	521,588

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Demand deposits earn interest at floating rates based on daily bank deposit rates. Time deposits earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents pledged and restricted deposits approximate to their fair values.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

29. OTHER FINANCIAL ASSETS AT AMORTISED COST

Other financial assets at amortised cost include the following debt investments:

	2020	2019
Loans to related parties (Note 43(c))(a)	1,563,649	1,205,705
Loans to a disposed subsidiary (a)	700,000	700,000
Others (a)	14,380	14,381
	2,278,029	1,920,086
Less: loss allowances for debt investments at amortised cost (b) (Note 46)	(814,800)	(750,463)
	1,463,229	1,169,623

(a) The balance as at 31 December 2020 mainly represented the interest-bearing loans granted to related parties of approximately RMB1,564 million (2019: approximately RMB1,206 million) with a provision of approximately RMB101 million (2019: RMB36 million) (Note 43(c)), and to a disposed subsidiary of approximately RMB700 million (2019: approximately RMB700 million) with a provision of approximately RMB700 million (2019: approximately RMB700 million), and to a third party of approximately RMB14 million (2019: RMB14 million) with a provision of approximately RMB14 million (2019: RMB14 million).

(b) The provisions were made as at 31 December 2020 and 2019 as the directors of the Company consider that the recoverability of certain receivables is uncertain.

The movements in the provision for other financial assets at amortised cost are as follows:

	2020	2019
At beginning of year	750,463	161,190
Additions (Note 7)	64,337	589,273
At end of year	814,800	750,463

30. OTHER NON-CURRENT ASSETS

	2020	2019
Deposit for guarantee of a loan of a joint venture (a)	162,600	173,847
Less: provision for impairment (a)	(199)	(213)
At end of year	162,401	173,634

(a) As at 31 December 2020, other non-current assets represent a deposit for guarantee for a long-term loan of a joint venture of approximately RMB163 million (31 December 2019: approximately RMB174 million) on which an impairment provision according to HKFRS 9 of approximately RMB0.2 million (31 December 2019: approximately RMB0.2 million) was made.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

31. ISSUED SHARE CAPITAL AND SHARE PREMIUM

Shares

	2020	2019
Issued and fully paid:		
20,564,713 thousand (2019: 20,564,713 thousand) ordinary shares	6,747,788	6,747,788

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

	Number of shares (thousand)	Amount		
		Issued capital	Share premium	Total
At 1 January 2019, 31 December 2019 and 31 December 2020	20,564,713	1,701,661	5,046,127	6,747,788

32. OTHER RESERVES

	Surplus reserve	Exchange fluctuation reserve	Others	Total
At 1 January 2020	395,391	(4,291)	(154,979)	236,121
Other comprehensive losses, net of tax				
Currency translation differences	–	(78,178)	–	(78,178)
	–	(78,178)	–	(78,178)
Transactions with owners				
Statutory reserve	9,899	–	–	9,899
	9,899	–	–	9,899
At 31 December 2020	405,290	(82,469)	(154,979)	167,842

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

32. OTHER RESERVES *(continued)*

	Surplus reserve	Exchange fluctuation reserve	Others	Total
At 1 January 2019	387,553	(517)	(151,107)	235,929
Other comprehensive losses, net of tax				
Currency translation differences	–	(3,774)	–	(3,774)
	–	(3,774)	–	(3,774)
Transactions with owners				
Statutory reserve	7,838	–	–	7,838
Share-based payments (Note 15)	–	–	(3,872)	(3,872)
	7,838	–	(3,872)	3,966
At 31 December 2019	395,391	(4,291)	(154,979)	236,121

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's entities which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

Companies within the Group, most of which are registered in the PRC as foreign invested entities, are required to make appropriations from statutory net profits to the reserve fund and the enterprise expansion fund, upon distribution of their post-tax profits of the current year. The percentages to be appropriated to the reserve fund and the enterprise expansion fund are determined by the boards of directors of these companies.

Companies within the Group, which are registered in the PRC as domestic invested entities, are required to appropriate 10% of statutory net profits to the statutory surplus reserve, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contribution to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020	2019
Current portion of long-term bank borrowings		
— Secured (a)	**1,067,120**	264,750
— Unsecured (b)	**330,120**	330,120
	1,397,240	594,870
Current portion of other long-term borrowings		
— Unsecured, from others	**114,041**	102,985
	114,041	102,985
Borrowings, current portion	**1,511,281**	697,855
Long-term bank borrowings, non-current portion		
— Secured (a)	**–**	918,220
	–	918,220
Other long-term borrowings, non-current portion		
— Secured, from parent company (c)	**560,000**	560,000
— Unsecured, from parent company and its subsidiaries (c)	**2,472,033**	2,312,961
— Unsecured, from others	**32,625**	147,792
	3,064,658	3,020,753
Borrowings, non-current portion	**3,064,658**	3,938,973
The long-term borrowings are repayable as follows:		
— Within 1 year	**1,511,281**	697,855
— 1 to 2 years	**3,064,658**	3,242,122
— 2 to 3 years	**–**	82,881
— 3 to 5 years	**–**	96,000
— After 5 years	**–**	517,970
	4,575,939	4,636,828
Less: Long-term borrowings, current portion	**(1,511,281)**	(697,855)
Long-term borrowings, non-current portion	**3,064,658**	3,938,973

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

33. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

(a) Long-term bank borrowings — secured

As at 31 December 2020, long-term bank borrowings of approximately RMB1,067 million (2019: approximately RMB1,183 million) were secured by the pledges of the Group's leasehold land, together with bank deposits, property, plant and equipment, investment properties, properties held or under development for sale, right-of-use assets and equity interests of subsidiaries. As at 31 December 2020, approximately RMB 1,067 million (2019: 200 million) out of the above borrowings were defaulted and became immediately repayable on demand triggered by (1) deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018; and (2) the arrest of Mr. Peng Xinkuang, a former director of the Company, and the detention of Mr. Chen Donghui, a former director of the Company, by the relevant authorities in the PRC in January and February 2020.

(b) Long-term bank borrowings — unsecured

As at 31 December 2020, the balance represented entrusted loans of approximately RMB330 million (2019: approximately RMB330 million) provided by a third party. The tenure for the loan of RMB130 million is 60 months, and the interest rate for the first year is 8% per annum, for the second to the fifth year is 6% per annum. The tenure for the loan of RMB200 million is 52 months, and the interest rate is 6% per annum. This trusted loan is reclassified as current liabilities as at 31 December 2019 and 2020 due to a litigation.

(c) Other borrowings from parent company and its subsidiary

As at 31 December 2020, the loans of approximately RMB2,013 million (31 December 2019: approximately RMB2,013 million) were provided by the parent company and the loan of approximately RMB954 million (31 December 2019: RMB860 million) and the loan of approximately RMB65 million (31 December 2019: Nil) were provided by Jiasheng (Holding) Investment Limited ("Jiasheng") and Jiahuang (Holding) Investment Limited ("Jiahuang"), two fellow subsidiaries of the Group, respectively, among which, RMB560 million (31 December 2019: RMB560 million) was secured by pledge of equity interests of a subsidiary. In September and November 2020, the Group has reached written agreements to extend the payment mature dates of these loans to 30 April 2022. Interest rates of loans from the parent company ranged from 7% to 12% per annum (31 December 2019: 7% to 8% per annum); the interest rate of the loan from Jiasheng was 6% per annum (31 December 2019: 6% per annum) and the interest rate of the loan from Jiahuang was 10% per annum (31 December 2019:Nil).

Overall collateral arrangements for bank and other borrowings

As at 31 December 2020 and 2019, pledged assets as collateral for the Group's borrowings were as follows:

	2020	2019
Leasehold land (Note 20)	**527**	519
Investment properties (Note 19)	**2,016,500**	2,009,400
Properties held or under development for sale (Note 24)	**24,071**	60,455
Property, plant and equipment (Note 17)	**74,012**	78,282
Right-of-use assets (Note 18)	**41,528**	42,718
Bank deposits (Note 28)	**2,641**	2,632

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

33. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Overall collateral arrangements for bank and other borrowings *(continued)*

The weighted average effective interest rates for these borrowings at the end of the reporting period were as follows:

	2020			2019		
	HK$	**US$**	**RMB**	HK$	US$	RMB
Long-term bank borrowings	**–**	**–**	**5.75%**	–	–	5.96%
Other long-term borrowings	**7.50%**	**6.35%**	**7.56%**	7.85%	6.19%	7.17%

As bank loans are all borrowed at prevailing market interest rates, which would be adjusted from time to time in line with interest rate changes in the market, the carrying amounts of the bank loans approximate to their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	2020	2019
HK$	**114,041**	215,896
US$	**1,052,094**	895,278
RMB	**3,409,804**	3,525,654
	4,575,939	4,636,828

34. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, levied by the same tax authority on the same taxable entity. As of 31 December 2020 and 2019, the majority of deferred tax assets and liabilities are to be recovered after more than 12 months.

The net movements in the deferred tax account are as follows:

	2020	2019
At beginning of year	**1,192,159**	1,256,160
Disposal of subsidiaries (Note 41)	**–**	(51,973)
Recognised in profit or loss (Note 12)	**(46,862)**	(12,028)
At end of year	**1,145,297**	1,192,159

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

34. DEFERRED TAX *(continued)*

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

Deferred tax assets

	Difference in accounting and tax bases arising from share transfer consideration	Difference in accounting and tax bases arising from net lease liabilities	Difference in accounting and tax bases arising from financial assets at FVOCI	Total
At 1 January 2019	242,837	–	–	242,837
Recognised in profit or loss	–	1,032	–	1,032
At 31 December 2019	242,837	1,032	–	243,869
Recognised in profit or loss	–	(167)	9,302	9,135
At 31 December 2020	242,837	865	9,302	253,004

Deferred tax liabilities

	Fair value gains	Excess of fair value over book value in the subsidiaries as a result of business combination	Withholding taxes	Others	Total
At 1 January 2019	597,257	522,705	267,073	111,962	1,498,997
Recognised in profit or loss	(6,305)	1,583	(17,757)	11,483	(10,996)
Disposal of subsidiaries	–	–	–	(51,973)	(51,973)
At 31 December 2019	590,952	524,288	249,316	71,472	1,436,028
Recognised in profit or loss	(47,258)	2,056	(6,657)	14,132	(37,727)
At 31 December 2020	543,694	526,344	242,659	85,604	1,398,301

As at 31 December 2020 and 2019, no deferred tax asset arose from unused tax losses. With respect to the recognition of the deferred tax assets, after considering the evidence including the approval from local authorities permitting the sale of the properties, and estimated future taxable profit by referring to recent selling prices of certain properties and current market condition, the Group believes there will be no sufficient taxable profit against which the unused tax losses can be utilised in the foreseeable future.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

34. DEFERRED TAX *(continued)*

Deferred tax assets have not been recognised in respect of the following items:

	2020	2019
Tax losses	**2,308,185**	1,964,405

The above tax losses arising in Mainland China for offsetting against future taxable profit will expire in one to five years. Deferred tax assets have not been recognised in respect of the tax losses mentioned above as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these temporary differences can be utilised.

Pursuant to the resolution of the Board of Directors of the Company, part of PRC subsidiaries' profits generated from 2011 onwards will be retained by PRC subsidiaries for use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB721 million (2019: approximately RMB745 million).

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

35. CONTRACT LIABILITIES

	2020	2019
Contract liabilities	**546,270**	295,791

The Group conducts the pre-sale of properties when they are still under development. As contracted with customers, advances amounting to a substantial portion of sales consideration are paid to the Group shortly from the signing of the pre-sales contract. Such amounts held by the Group are non-interest-bearing.

Revenue from sales of properties totalled approximately RMB36 million was recognised in current reporting year that was included in the contract liability balance at the beginning of the year. Management expects that the majority of the contract amount allocated to unsatisfied performance obligations totalled RMB491 million as of 31 December 2020 will be recognised as revenue from sales of properties during the next reporting year.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

36. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, from the date when they were incurred, is as follows:

	2020	2019
Within 1 year	271,612	278,514
1 to 2 years	97,720	85,845
Over 2 years	76,556	89,396
	445,888	453,755

Trade payables represent payables arising from property construction and land development. The trade payables are non-interest-bearing and are normally settled within one year.

37. OTHER PAYABLES AND ACCRUALS

	2020	2019
Other tax and surtaxes payable	19,541	15,943
Dividends payable to non-controlling interests of subsidiaries	25,700	25,700
Relocation costs payable	191,026	193,026
Deposits from a tenant	61,000	61,000
Deposits from stores, rents received for developers and public utility fees collected and paid for tenants	28,271	32,012
Payroll and welfare payable	40,380	41,496
Accrued interest	221,281	365,085
Payable to the former non-controlling interests of a disposed subsidiary	17,000	37,000
Payables to related parties (Note 43)	827,559	1,141,133
Payables to a non-controlling interest (a)	–	69,988
Accruals of penalties on idle land	7,686	7,686
Others	381,659	247,157
	1,821,103	2,237,226

Other payables are non-interest-bearing and are normally settled within one year.

(a) As at 31 December 2019, the balance of approximately GBP7.65 million (approximately RMB70 million) represented payables to a third party. The Group pledged 50% of equity interest in a subsidiary for these payables. These payables were settled through transfer of the 50% equity interest in subsidiary to the third party in 2020. Please refer to Note 41 for more details.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

38. CASH FLOW INFORMATION

(a) Cash (used in)/from operations

Reconciliation of loss before income tax to cash (used in)/from operations:

	2020	2019
Loss before income tax adjustments for:	(966,665)	(2,235,890)
Depreciation of property, plant and equipment	7,741	19,488
Depreciation of right-of-use assets	10,311	12,891
Net gain from disposal of property, plant and equipment	(785)	(249)
Net loss from disposal of investment properties	–	4,837
Loss from cancellation of lease	–	(149)
Share of results of associates	(81,114)	(106,722)
Share of results of joint ventures	57,067	5,233
Share-based payment	–	(3,872)
Net fair value loss on investment properties	189,033	32,719
Provision for/(reversal of) impairment of properties held or under development for sale	52,222	(6,887)
Provision for/(reversal of) impairment of prepaid land lease payments	142,696	(61,894)
Provision for impairment of other financial assets at amortised cost	64,337	589,273
Provision for impairment of other receivables	175,117	476,811
Reversal of impairment of trade receivables	–	(74)
(Reversal of)/provision for impairment of other non-current assets	(14)	3
Provision for impairment of investment in joint ventures	12,581	549,878
Provision for impairment of investment in associates	268,735	4,172
Provision for impairment of investment in property, plant and equipment	–	504,021
Provision for impairment of financial assets at FVOCI	37,208	–
Provision for impairment of prepayments	1,500	–
Forfeiture of prepayments	–	16,248
Net gain from disposal of subsidiaries and interests in a joint venture	(81,418)	(157,336)
Losses from disposal of financial assets at FVOCI	43,818	–
Provision for goodwill	16,271	–
Finance income	–	(119,140)
Finance costs	208,229	358,781
Interest income from loans receivable due from related parties	(102,681)	–
Income from guarantee provided to a joined venture	(36,735)	–
	17,454	(117,858)
Decrease in prepaid land lease payments	31,622	–
(Increase)/decrease in properties held or under development for sale	(86,573)	120,700
Decrease/(increase) in inventories	400	(28)
(Increase)/decrease in prepayments and other current assets	(27,844)	9,898
Increase in other receivables	(149,460)	(171,691)
(Increase)/decrease in trade receivables	(30,484)	5,357
(Decrease)/increase in trade payables	(8,517)	50,693
(Decrease)/increase in other payables and accruals	(25,145)	314,725
Increase/(decrease) in contract liabilities	250,479	(102,593)
Cash (used in)/from operations	(28,068)	109,203

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

38. CASH FLOW INFORMATION *(continued)*

(b) Net debt reconciliation

An analysis of net debt and the movements in net debt as follows:

Net debt

	2020	2019
Cash and cash equivalents	**379,654**	518,956
Borrowings — repayable within one year	**(1,511,281)**	(697,855)
Borrowings — repayable after one year	**(3,064,658)**	(3,938,973)
Lease Liabilities	**(38,281)**	(42,563)
Net debt	**(4,234,566)**	(4,160,435)
Cash and cash equivalents	**379,654**	518,956
Gross debt — fixed interest rates	**(3,476,195)**	(3,418,977)
Gross debt — variable interest rates	**(1,138,025)**	(1,260,414)
Net debt	**(4,234,566)**	(4,160,435)

		Liabilities from financing activities			
	Cash and cash equivalents	**Borrowings due within one year**	**Borrowings due after one year**	**Lease liabilities**	**Total**
Net debt as at 31 December 2018	698,610	(4,905,884)	(2,737,118)	–	(6,944,392)
Recognised on adoption of HKFRS 16	–	–	–	(25,564)	(25,564)
Net cash flows	(177,943)	2,151,753	78,944	6,344	2,059,098
Acquisition-leases	–	–	–	(41,965)	(41,965)
Foreign exchange adjustments	(1,711)	17,056	(2,340)	–	13,005
Amortisation of discount or premium	–	977	(22,856)	(2,962)	(24,841)
Disposal of subsidiaries (Note 41)	–	–	822,956	–	822,956
Other changes	–	–	(40,316)	21,584	(18,732)
Reclassification of current/non-current liabilities	–	2,038,243	(2,038,243)	–	–
Net debt as at 31 December 2019	518,956	(697,855)	(3,938,973)	(42,563)	(4,160,435)
Net cash flows	(138,633)	105,496	46,135	5,268	18,266
Foreign exchange adjustments	(669)	(2,511)	80,840	–	77,660
Amortisation of discount or premium	–	–	(8,218)	(986)	(9,204)
Other changes	–	–	(160,853)	–	(160,853)
Reclassification of current/non-current liabilities	–	(916,411)	916,411	–	–
Net debt as at 31 December 2020	**379,654**	**(1,511,281)**	**(3,064,658)**	**(38,281)**	**(4,234,566)**

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for remaining terms mainly ranging from 1 to 11 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2020, the Group had total future minimum lease receivables under operating leases with its tenants falling due as follows:

	2020	2019
Within one year	**89,003**	77,137
In the second to fifth years, inclusive	**241,682**	228,644
After five years	**98,219**	98,828
	428,904	404,609

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from one to two years.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term, see Note 18 for further information. At 31 December 2020, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2020	2019
Within one year	**359**	1,216

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

40. COMMITMENTS AND CONTINGENCIES

(a) The Group had the following capital commitments and commitments in respect of property development for sale, investment properties and investment in an associate at the end of the reporting period:

	2020	2019
Contracted, but not provided for		
Properties held or under development for sale	47,535	155,631
Committed investments in a land development	63,437	63,514
Committed investments in an associate	15,640	15,640
Committed renovation for investment property	–	17,879
	126,612	252,664

(b) The Group provides guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB165 million (2019: approximately RMB118 million) and these contracts were still effective as at the close of business on 31 December 2020.

The Group did not incur any material losses during the financial year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors consider that the probability of default of purchasers is remote and even in case of default on payments, the net realisable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, because the principal of each of the mortgage loans was normally below 70% of the sales price of the properties at the date of the sales agreement, and therefore no provision has been made in connection with the guarantees.

(c) The Group also provided guarantee to the bank loan for a joint venture of the Group. As at 31 December 2020, such guarantee amounted to approximately RMB3,452 million (2019: approximately RMB3,414 million).

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$178.36 million as at 31 December 2020 (31 December 2019: US$34.95 million). Relevantly, the Group provided a deposit of US$24.92 million as at 31 December 2020 (31 December 2019: US$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

41. DISPOSAL OF SUBSIDIARIES

(a) In April 2020, the Group disposed of 50% of its equity interests in a then wholly owned subsidiary of the Company, Revenue Concept, which held 92.91% of equity interests in Sinclair, one of the joint ventures of the Group, for a consideration of approximately GBP8.86 million including a principal of GBP7.65 million and unsettled interest of GBP1.21 million as at date of disposal (equivalent to approximately RMB77.92 million) through settlement of payables to a third party (Note 37) and recorded part of disposal gain of approximately RMB7.81 million. After the transaction, Revenue Concept also became a joint venture of the Group which includes the interests in the joint venture of Sinclair. On the disposal date, the net assets value of Revenue Concept attributable to the Group was approximately RMB140.22 million. After the disposal of 50% equity interest in Revenue Concept, the 50% remaining interests held by the Group was remeasured to its fair value of approximately RMB75.28 million at the date when control was lost, and the difference with its then carrying amount of approximately RMB5.17 million was recognised as part of disposal gain. As such, the Group recorded a disposal gain of approximately RMB12.98 million.

	2020
Net assets disposed of:	
Long term investment	36,810
Other receivables	48,806
Cash and cash equivalents	83,528
Other payables and accruals	(20,484)
Current income tax liabilities	(8,436)
100% of net assets disposed at book value	140,224
Fair value of 50% retained interest accounted for as a joint venture	(75,280)
Gain on disposal of a subsidiary	12,978
Satisfied by cash	–
Satisfied by settlement of liability (Note 37)	77,922

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020
Cash proceeds received	–
Cash and bank balances disposed of	(83,528)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(83,528)

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

41. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) In May 2019, the Group disposed of its remaining 51.1% equity interest in Profit Concept Investments Limited ("Profit Concept"), together with its shareholder loans to Profit Concept. The agreed consideration was approximately RMB17 million for equity and approximately RMB257 million for the settlement of the shareholder loans. On the disposal date, the net asset value of Profit Concept attributable to the Group was approximately RMB19 million. The Group recorded a loss on the disposal of approximately RMB2 million.

	2019
Net assets disposed of:	
Investment properties	1,099,079
Property, plant and equipment	88
Prepayments and other current assets	4,130
Cash and bank balances	37,841
Other payables and accruals	(535,036)
Interest-bearing bank and other borrowings	(564,921)
Deferred tax liabilities	(4,883)
Current income tax liabilities	(460)
Non-controlling interests	(16,587)
	19,251
Loss on disposal of the subsidiary	(1,816)
Satisfied by cash	17,435

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2019
Cash proceeds received	17,435
Cash and bank balances disposed of	(37,841)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(20,406)

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

41. DISPOSAL OF SUBSIDIARIES *(continued)*

(c) In September 2019, the Group disposed all of its 97.5% equity interest in Liaoning Gao Xiao and corresponding shareholder loans to Liaoning Gao Xiao. The adjusted total proceeds was approximately RMB1,093.43 million for equity, RMB159.96 million for the settlement of the shareholder loan and RMB58.68 million for the potential costs relating to this disposal. On the disposal date, the net asset value of Liaoning Gao Xiao attributable to the Group was approximately RMB936.11 million and the shareholder loan was approximately RMB159.96 million. In addition, the Group is also to burden potential costs relating to the disposal of Liaoning Gao Xiao up to approximately RMB58.68 million. The Group recorded a gain on disposal of approximately RMB157.32 million.

	2019
Net assets disposed of:	
Property, plant and equipment — Gross	908
Impairment of property, plant and equipment	(753)
Prepaid land lease payments — Current and Gross	1,216,358
Impairment of prepaid land lease payments	(100,902)
Properties held or under development for sale — Gross	584,843
Impairment of properties held or under development for sale	(31,984)
Trade receivables	5,198
Impairment of trade receivables	(5,198)
Other receivables	17,323
Cash and bank balances	6,850
Interest-bearing bank and other borrowings	(258,035)
Deferred tax liabilities	(47,090)
Other payables and accruals	(427,408)
Non-controlling interests	(24,003)
	936,107
Gain on disposal of the subsidiary	157,321
Satisfied by cash	1,093,428

In prior years, the Group assessed the impairment on goodwill of RMB317 million and determined that the carrying amount of goodwill arising from the acquisition of Liaoning Gao Xiao was higher than its recoverable amount, and thus fully provided an impairment loss of approximately RMB317 million.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2019
Total consideration	1,093,428
Consideration receivable as at 31 December 2019	(199,905)
Cash proceeds received	893,523
Cash and bank balances disposed of	(6,850)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	886,673

As at 31 December 2019, the Group recorded approximately RMB229,446 thousand of other receivables in connection to receivables from uncollected shareholder loans, the penalties due to late payment and other potential cost arising from the disposal of Liaoning Gao Xiao. In 2020, the Group received approximately RMB366,319 thousand in total in relation to consideration, other receivables in connection to receivables from uncollected shareholder loans, the penalties due to late payment and other potential cost arising from the disposal of Liaoning Gao Xiao.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

42. WITH MATERIAL NON-CONTROLLING INTERESTS AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that has material non-controlling interest are set out below:

	Bairun	
	2020	2019
Percentage of equity interest held by non-controlling interest:	**49.00%**	49.00%

	Bairun	
	2020	2019
Loss for the year allocated to non-controlling interest:	**(657)**	(39,794)
Transaction with non-controlling interests	**–**	–
Accumulated balance of non-controlling interests at the reporting dates	**131,168**	92,031

The following tables illustrate the summarised financial information of Bairun.

	Bairun	
	2020	2019
Revenue	**26,867**	2,475
Total expenses	**26,253**	6,097
Other (gains)/losses	**(50)**	137
Loss for the year	**(1,340)**	(81,213)
Total comprehensive loss for the year	**(1,340)**	(81,213)
Current assets	**748,770**	682,754
Non-current assets	**40**	47
Current liabilities	**(477,843)**	(492,374)
Non-current liabilities	**(3,278)**	(3,320)
Net cash flows from/(used in) operating activities	**84,443**	(16,732)
Net cash flows from investing activities	**–**	128
Net cash flows used in financing activities	**(1,993)**	–

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

43. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions and balances with related parties.

(a) Name and relationship with related parties

Name	Relationship
Broadband	An associate of the Group
New Technology	An associate of the Group
CMIG Southern China (Guangzhou) Real Estate Co., Ltd. (“CMIG Southern”)	A related party of an associate of the Group
Da Run	A joint venture of the Group
Relevant Business of Golden Luodian	A joint venture of the Group
Mayson	An associate of the Group
Shanghai Shuo Cheng Real Estate Co., Ltd. (“Shuo Cheng”)	A subsidiary of an associate of the Group
Jinxin Real Estate	A joint venture of the Group
SRE Asset	An associate of the Group
Gao Xin	A joint venture of the Group
Changsha Horoy	A joint venture of the Group
NAPA	A joint venture of the Group
75 Howard	A joint venture of the Group
Revenue Concept	A joint venture of the Group
Jiasheng	A fellow subsidiary of the Group
Jiahuang	A fellow subsidiary of the Group
Ningbo Jia Miao	An associate of the Group
Shanghai Dongjia Zhiye Co., Ltd. (“Dongjia”)	A fellow subsidiary of the Group
Ningbo Zhongqing Trading Limited (“Ningbo Zhongqing”)	A company controlled by employees of a joint venture of the Group
China Minsheng Jiaye	The Company’s parent company

(b) Transactions with related parties

(i) Advances to related parties

	2020	2019
Jinxin Real Estate	222,500	88,659
Changsha Horoy	140,500	–
NAPA	17,026	11,595
Relevant Business of Golden Luodian	15,630	70,720
Shuo Cheng	–	48,000
	395,656	218,974

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

43. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

(ii) Repayment from related parties

	2020	2019
Shuo Cheng	**48,000**	202,216
Relevant Business of Golden Luodian	**36,215**	558,533
Broadband	**139**	178
GaoXin	**–**	42,000
Jinxin Real Estate	**–**	91,215
Ningbo Zhongqing	**–**	24,800
	84,354	918,942

(iii) Fundings/advances received from related parties

	2020	2019
Revenue Concept	**34,418**	–
Broadband	**111**	186
Dongjia	**–**	200,000
	34,529	200,186

(iv) Received on behalf of the parent company

	2020	2019
China Minsheng Jiaye	**–**	314,682

(v) Repayment to the parent company

	2020	2019
China Minsheng Jiaye	**104,531**	210,151

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

43. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

(vi) Interest income from related parties

	2020	2019
Changsha Horoy	**52,620**	47,884
Relevant Business of Golden Luodian	**43,471**	89,234
Jinxin Real Estate	**27,493**	–
NAPA	**3,219**	1,713
	126,803	138,831

Interest income from related parties represents gross interest income before elimination of the Group's share of the interest income.

(vii) Interest expenses charged by related parties

	2020	2019
China Minsheng Jiaye	**142,315**	158,299
Jiasheng	**55,275**	57,370
Jiahuang	**2,414**	–
SRE Asset	**–**	6,986
	200,004	222,655

(viii) Compensation to key management personnel of the Group

	2020	2019
Salaries and other short-term employee benefits	**6,840**	8,536

(ix) Guarantees provided to related parties

(a) The Group provided guarantee to the bank loan for Jinxin Real Estate, a joint venture of the Group. As at 31 December 2020, such guarantee amounted to approximately RMB3,452 million (31 December 2019: approximately RMB3,414 million). For the year ended 31 December 2020, the Group charged RMB72 million (2019: approximately RMB43 million) (before consolidation elimination) of income from Jinxin Real Estate in relation to this guarantee.

(b) The Group provided a completion guarantee on the development of 75 Howard, a joint venture of the Group in relation to the development loans with drawn amount of US$178.36 million (approximately RMB1,164 million) as at 31 December 2020 (2019: US$34.95 million, approximately RMB244 million). Relevantly, the Group provided a deposit of US$24.92 million (approximately RMB163 million) (2019: US$24.92 million, approximately RMB174 million) as guarantor's letter of credit for the loan apart from the guarantee above.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

43. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

(x) Transfer of part of Shareholder's loan of Jinxin Real Estate to a related party

	2020	2019
Ningbo Zhongqing	**–**	24,800

(c) Related-party balances

(i) Trade receivable due from a related party

	2020	2019
Broadband	**247**	247

(ii) Trade payable due to a related party

	2020	2019
New Technology	**109**	109

(iii) Other receivables due from related parties

	2020	2019
Jinxin Real Estate	**542,583**	454,524
Relevant Business of Golden Luodian	**413,325**	411,019
Mayson	**154,071**	163,990
Ningbo Jia Miao	**4,900**	4,900
CMIG Southern	**3,736**	3,735
Shuo Cheng	**–**	48,000
	1,118,615	1,086,168
Less: provision for impairment	**(17,868)**	(17,004)
	1,100,747	1,069,164

Amounts due from related parties are unsecured, bear no interest and are repayable on demand.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

43. RELATED PARTY TRANSACTIONS *(continued)*

(c) Related-party balances *(continued)*

(iv) Other payable due to related parties

	2020	2019
Shuo Cheng	827,489	836,560
Broadband	70	42
Dongjia	–	200,000
China Minsheng Jiaye	–	104,531
	827,559	1,141,133

Amounts due to related parties are unsecured, bear no interest and are repayable on demand.

(v) Prepayments due from a related party

	2020	2019
Da Run	1,500	1,500
Less: provision for impairment	(1,500)	–
	–	1,500

(vi) Loans receivable due from related parties

	2020	2019
Relevant Business of Golden Luodian (a)	676,675	697,259
Changsha Horoy (b)	573,291	432,791
Jinxin Real Estate (c)	275,000	52,500
NAPA (d)	38,683	23,155
	1,563,649	1,205,705
Less: provision for impairment	(100,419)	(36,586)
	1,463,230	1,169,119

(a) The loans receivable due from Relevant Business of Golden Luodian are interest-bearing loans of approximately RMB677 million (2019: approximately RMB697 million) with an interest rate of 8% per annum.

(b) The loans receivable due from Changsha Horoy are interest-bearing loans of approximately RMB433 million (2019: RMB433 million) with an interest rate of 10% per annum and RMB140 million (2019: Nil) with an interest rate of 15% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

43. RELATED PARTY TRANSACTIONS *(continued)*

(c) Related-party balances *(continued)*

(vi) Loans receivable due from related parties (continued)

(c) The loans receivable from Jinxin Real Estate are interest-bearing loans of RMB80 million (2019: RMB53 million) with an interest rate of 24% per annum and RMB195 million (2019: Nil) with an interest rate of 15% per annum.

(d) The loans receivable due from NAPA are interest-bearing loans of approximately RMB39 million (2019: RMB23 million) with a compound interest rate of 10.5% per annum.

Interests receivable from related parties in relation to the loans above are summarised as below:

	2020	2019
Relevant Business of Golden Luodian	**354,587**	311,116
Changsha Horoy	**169,953**	117,333
Jinxin Real Estate	**27,493**	–
NAPA	**5,468**	2,249
	557,501	430,698
Less: provision for impairment	**(356,535)**	(312,264)
	200,966	118,434

(vii) Loans from related parties

	2020	2019
Non-current (a)		
— China Minsheng Jiaye	**2,012,564**	2,012,564
— Jiasheng	**954,220**	860,397
— Jiahuang	**65,249**	–
	3,032,033	2,872,961

Interests payable to related parties in relation to the loans above are summarised as below:

	2020	2019
China Minsheng Jiaye	**111,569**	150,536
Jiasheng	**28,896**	134,270
Jiahuang	**2,398**	–
	142,863	284,806

(a) As at 31 December 2020, the loans of approximately RMB3,032 million (31 December 2019: approximately RMB2,873 million) were provided by the parent company: China Minsheng Jiaye, and two fellow subsidiaries of the Group: Jiasheng and Jiahuang. Please refer to Note 33(c) for detailed information.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2020	2019
Financial assets		
Financial assets at FVOCI	38,056	150,657
Financial assets at amortised cost		
— Other financial assets at amortised cost	1,463,229	1,169,623
— Other receivables	1,857,011	2,103,803
— Trade receivables	42,057	11,573
Cash and bank balances	382,295	521,588
Other non-current assets	162,401	173,634
	3,945,049	4,130,878
Financial liabilities		
Financial liabilities at amortised cost		
— Interest-bearing bank and other borrowings	4,575,939	4,636,828
— Trade payables	445,888	453,755
— Other payable and accruals	1,555,821	1,814,702
Lease liabilities	38,281	42,563
	6,615,929	6,947,848

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and bank balances, receivables and financial assets at FVOCI.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings and payables.

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair values of financial assets and liabilities *(continued)*

Assets and liabilities measured at fair value:

Financial assets at FVOCI of the Group are measured at fair value.

The following table presents the Group's financial assets that are measured at fair value at 31 December 2020. See Note 19 for disclosures of the investment properties that are also measured at fair value.

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI (Note 16)	**–**	**–**	**38,056**	**38,056**

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI (Note 16)	–	–	150,657	150,657

There were no transfers between level 1 and 2 for the year ended 31 December 2020 and 2019.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, and cash and bank deposits. The main purpose of these financial instruments is to raise funds to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group does not enter into derivative transactions for trading purposes. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank and other borrowings. Borrowings at variable rate expose the Group to cash flow interest-rate risk. Borrowings issued at fix rates expose the Group to fair value interest-rate risk. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayment of the borrowings are disclosed in Note 33.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates of the major currencies in which the Group's borrowings are denominated, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings). The Group's equity is not affected, except for the consequential effect on retained profits (a component of the Group's equity) by the changes in profit before income tax.

	2020 **Impact on profit before income tax**	2019 Impact on profit before income tax
Changes in variables — RMB interest rate		
+ 50 basis points	**(5,330)**	(6,690)
– 50 basis points	**5,330**	6,690

Foreign currency risk

Most of the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk with only limited exposure arising primarily with respect to cash at banks and bank borrowings, which are mainly denominated in US$, HK$, GBP and AUD.

Renminbi is not a freely convertible currency. The conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$, the HK$, the GBP and the AUD exchange rates, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). The Group's equity is not affected, except for the consequential effect on retained profits (a component of the Group's equity) by the impact on profit before income tax as disclosed below.

	2020 **Impact on profit before income tax**	2019 Impact on profit before income tax
Changes in exchange rate of US$ against Renminbi		
+ 5%	**(5,008)**	4,176
– 5%	**5,008**	(4,176)
Changes in exchange rate of HK$ against Renminbi		
+ 5%	**2,022**	(1,985)
– 5%	**(2,022)**	1,985
Changes in exchange rate of GBP against Renminbi		
+ 5%	**1,230**	2,272
– 5%	**(1,230)**	(2,272)
Changes in exchange rate of AUD against Renminbi		
+ 5%	**–**	780
– 5%	**–**	(780)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

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

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

(a) Cash in banks

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

(b) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward looking information. As at 31 December 2020 and 2019, the loss allowance was immaterial for trade receivables.

(c) Other receivables and other financial assets at amortised cost

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

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

(c) Other receivables and other financial assets at amortised cost (continued)

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

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

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

(i) Other receivables

	Gross carrying amount	Expected credit loss rate	Loss allowance	Net Value
As at 31 December 2020				
Stage one	**1,641,590**	**1.09%**	**(17,891)**	**1,623,699**
Stage two	**13,372**	**1.78%**	**(238)**	**13,134**
Stage three	**1,112,605**	**80.21%**	**(892,427)**	**220,178**
Total	**2,767,567**		**(910,556)**	**1,857,011**
As at 31 December 2019				
Stage one	1,895,927	1.35%	(25,544)	1,870,383
Stage two	13,257	1.79%	(237)	13,020
Stage three	930,058	76.30%	(709,658)	220,400
Total	2,839,242		(735,439)	2,103,803

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

(c) Other receivables and other financial assets at amortised cost (continued)

(ii) Other financial assets at amortised cost

	Gross carrying amount	Expected credit loss rate	Loss allowance	Net Value
As at 31 December 2020				
Stage one	**886,972**	**0.96%**	**(8,513)**	**878,459**
Stage three	**1,391,057**	**57.96%**	**(806,287)**	**584,770**
Total	**2,278,029**		**(814,800)**	**1,463,229**
As at 31 December 2019				
Stage one	1,153,204	3.09%	(35,577)	1,117,627
Stage three	766,882	93.22%	(714,886)	51,996
Total	1,920,086		(750,463)	1,169,623

(d) Other non-current assets

Other non-current assets are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses and immaterial.

(e) Financial assets at FVOCI

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through other comprehensive income. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

(f) Financial guarantee

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

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

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

	2020					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Interest-bearing bank and other borrowings (including interest payment)	**1,473,729**	**29,185**	**161,231**	**3,601,495**	**113,731**	**5,379,371**
Trade payables	**66,866**	**11,659**	**95,743**	**271,620**	**–**	**445,888**
Other payable and accruals	**969,456**	**7,686**	**578,679**	**–**	**–**	**1,555,821**
Lease liabilities	**–**	**1,421**	**4,261**	**32,599**	**–**	**38,281**
	2,510,051	**49,951**	**839,914**	**3,905,714**	**113,731**	**7,419,361**

	2019					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings (including interest payment)	200,000	65,677	558,948	4,244,834	661,504	5,730,963
Trade payables	85,227	6,182	87,955	274,391	–	453,755
Other payable and accruals	952,569	70,038	792,095	–	–	1,814,702
Lease liabilities	–	1,885	5,653	35,025	–	42,563
	1,237,796	143,782	1,444,651	4,554,250	661,504	8,041,983

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Management has assessed that the fair values of trade payables and others approximate to their carrying amounts largely due to the short term maturities of these instruments.

Please refer to Note 2.1 for analysis of going concern basis of preparation.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

As the Group is mainly engaged in the development of properties and operation of investment properties, it needs a substantial amount of funds. The Group monitors capital using a gearing ratio, as defined by management for capital management purposes, which is net debt divided by capital plus net debt.

Net debt includes interest-bearing bank and other borrowings, lease liabilities, less cash and bank balances. Capital includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2020	2019
Interest-bearing bank and other borrowings (Note 33)	**4,575,939**	4,636,828
Lease liabilities	**38,281**	42,563
Less: Cash and bank balances (Note 28)	**(382,295)**	(521,588)
Net debt	**4,231,925**	4,157,803
Equity attributable to owners of the Company	**4,183,606**	5,180,562
Non-controlling interests	**287,287**	304,948
Capital	**4,470,893**	5,485,510
Capital and net debt	**8,702,818**	9,643,313
Gearing ratio	**49%**	43%

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

47. INFORMATION ABOUT SUBSIDIARIES

As at 31 December 2020, the Company had direct or indirect interests in the following principal subsidiaries:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Sinopower Investment Limited	BVI 1 October 1998	100%	–	US$52	US$50,000	Investment holding
Shanghai Xin Dong Industry Co., Ltd.	PRC/Mainland China 28 May 1993[2]	–	100%	US$3,457,729	US$3,457,729	Property leasing and real estate agency
Shanghai Oasis Garden Real Estate Co., Ltd. ("Oasis Garden")	PRC/Mainland China 29 September 1998[2]	–	100%	US$19,600,000	US$19,600,000	Property development
Shanghai Wingo Infrastructure Co., Ltd.	PRC/Mainland China 4 August 1999[2]	–	100%	US$20,000,000	US$20,000,000	Development of technology housing and provision of construction services
Shanghai Zhufu Property Development Co., Ltd. ("Zhufu")	PRC/Mainland China 11 August 2000[3]	–	51%	RMB10,000,000	RMB10,000,000	Property development
Anderson Land (Shanghai) Ltd.	BVI 29 September 2001	–	52%	US$100	US$50,000	Investment holding
Shanghai Anderson Fuxing Land Co., Ltd.	PRC/Mainland China 16 April 2002[2]	–	52.48%	US$20,000,000	US$20,000,000	Property development
Shanghai Hangtou Govern Real Estate Co., Ltd.	PRC/Mainland China 14 June 2002[2]	–	98%	US$10,000,000	US$10,000,000	Property development
Shanghai Andong Real Estate Development Ltd.	PRC/Mainland China 18 October 2007[3]	–	99%	RMB370,000,000	RMB370,000,000	Property development
Shanghai Jinwu Real Estate Co., Ltd.	PRC/Mainland China 12 August 2002[3]	–	97%	RMB442,235,160	RMB442,235,160	Property development and property leasing
Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset Management")	PRC/Mainland China 30 October 2007[1]	–	100%	US$31,936,200	US$31,936,200	Property leasing
Shanghai Shangzhi Real Estate Development Co., Ltd.	PRC/Mainland China 16 October 2008[3]	–	100%	RMB10,000,000	RMB10,000,000	Property development

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

47. INFORMATION ABOUT SUBSIDIARIES *(continued)*

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Xiangdao Real Estate Ltd. ("Xiangdao")	PRC/Mainland China 21 July 2009(3)	–	100%	RMB330,000,000	RMB330,000,000	Property development
Shanghai Xiabo Industry Ltd. ("Xiabo")	PRC/Mainland China 14 September 1995(3)	–	100%	RMB3,000,000	RMB3,000,000	Property development
Shanghai Haibo Property Development Co., Ltd. ("Haibo")	PRC/Mainland China 27 December 1996(3)	–	100%	RMB15,000,000	RMB15,000,000	Property development
Shanghai Bairun Real Estate Co., Ltd. ("Bairun")	PRC/Mainland China 16 May 2002(3)	–	51%	RMB605,500,000	RMB605,500,000	Property development
Wuxi Zhongqing Real Estate Co., Ltd. ("Wuxi Zhongqing")	PRC/Mainland China 11 July 2008(3)	–	100%	RMB85,000,000	RMB85,000,000	Property development
Jiaxing Lake Richgate Real Estate Co., Ltd. ("Jiaxing Lake Richgate")	PRC/Mainland China 26 September 2007(3)	–	100%	RMB335,114,300	RMB335,114,300	Property development
Shanghai Zhiyi Enterprise Ltd.	PRC/Mainland China 14 March 2011(2)	–	100%	RMB63,176,749	RMB500,000,000	Procurement management
Dalian Shangzhi Real Estate Development Co., Ltd.	PRC/Mainland China 19 July 2013(3)	–	51%	RMB30,000,000	RMB30,000,000	Property development
Shanghai Zhi Yi Investment Ltd.	PRC/Mainland China 21 January 2014(3)	–	100%	RMB100,000,000	RMB100,000,000	Investment
Chengdu Shangzhi Real Estate Co., Ltd	PRC/Mainland China 20 December 2010(3)	–	100%	RMB20,000,000	RMB20,000,000	Property development
Shanghai Lake Malaren Obstetrical and Gynecological Hospital Co., Ltd.	PRC/Mainland China 17 October 2013(3)	–	100%	RMB10,000,000	RMB10,000,000	Hospital
Shanghai Lake Malaren Corporate Development Co., Ltd	PRC/Mainland China 8 April 2014(3)	–	72.63%	RMB70,000,000	RMB70,000,000	Property development
Shanghai Lake Malaren Commercial Management Co., Ltd	PRC/Mainland China 8 April 2014(3)	–	72.63%	RMB70,000,000	RMB70,000,000	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

47. INFORMATION ABOUT SUBSIDIARIES *(continued)*

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Jiangsu Jiaye SRE Commercial Factoring Limited	PRC/Mainland China 10 February 2017[3]	–	80%	RMB100,000,000	RMB100,000,000	Factoring
Qingdao Zhongtong Environmental Fund Center (Limited Partnership)	PRC/Mainland China 16 October 2017[4]	–	100%	RMB90,010,000	RMB90,010,000	Investment
Zhongtong Wanfang Construction and Development (Zhangjiakou) Co., Ltd.	PRC/Mainland China 21 November 2017[3]	–	90%	RMB100,000,000	RMB100,000,000	Construction
Gullveig Investment Co., Ltd.*	Cambodia 30 January 2018	–	100%	US$250,000	US$250,000	Investment
Valkyrie Investment Co., Ltd.*	Cambodia 30 January 2018	–	100%	US$260,000	US$260,000	Investment
Romduol Overseas Co., Ltd.	Cambodia 30 January 2018	–	100%	KHR4,000,000,000	KHR4,000,000,000	Property development

* Although the Group holds less than 50% of these Cambodian companies legally, the other shareholders are deprived of the rights and obligations of these interests so that the Group, in substance, holds 100% interest in these Cambodian companies.

(1) Registered as wholly foreign owned limited liability companies under PRC law.

(2) Registered as sino-foreign limited liability companies under PRC law.

(3) Registered as domestic limited liability companies under PRC law.

(4) Registered as domestic partnership.

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

Other than disclosed above, the Company has several investment holding subsidiaries incorporated in the BVI, Hong Kong, the United Kingdom and the United States of America with nominal issued shares. All subsidiaries located in Mainland China are limited liability entities.

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020	2019
ASSETS		
Non-current assets		
Property, plant and equipment	15	14
Investments in subsidiaries	1,422,058	1,442,272
Advances to subsidiaries	3,298,930	3,266,894
	4,721,003	4,709,180
Current assets		
Dividends receivable from subsidiaries	1,951,622	1,951,622
Prepayments and other current assets	42,340	42,563
Cash and bank balances	20,956	16,045
	2,014,918	2,010,230
Total assets	6,735,921	6,719,410
EQUITY AND LIABILITIES		
Equity		
Issued share capital and share premium	6,747,788	6,747,788
Reserves	(1,502,484)	(1,498,561)
Total equity	5,245,304	5,249,227
LIABILITIES		
Non-current liabilities		
Interest-bearing bank and other borrowings	1,019,469	973,308
Current liabilities		
Interest-bearing bank and other borrowings	114,041	102,985
Other payables and accruals	357,107	393,890
	471,148	496,875
Total liabilities	1,490,617	1,470,183
Total equity and liabilities	6,735,921	6,719,410

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2021 and was signed by the following Directors on its behalf:

Hong Zhihua	**Kong Yong**
Chairman	*Acting Chief Executive Officer*

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 (Amounts presented in thousands of Renminbi unless otherwise stated)

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

A summary of the Company's reserves is as follows:

	Accumulated losses	**Others**	**Total**
Balance at 1 January 2020	**(1,825,189)**	**326,628**	**(1,498,561)**
Total comprehensive loss for the year	**(3,923)**	**–**	**(3,923)**
Balance at 31 December 2020	**(1,829,112)**	**326,628**	**(1,502,484)**

	Accumulated losses	Others	Total
Balance at 1 January 2019	(1,738,084)	326,628	(1,411,456)
Total comprehensive loss for the year	(87,105)	–	(87,105)
Balance at 31 December 2019	(1,825,189)	326,628	(1,498,561)

49. APPROVAL OF THESE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 26 March 2021.