珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 1176

ANNUAL REPORT 2020

* *For identification purposes only*

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) *(Chairman)*
Mr. Liu Jie *(Chief Executive Officer)*
Mr. Liao Tengjia *(Deputy Chairman)*
Mr. Huang Jiajue *(Deputy Chairman)*
Mr. Chu Muk Chi (alias Mr. Zhu La Yi)
Ms. Ye Lixia

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping *JP*
Mr. Wong Chi Keung
Dr. Feng Ke

AUDIT COMMITTEE

Mr. Leung Wo Ping *JP (Committee Chairman)*
Mr. Wong Chi Keung
Dr. Feng Ke

REMUNERATION COMMITTEE

Mr. Wong Chi Keung *(Committee Chairman)*
Mr. Leung Wo Ping *JP*
Mr. Huang Jiajue

NOMINATION COMMITTEE

Mr. Wong Chi Keung *(Committee Chairman)*
Mr. Leung Wo Ping *JP*
Mr. Huang Jiajue

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COMPANY SECRETARY

Mr. Choi Kwok Keung Sanvic

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PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Agricultural Bank of China Limited
China Construction Bank (Asia) Corporation Limited
Bank of Guangzhou Co., Ltd.
China Zheshang Bank Co., Ltd.
Guangzhou Rural Commercial Bank

WEBSITE

www.zhuguang.com.hk

STOCK CODE

1176

MILESTONE 2020

Zhuguang Financial Town One* (珠光金融城壹號) was awarded as the "2020 Most Expected Property *(2020年度值得期待實力大盤)"

The Company was awarded as one of the "Real Estate Companies Top 100* (地產TOP 100)" under the 2020 Brand Value List of Chinese Listed Companies

** English name is translated for identification purpose only*

I herein present the results and report on the operations of Zhuguang Holdings Group Company Limited ("Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2020 ("FY2020").

RESULTS

The consolidated results of the Group for FY2020 are as follows: (1) the consolidated revenue of the Group for FY2020 was approximately HK$6,624,798,000, representing an increase of 62.6% as compared to that of approximately HK$4,074,814,000 for the financial year ended 31 December 2019 ("FY2019"); (2) the consolidated gross profit of the Group increased by 54.5% to approximately HK$3,223,940,000; and (3) the consolidated profit of the Group for FY2020 was approximately HK$2,225,196,000, representing an increase of 209.3% as compared to that of approximately HK$719,497,000 for FY2019. The consolidated profit attributable to the equity holders of the Company for FY2020 was approximately HK$2,242,404,000 and the basic earnings per share was HK30.50 cents, which were higher as compared with the consolidated profit attributable to the equity holders of the Company of approximately HK$747,225,000 and the basic earnings per share of HK9.72 cents for FY2019.

NET ASSET VALUE

As at 31 December 2020, the number of ordinary shares of the Company ("Shares") in issue was 7,194,417,247 Shares in aggregate and the shareholders' equity of the Group was approximately HK$9,318,649,000. The Group's consolidated net asset value per share attributable to the equity holders of the Company as at 31 December 2020 was approximately HK$1.30.

MARKET AND BUSINESS REVIEW

In 2020, the Coronavirus Disease 2019 ("COVID-19") pandemic cast immense uncertainties on the economic development around the world. Following the full recovery of the domestic economy in the second half of the year, the major principle of property market regulation was to remain stable and unchanged. From the perspective of China's land market, the land transaction amount reached a new high with intensifying city differentiations. The first-tier and second-tier cities had significant improvement, particularly the Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area. The overall transactions in the property market remained generally the same as in 2019 with stable transaction prices. Meanwhile, differentiation was striking between regions and cities, the market sizes of the Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area continued to achieve leading growths. Under the atmosphere where market environment tended to become stable and financial supervision tended to be tightening, real estate enterprises responded to environmental changes in an active and effective manner as well as worked together to maintain a stable and healthy development of the property market.

During the Central Economic Work Conference of the People's Republic of China ("PRC") held in 2019, the Central Government stressed that its aim was to ensure the "steady and healthy development" of the property market, and it further reiterated the principle that "housing is for accommodation, not for speculative trading". The need to do more work to ensure the stable supply of homes for the low income urban population, to strengthen urban renewal and enhancement of the existing residential projects, to regenerate old urban communities, and to increase rental housing was also mentioned in the Central Economic Work Conference.

In 2020, the Guangzhou Municipal Government announced the "Implementation Opinions of Guangzhou Municipal People's Government of CPC Guangzhou Municipal Committee regarding the Deepening of Urban Renewal for Promotion of High-quality Development" (referred to as the "Opinions"), which focuses on the work requirements in the "1+1+N" urban renewal policy document, the incorporation of urban renewal into the "big picture" of the territorial spatial plan by the Guangzhou Municipal Planning and Natural Resources Bureau and the implementation of urban renewal projects. The Opinions also revealed the blueprints for old area transformation for the Guangzhou Municipal for the coming 10 years. The transformation of a total of 388 villages in the Guangzhou Municipal shall be implemented within 10 years in three steps, through a three-year implementation plan, a five-year action plan and a ten-year transformation plan.

Stepping into 2021, being the first year under the "14th Five-Year Plan", the positioning of the principle emphasised by the government that "housing is for accommodation, not for speculative trading" will be clearer and the real estate industry will accelerate its transformation into the stock era. The "Recommendations of the Central Committee of CPC for the 14th Five-Year Plan for Economic and Social Development and the 2035 Vision of the People's Republic of China" highlighted the enhancement of the transformation of old communities in cities and community construction, and the implementation of a number of major projects, which coincide with the continuous philosophy of 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*), a wholly-owned subsidiary of the Company and a member of the Company's urban renewal group.

The urban renewal group of the Company will continue its professionalism as an urban renewal specialist to implement each urban renewal project of the Group, secure the Group's most important source of land supply for the next three years and strengthen the characteristics and competitive edge of the Group's future development. The Group will also actively seek cooperation in various aspects with its business partners to strengthen and consolidate its position as an urban renewal specialist.

The Group will uphold its spirit of craftsmanship, focus on improving its product quality, and proceed with details to build high-quality products with high added value, high profit margins and characteristics for the Group, and provide buyers with products bearing high investment value.

LAND ACQUISITIONS

The Group strives to maintain a sufficient land bank and its design of accurate urban layout have laid a solid foundation for its future developments. In March 2021, the Group completed ("Completion") its acquisition of the remaining 49% of the equity interest in 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*) ("Guangzhou Project Company"), a company which held interest in an urban renewal project ("AEC Project") in Guangzhou City known as Zhuguang Financial Town One* (珠光金融城壹號) ("Zhuguang Financial Town One"). The results of the Guangzhou Project Company were consolidated into the Group's immediately after the Completion. It is expected that the pre-sale proceeds of the AEC Project for 2021 will bring a stable source of cash inflows to the Group.

Zhuguang Financial Town One is a three-old transformation project* (三舊改造項目) located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC. The land of the AEC Project can be used for commercial, tourism and entertainment purposes for a period of 40 years, and for composite and other functions for a period of 50 years. The land of this Project is planned to be developed into a commercial complex including shopping malls, office properties and high-end apartment buildings. The total site area of the AEC Project is approximately 63,637 square metres ("sqm"), which is being developed into buildings for office, apartment and commercial uses. The total gross floor areas for sale and for development of this project are approximately 352,158 sqm and 360,655 sqm, respectively.

The Group is optimistic about the prospects of the property development business in the first-tier cities in the PRC and the Guangdong-Hong Kong-Macao Greater Bay Area. By acquiring the remaining 49% equity interest of the Guangzhou Project Company, the Group will take full control of the AEC Project and entirely own the land of the project. In addition, the location of the land of the project has great potential for development given that it is near the Sanxi (三溪) Station of Guangzhou Metro Line No. 5 and within the scope of the planned Guangzhou International Financial Town* (廣州國際金融城) in Tianhe District, Guangzhou City, Guangdong Province, the PRC.

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FINANCING COSTS AND CHANNELS

As at 31 December 2020, the gearing ratio of the Group was 61% (31 December 2019: 65%). The decrease in the gearing ratio was mainly due to the decrease in the balance of the senior secured guaranteed notes issued by the Company in 2019 which was outstanding as at 31 December 2020 ("2019 Senior Notes"), and the increase in the amount of the shareholders' equity of the Company as at 31 December 2020, as compared to those as at 31 December 2019. As at 31 December 2020, the bank balances and cash of the Group amounted to approximately HK$2,512 million (31 December 2019: HK$3,890 million) and the balance of the interest-bearing debts of the Group amounted to approximately HK$17,041 million (31 December 2019: HK$18,206 million). The weighted average cost of capital of the Group was 7.94% in FY2020 (FY2019: 8.33%).

The Company is committed to enhancing the communication with its shareholders ("Shareholders") and its dedication to investor relationship. Through various channels, such as an investor forum, an investment promotion conference and project visits, the Company has maintained smooth communication with the Shareholders and investors in an effective manner, and enabled the investors to have an in-depth understanding of the Company's development strategy and business philosophy.

OUTLOOK

2021 will be a year full of both opportunities and challenges for real estate companies in China. The overall post-pandemic recovery of the economy will energize the industry. At the same time, under the primary regulation policies such as "housing is for accommodation, not for speculative trading" and "taking measures in response to local conditions", the demand and supply of properties in the market will gradually return to stable in 2021, and the demand will become more rational. With the increasing concentration of the industry, real estate developers not only have to take advantage of the development opportunities of urban rotation and establish a proper strategic roadmap, but also have to focus on areas where they have advantages, cultivate key cities, conduct in-depth research and analysis of the needs of different customers and strengthen cooperation between developers, in order to better position themselves for potential development opportunities. The Group will expand its high-quality land bank and adhere to the "1+1+N" development strategy in the future while focusing its business presence on the Guangdong-Hong Kong-Macao Greater Bay Area.

In 2021, the Group's inventory for sale is still concentrated in its completed projects in Guangzhou. In the future, the Group will continue to increase sales in the Guangzhou area. As of the date of this annual report, the Group's saleable inventory in the Guangzhou area is relatively abundant. As a result, Guangzhou will remain the key sales area of the Group in 2021, and the Group will continue to pay close attention to the sales in this market. In terms of land acquisition, the Group will continue to implement its strategy of focusing on urban renewal projects to support its medium-term to long-term development, while relying on additional light-asset projects to meet its short-term needs. As the Group will acquire its land resources mainly through urban renewal projects in the future, it will leverage on its competitive edge and boost its urban renewal operations. In addition, the Group will maintain its development at an appropriate scale and focus on delivering high-quality projects to raise its brand reputation.

The Group will also actively seek cooperation with partners in various aspects of its business to enhance and strengthen its position in the industry as an urban renewal expert.

APPRECIATION

On behalf of the Board, I would like to thank our management team and every staff member of the Group. The growth of the Group would not have been possible without their dedication and contribution. I would also like to express my appreciation to our investors, customers and business partners for their strong support and confidence in the Group. The management and staff of the Group will continue to dedicate their professional knowledge with excellent team spirit to overcome every difficulty ahead so as to achieve more outstanding results.

Chu Hing Tsung
Chairman

Hong Kong, 30 March 2021


珠光新城国际中心


MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in property development, property investment, project management, and other property development related services in the PRC.

BUSINESS REVIEW

2020 has been an extraordinary year. Following the disturbance caused by the trade talk between China and the United States in 2019, the global economy was further hit hard by the outbreak of COVID-19 in early January 2020. Most of the countries around the world have implemented precautionary measures against COVID-19, such as strengthening their border control, social distancing, home quarantine, etc., which brought global business activities almost to a standstill. The PRC authority has also taken national prevention and control measures to combat the outbreak of COVID-19. While COVID-19 has brought the economies of many countries to a virtual halt, its impacts on China were less severe as the Chinese government was able to bring the pandemic under control quickly, which allowed the domestic economy to recover rapidly. In turn, the overall impacts of COVID-19 on the Group were limited. In the first quarter of 2020, construction of certain property projects of the Group had been disrupted by the lockdowns across the country. However, as the pandemic gradually came under control in China after the first quarter of 2020, the operations of the Group resumed to normal in the second quarter of 2020. Due to the recovery of the domestic economy in the second half of 2020 and the demand for properties remaining strong, property prices and sales in first-tier cities in China have been stable in spite of the COVID-19 pandemic. The Group's profit increased by approximately 209.3% from FY2019 to FY2020, which was partly attributable to the increase in the revenue generated by the Group from the sale of properties and the provision of management services on property development projects and urban redevelopment projects during FY2020.

In March 2020, the Group completed its acquisition ("First AEC Acquisition") of 100% of the issued share capital of All Flourish Investments Limited (通興投資有限公司) ("All Flourish") at the consideration of RMB1,050 million (equivalent to approximately HK$1,157.8 million). Through its wholly-owned subsidiary, Pacific Win Investments Limited (保鋒投資有限公司) ("Pacific Win"), All Flourish held 51% of the equity interest in the Guangzhou Project Company, a company which held interest in an urban renewal project ("AEC Project") in Guangzhou City, Zhuguang Financial Town One. The AEC Project covers the development of three parcels of land with a total gross floor area ("GFA") available for sale of approximately 352,158 sqm, which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, that are near the Sanxi (三溪) Station of Guangzhou Metro Line No. 5, and are within the scope of the planned Guangzhou International Financial Town* (廣州國際金融城) in the Tianhe District. The land under the AEC Project will be developed into buildings for office, apartment and commercial uses over five phases. Upon completion of the First AEC Acquisition, while the financial results of All Flourish and Pacific Win have been consolidated into the Group's, the financial results of the Guangzhou Project Company have not been consolidated into the Group's under the applicable accounting standards but have been equity accounted for as a joint venture of the Group.

In September 2020, the Group completed its disposal of (i) the entire equity interest in Guangzhou Yuhong Investment Company Limited* (廣州御宏投資有限公司) ("Guangzhou Yuhong"), a non-wholly owned subsidiary of the Company; and (ii) the net amount advanced by way of loan by the Group to, among others, Guangzhou Yuhong, to Guangzhou Bohao Corporate Management Partnership (Limited Liability Partnership)* (廣州博浩企業管理合伙企業(有限合伙)) ("Guangzhou Bohao"), at the aggregate consideration of RMB4,404 million (equivalent to approximately HK$5,066 million) ("Huocun Disposal"). Subject to the satisfaction of certain conditions, the equity interest in Guangzhou Hongxiang Real Estate Company Limited* (廣州宏祥房地產有限公司) ("Huocun Project Company") shall be transferred to Guangzhou Yuhong after completion of the Huocun Disposal. The Huocun Project Company undertakes the urban renewal project for the purpose of re-developing the land located at Huocun, Huangpu District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 616,086 sqm, and the buildings thereon into residential, commercial and office areas ("Huocun Project"). Pursuant to the agreements in relation to the Huocun Project entered into by the Group, the Company shall be responsible for funding all the development costs of the Huocun Project. Under the terms of the Huocun Disposal, the development costs of the Huocun Project yet to be incurred and paid as at the date of completion of the Huocun Disposal shall be assumed by Guangzhou Bohao in favour of the Company. In addition, Guangzhou Bohao shall procure properties of 38,179 sqm developed on a designated area under the Huocun Project to be transferred to the Group at nil consideration after completion of the development of the project. The Group has realised a gain of approximately HK$2,038 million from the Huocun Disposal. Taking into account of (a) the operating conditions of the Group in the PRC as a result of the trade disputes between China and the United States and the persisting COVID-19 which have imposed uncertainties to the economy in the near future; (b) the Huocun Disposal being able to release the Group from funding the outstanding development costs of the Huocun Project; and (c) the gain generated by the Group from the Huocun Disposal, the Huocun Disposal allowed the Group to realise its investment in the Huocun Project at the appropriate time.

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In December 2020, the Group and 廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited*) ("Guangdong Zhuguang Group") entered into an agreement, pursuant to which the Group has conditionally agreed to purchase, and Guangdong Zhuguang Group has conditionally agreed to sell, 49% of the equity interest of the Guangzhou Project Company at the consideration of RMB900 million (equivalent to approximately HK$1,038 million) ("Second AEC Acquisition"). The Second AEC Acquisition was completed in March 2021, upon which the Guangzhou Project Company became a wholly-owned subsidiary of the Company, with its financial results being consolidated into the Group. In light of the potential of the AEC Project for development and its superior geographic location in Guangzhou City with convenient transportation available, the completion of the First AEC Acquisition and the Second AEC Acquisition, which allowed the Group to take full control of the AEC Project, provided a strategic opportunity for the Group to further develop and expand its property development business in the Guangdong-Hong Kong-Macao Greater Bay Area. As at the date of this annual report, Phase I of the AEC Project which covers four blocks of apartment buildings (including a retail portion) with a total GFA available for sale of approximately 33,081 sqm that has commenced pre-sale since July 2020, is scheduled to be completed in April 2022. Phase II to Phase V of the AEC Project with a total GFA available for sale of approximately 319,415 sqm are scheduled to be completed in May 2025.

In December 2020, the Group completed its disposal of (i) 100% of the equity interest in Guangzhou Yujia Investments Company Limited* (廣州御嘉投資有限公司) ("Yujia"); and (ii) the loan owed by Yujia to the Group, at the aggregate consideration of RMB2,983 million (equivalent to approximately HK$3,395 million) ("Yujia Disposal"). Yujia holds a block of office and commercial building with a total GFA of approximately 48,528 sqm and 285 car parks thereon, which are situated in a composite residential/commercial property development known as Hua Cheng Yujing Garden* (花城御景花園), located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC. The Group held such properties through Yujia for sale and investment purposes. The Group has recognised the consideration received from the Yujia Disposal and the related profit during FY2020.

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Property Development and Sales

During FY2020, the Group continued its focus on the first-tier and key second-tier cities in the PRC with potential growth in demand for properties. The Group's respective contracted sales and contracted GFA sold for FY2020 amounted to approximately HK$4,407,454,000 and approximately 148,877 sqm, representing an increase of approximately 72.17% and a decrease of approximately 19.04% respectively, as compared with those for FY2019. The details of the Group's contracted sales and contracted GFA sold for FY2020 are set out below:

Projects	Contracted sales	Contracted GFA sold
	(HK$'000)	(sqm)
Hua Cheng Yujing Garden	3,197,038	48,802
Pearl Xincheng Yujing ("Xincheng Yujing")	338,473	42,472
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	334,842	24,447
Yujing Yayuan	105,874	6,987
Pearl Yunling Lake	97,121	7,805
Pearl Yijing	80,606	9,148
Project Tian Ying	32,067	2,696
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	5,737	484
	4,191,758	142,841
Car parks	215,696	6,036
	4,407,454	148,877

It is expected that the following projects will be available for sale/pre-sale and/or leasing in 2021:

Projects	Available for sale/ pre-sale/ leasing period	GFA available for sale/ pre-sale/leasing (sqm)	Usage
Hua Cheng Yujing Garden	1st quarter	4,053	Leasing/Sale
Xincheng Yujing	1st quarter	23,618	Leasing/Sale
Yujing Scenic Garden	1st quarter	28,153	Sale
Yujing Yayuan	1st quarter	23,030	Sale
Pearl Yunling Lake	1st quarter	35,318	Leasing/Sale
Pearl Yijing	1st quarter	19,566	Sale
Project Tian Ying	1st quarter	8,566	Sale
Tianhu Yujing	1st quarter	29,608	Leasing/Sale
Meizhou Chaotang Project	1st quarter	26,813	Leasing/Sale
Zhukong International	1st quarter	3,134	Leasing/Sale
Central Park	1st quarter	2,432	Leasing/Sale
Zhuguang Financial Town One	2nd quarter	209,963	Pre-sale

As at 31 December 2020, the Group owned the following major property development projects, the details of which are as follows:

Hua Cheng Yujing Garden — 100% interest

"Hua Cheng Yujing Garden" was acquired by the Group in 2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm, and the total GFA available for sale that belongs to the Group is approximately 108,675 sqm. Out of the GFA of approximately 108,675 sqm, a GFA of approximately 48,043 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 60,632 sqm is attributable to a commercial complex which comprises car parks, shopping malls and office premises. As at 31 December 2020, the aggregate GFA delivered under this project was approximately 85,294 sqm. During FY2020, contracted sales of approximately HK$3,197,038,000 with GFA of approximately 48,802 sqm were recorded with respect to Hua Cheng Yujing Garden.

Xincheng Yujing — 100% interest

"Xincheng Yujing" was acquired by the Group in September 2016. It is located at Zhong Su Shang Wei* (種王上圍), Sunshine Village* (陽光村), Tang Nan Town* (湯南鎮), Fengshun County* (豐順縣), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for its hot spring resources which is a major tourism attraction. The project site area is approximately 280,836 sqm and a total GFA of approximately 355,352 sqm is expected to be developed. The project is being developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project is divided into three phases. Phase I commenced pre-sale during 2017 with delivery commencing in 2018. Phase II commenced pre-sale in 2017 which was completed with delivery commencing in FY2019. Phase III also commenced delivery during FY2020. Aggregate GFA of approximately 650 sqm, 1,759 sqm and 48,463 sqm were delivered under Phase I, Phase II and Phase III, respectively, during FY2020. The ancillary commercial building plus a basement with a total GFA of approximately 10,084 sqm were leased out during FY2020. During FY2020, contracted sales of approximately HK$338,473,000 with GFA of approximately 42,472 sqm were recorded with respect to Xincheng Yujing.

Yujing Scenic Garden — 100% interest

"Yujing Scenic Garden" is located at Provincial Highway G105 ("Highway G105") line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou City, Guangdong Province, the PRC, which is well connected via a number of highways to and from Guangzhou City. Yujing Scenic Garden is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which is being developed into a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 758,606 sqm, which comprises four phases of development. District II of Phase IV of an aggregate GFA of approximately 53,853 sqm was delivered in 2020. Apart from the properties developed for sale under Phases I to IV, Yujing Scenic Garden also comprises properties with a total GFA of approximately 3,652 sqm, which are held by the Group for investment purposes.

During FY2020, contracted sales of approximately HK$334,842,000 with GFA of approximately 24,447 sqm were recorded with respect to Yujing Scenic Garden.

Yujing Yayuan — 50% interest

"Yujing Yayuan" is located at Guoji, Fuyong, Nanqu, Zhongshan City, Guangdong Province, the PRC. The site area and the GFA available for development of this project are approximately 15,745 sqm and approximately 50,471 sqm, respectively. This project, which was to be developed into five blocks of modern residential buildings, a street-level commercial podium and an underground car park, was completed in FY2020. Aggregate GFA of approximately 4,385 sqm was delivered during FY2020. During FY2020, contracted sales of approximately HK$105,874,000 with GFA of approximately 6,987 sqm were recorded with respect to Yujing Yayuan.

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Pearl Yunling Lake — 100% interest

"Pearl Yunling Lake" is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou City, Guangdong Province, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou City. The project site area is approximately 200,083 sqm and the total GFA is expected to be approximately 126,827 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 42,884 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 83,943 sqm. Phase I with a total GFA available for sale of approximately 39,046 sqm and Phase II with a total GFA available for sale of approximately 56,084 sqm were launched for sale in the first and third quarters of 2017 respectively, whilst the hotel has been retained as a long-term asset of the Group.

The aggregate GFA delivered under Phase I was approximately 21,363 sqm, of which approximately 1,130 sqm was delivered during FY2020. The aggregate GFA delivered under Phase II was approximately 15,606 sqm, of which approximately 4,919 sqm was delivered during FY2020. The remaining GFA available for sale under Phase I and Phase II is expected to be delivered in 2021. During FY2020, contracted sales of approximately HK$97,121,000 with GFA of approximately 7,805 sqm were recorded with respect to Pearl Yunling Lake.

Pearl Yijing — 100% interest

"Pearl Yijing" is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 45,310 sqm and a total GFA available for sale of approximately 164,628 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. As at 31 December 2020, the aggregate GFA available for sale delivered under Phase I and Phase II were approximately 75,895 sqm and approximately 68,027 sqm, respectively. A total GFA of approximately 9,392 sqm under Phase I and Phase II was delivered during FY2020. During FY2020, contracted sales of approximately HK$80,606,000 with GFA of approximately 9,148 sqm were recorded with respect to Pearl Yijing.

Project Tian Ying — 100% interest

"Project Tian Ying" is located in Jiang Pu Street, Conghua, Guangzhou City, Guangdong Province, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the total GFA available for sale is approximately 59,679 sqm. The project, which was to be developed into a stylish low-density residential complex with a commercial podium and certain public facilities, was completed in FY2019. The aggregate GFA delivered was approximately 48,443 sqm, of which approximately 23,188 sqm was delivered during FY2020. During FY2020, contracted sales of approximately HK$32,067,000 with GFA of approximately 2,696 sqm were recorded with respect to Project Tian Ying.

Tianhu Yujing — 100% interest

"Tianhu Yujing" is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 55,031 sqm. The land of this project is located adjacent to Yujing Scenic Garden, and the Group has developed this land together with Yujing Scenic Garden to expand the Group's development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA available for sale of approximately 186,895 sqm. The development is divided into two phases. The total GFA available for sale under Phase I and Phase II are approximately 97,183 sqm and approximately 89,712 sqm, respectively.

The aggregate GFA delivered under Phase I was approximately 93,018 sqm, of which approximately 977 sqm was delivered during FY2020. The aggregate GFA delivered under Phase II was approximately 45,200 sqm, of which approximately 1,722 sqm was also delivered during FY2020. During FY2020, contracted sales of approximately HK$5,737,000 with GFA of approximately 484 sqm were recorded with respect to Tianhu Yujing.

Meizhou Chaotang Project — 100% interest

"Meizhou Chaotang Project" is located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC. The site area and the GFA available for development under Phase I of the project are approximately 46,793 sqm and approximately 34,234 sqm, respectively. Phase I of the project will be developed into a number of different types of villas in addition to a hotel. Pre-sale of ten blocks of villas with a GFA of approximately 2,936 sqm has commenced in the fourth quarter of FY2019. The Group has designated the hotel with GFA of approximately 7,389 sqm as an investment property held for long-term investment purpose.

Zhukong International — 80% interest

"Zhukong International", which is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, at the junction of Guangzhou Avenue* (廣州大道) and Huang Pu Da Dao* (黃埔大道), is a 35-storey high-rise commercial complex, including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The complex was completed in 2015 with a site area of approximately 10,449 sqm and a total GFA (including carpark areas) available for sale and leasing of approximately 109,738 sqm. The aggregate GFA of the office building and carparks sold was approximately 62,686 sqm, and GFA of approximately 3,134 sqm of this property is still available for sale or leasing. The Group has designated GFA of approximately 43,918 sqm of this property as investment properties held for long-term investment purpose.

Central Park — 100% interest

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC with a site area of approximately 3,430 sqm, and a total GFA available for sale of approximately 28,909 sqm thereof has been developed into a 30-storey building, including service apartments, a street-level commercial podium and a 4-storey underground car park. As at 31 December 2020, the aggregate GFA available for sale of the service apartments delivered was approximately 23,631 sqm. The Group has designated GFA of approximately 2,746 sqm of this property as investment properties held for long-term investment purpose.

Land Bank

It is the Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Group's own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. As at 31 December 2020, the Group and its joint venture had a land bank in the PRC, which consisted of total GFA available for sale, total GFA pre-sold pending delivery and total GFA available for lease, of approximately 1,015,416 sqm in aggregate. The Group will continue to explore new opportunities in cities in the PRC in which the Group has already invested, as well as new cities in the PRC with growth potential and the best investment value.

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Project Management Services

The Group has been using its expertise in project management and urban renewal to provide project management services to its customers for property development projects and urban redevelopment projects. In carrying out its business in the provision of project management services, under which it is a common commercial practice for the service providers to include the advancement of funding to customers as part of the services they provide, the Group provides its customers with funding (i.e. development costs, including but not limited to the land costs, costs of preliminary works, building and installation costs, municipal and environmental engineering costs, public ancillary facilities costs and other indirect development costs, required for developing the underlying property development projects or urban redevelopment projects of its customers) and project management services for the projects of its customers. In return, the Group is entitled to a project management services income (i.e. capital utilisation fee which is determined by reference to the agreed capital utilisation rate (in terms of a percentage) and the project development costs advanced by the Group), and a variable income for certain projects which is determined with reference to the performance of the underlying projects subject to certain constraints pursuant to the terms of the relevant project management services agreements entered into between the parties. The Group recorded project management services segment results of approximately HK$2,915,145,000 for FY2020, compared to that of approximately HK$1,608,304,000 for FY2019. The increase in the revenue generated from this business segment was mainly attributable to the increase in the number of project management services agreements entered into by the Group in FY2020. The Group will continue to utilise its expertise in project management and urban renewal to further develop its project management services business to broaden its source of income.

Property Investments

As at 31 December 2020, the Group owned (1) certain floors of Royal Mediterranean Hotel ("RM Hotel") located at 518 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with GFA of approximately 18,184 sqm (31 December 2019: 18,184 sqm); (2) "Zhukong International" with GFA of approximately 43,918 sqm (31 December 2019: 43,918 sqm); (3) certain floors of a commercial complex in Hua Cheng Yujing Garden with GFA of approximately 14,832 sqm (31 December 2019: 32,051 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC, with GFA of approximately 7,389 sqm (31 December 2019: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 18,483 sqm (31 December 2019: 18,459 sqm) as investment properties. During FY2020, RM Hotel, Zhukong International and certain commercial properties were partially leased out with total rental income of approximately HK$177,230,000 generated, representing an increase of approximately 7.9% as compared to that of approximately HK$164,248,000 for FY2019. The existing investment properties held by the Group are intended to be held for medium-term to long-term investment purposes. The Group will continue to seek high quality properties with potential appreciation in value for investment purposes and build up a portfolio that will generate steady cash flows to the Group in the future.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2020, the Group entered into and/or completed the following material transactions:

(a) On 18 December 2019, South Trend Holdings Limited (南興控股有限公司) ("South Trend"), as purchaser, Quan Xing Holdings Limited (荃興控股有限公司) ("Quan Xing"), as vendor, and Mr. Cheung Fong Wing, as guarantor, entered into a sale and purchase agreement in relation to the First AEC Acquisition ("First AEC Acquisition SPA"). Pursuant to the First AEC Acquisition SPA, South Trend has conditionally agreed to acquire, and Quan Xing has conditionally agreed to sell, the entire issued share capital of All Flourish, a company which held 51% of the equity interest in the Guangzhou Project Company through its interest in the entire issued share capital of Pacific Win, at the consideration of RMB1,050 million (equivalent to approximately HK$1,157.8 million).

The First AEC Acquisition was completed in March 2020, upon which All Flourish and Pacific Win have become indirect wholly-owned subsidiaries of the Company. While the financial results of All Flourish and Pacific Win have been consolidated into the Group's after completion of the First AEC Acquisition, the financial results of the Guangzhou Project Company have not been consolidated into the Group's under the applicable accounting standards but have been equity accounted for as a joint venture of the Group.

Further details of the First AEC Acquisition are set out in the announcement of the Company dated 18 December 2019.

(b) On 22 April 2020, (i) United Talent Investments Limited, a wholly-owned subsidiary of the Company, as vendor ("United Talent"); (ii) Guangzhou Yuhong, a non-wholly owned subsidiary of the Company, as target company; (iii) the Company; (iv) Skyleap Investments Limited, a wholly-owned subsidiary of the Company; and (v) Guangzhou Bohao, as purchaser, entered into a co-development agreement in relation to the Huocun Disposal ("Co-Development Agreement"). Pursuant to the Co-development Agreement, United Talent has conditionally agreed to sell, and Guangzhou Bohao has conditionally agreed to purchase, (1) the entire equity interest in Guangzhou Yuhong at the consideration of RMB1,500 million (equivalent to approximately HK$1,665 million); and (2) the net amount advanced by way of loan by United Talent and/or the subsidiaries of the Company to, among others, Guangzhou Yuhong at completion of the Huocun Disposal at the consideration equal to the face value of such loan. The Huocun Disposal was completed in September 2020.

Further details of the Huocun Disposal are set out in the announcement and the circular of the Company dated 22 April 2020 and 24 June 2020, respectively.

(c) On 19 June 2020, Guangzhou Rongcheng Investment Development Company Limited* (廣州融晟投資發展有限公司) ("Guangzhou Rongcheng"), as vendor, and United Talent, a wholly-owned subsidiary of the Company, as purchaser, entered into an agreement pursuant to which Guangzhou Rongcheng has agreed to sell, and United Talent has agreed to acquire, 10% of the equity interest of Guangzhou Yuhong at nil consideration ("RC Acquisition"). Completion of the RC Acquisition ("RC Completion") took place on 9 July 2020. Immediately before the RC Completion, the equity interest in Guangzhou Yuhong was owned as to 90% by United Talent and 10% by Guangzhou Rongcheng. Immediately after the RC Completion, the entire equity interest in Guangzhou Yuhong was held by United Talent. Further details of the RC Acquisition are set out in the announcement and the circular of the Company dated 19 June 2020 and 24 June 2020, respectively.

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(d) On 12 November 2020, World Charter Investments Limited ("World Charter"), a wholly-owned subsidiary of the Company, as first vendor, Guangzhou Shunji Industry Company Limited* (廣州舜吉實業有限公司) ("Shunji"), a wholly-owned subsidiary of the Company, as second vendor, and Guangzhou City Cheng Xing Trading Company Limited* (廣州市城興貿易有限公司) ("Cheng Xing"), as purchaser, and Yujia, as target, entered into a transfer agreement in relation to the Yujia Disposal ("Transfer Agreement"). Pursuant to the Transfer Agreement, World Charter and Shunji agreed to sell, and Cheng Xing agreed to acquire (i) 100% of the equity interest in Yujia; and (ii) the loan owed by Yujia to Shunji, at the aggregate consideration of RMB2,983 million (equivalent to approximately HK$3,395 million). The Yujia Disposal was completed in December 2020, upon which the Group ceased to have any interest in Yujia.

Further details of the Yujia Disposal are set out in the announcement and the circular of the Company dated 12 November 2020 and 3 December 2020, respectively.

(e) On 7 December 2020, Pacific Win, a wholly-owned subsidiary of the Company, as purchaser, and Guangdong Zhuguang Group, as vendor, entered into an agreement in relation to the Second AEC Acquisition ("Second AEC Acquisition SPA"). Pursuant to the Second AEC Acquisition SPA, Pacific Win has conditionally agreed to purchase, and Guangdong Zhuguang Group has conditionally agreed to sell, 49% of the equity interest of the Guangzhou Project Company at the consideration of RMB900 million (equivalent to approximately HK$1,038 million).

Further details of the Second AEC Acquisition are set out in the announcement and the circular of the Company dated 7 December 2020 and 24 December 2020, respectively.

EVENT AFTER THE REPORTING YEAR

The Second AEC Acquisition was completed in March 2021, upon which the Guangzhou Project Company became a wholly-owned subsidiary of the Company, with its financial results being consolidated into the Group's.

FINANCIAL REVIEW

Revenue

During FY2020, the Group's revenue by operating segment included revenue from property development, project management services and property investment. The total revenue of the Group for FY2020 was approximately HK$6,624,798,000 (FY2019: HK$4,074,814,000), which represented an increase of approximately 62.6% as compared to that for FY2019.

Revenue from property development for FY2020 amounted to approximately HK$4,384,023,000 (FY2019: HK$2,540,074,000). The increase was mainly due to the increase in the average selling price of the properties delivered during FY2020 as compared to that of the properties delivered during FY2019.

The income from project management services segment contributed approximately HK$2,063,545,000 (FY2019: HK$1,370,492,000) to the total revenue of the Group for FY2020. The significant increase was mainly due to the increase in the number of project management services agreements entered into by the Group in FY2020.

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The Group recorded an increase of approximately 7.9% in rental income for FY2020, as compared to that for FY2019. The rental income increased from approximately HK$164,248,000 for FY2019 to approximately HK$177,230,000 for FY2020, mainly due to the increase in GFA of the investment properties leased out by the Group during FY2020.

Gross profit and margin

For FY2020, the Group recorded a gross profit of approximately HK$3,223,940,000 (FY2019: HK$2,087,261,000). The increase was mainly due to the increase in the sales of the Group's properties and the increase in the number of project management services agreements entered into by the Group in FY2020.

Fair value loss on investment properties, net

For FY2020, the fair value loss on investment properties, net, recorded by the Group amounted to approximately HK$97,233,000 as compared with a fair value gain on investment properties, net of approximately HK$384,868,000 in FY2019. The fair value loss on investment properties, net was mainly due to the decrease in the fair value of RM Hotel and Zhukong International as at 31 December 2020.

Other income and gains

Other income and gains of the Group increased to approximately HK$1,144,136,000 during FY2020 (FY2019: HK$435,979,000). The increase was primarily due to the foreign exchange gain of approximately HK$865,753,000 recorded for FY2020 as compared to the foreign exchange loss of approximately HK$254,697,000 recorded in other expenses in FY2019.

Gain on disposal of a subsidiary

Gain on disposal of a subsidiary amounted to approximately HK$2,037,683,000 for FY2020 (FY2019: Nil), which represented the gain realised by the Group from its disposal of the entire equity interest in Guangzhou Yuhong during FY2020.

Administrative expenses and selling and marketing costs

Administrative expenses and selling and marketing costs of the Group increased from approximately HK$393,418,000 for FY2019 to approximately HK$461,334,000 for FY2020. The increase was primarily due to the increase in the professional fees payable by the Group for corporate exercises and bank charges for refinancing arrangements during FY2020.

Other expenses

Other expenses of the Group increased from approximately HK$272,977,000 for FY2019 to approximately HK$763,495,000 for FY2020. Other expenses mainly comprised (i) the impairment of investment in an associate, Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司) ("Silver Grant"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with stock code: 0171, of approximately HK$539,757,000 recorded for FY2020 (FY2019: Nil); (ii) the impairment of goodwill of approximately HK$126,876,000 recorded for FY2020 (FY2019: Nil) following the sale of Yujia by the Group; and (iii) the impairment of inventory of approximately HK$53,707,000 recorded for FY2020 (FY2019: Nil).

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Changes in fair value of financial assets at fair value through profit or loss

Changes in fair value of financial assets at fair value through profit or loss of the Group decreased from approximately HK$662,507,000 for FY2019 to approximately HK$367,802,000 for FY2020. The decrease was mainly due to the decrease in the fair value of certain project management services agreements as at 31 December 2020, under which the Group agreed to provide funding and management services in relation to property development projects to its customers.

Share of loss of an associate

Share of loss of an associate was approximately HK$134,691,000 during FY2020 (FY2019: share of profit of approximately HK$144,797,000), which represented the Group's share of the loss from its associate, Silver Grant. Silver Grant and its subsidiaries are principally engaged in investments and property leasing. The Group completed the acquisitions of approximately 29.56% of the issued share capital of Silver Grant on 31 October 2018 and Silver Grant has become an associate of the Group since then.

Finance costs

Finance costs for FY2020 were approximately HK$1,517,356,000 (FY2019: HK$1,503,924,000), which were made up of interest expenses incurred during FY2020 after deduction of the interest expenses capitalised into development costs. The increase in finance costs was mainly due to the increase in the cost of borrowings incurred by the Group in FY2020.

Income tax expense

Income tax expense comprised corporate income tax ("CIT") and land appreciation tax ("LAT") in the PRC and deferred tax. CIT of approximately HK$845,743,000 (FY2019: HK$233,985,000), LAT of approximately HK$522,156,000 (FY2019: HK$153,149,000) and deferred tax credit of approximately HK$255,538,000 (FY2019: deferred tax expense of HK$238,166,000) accounted for the Group's total income tax expense of approximately HK$1,112,361,000 for FY2020 (FY2019: HK$625,300,000). The increase in total income tax expense for FY2020 was mainly due to the net effect of (i) the decrease in tax-deductible expenses incurred during FY2020, as compared to those incurred in FY2019; and (ii) the withholding tax arising from the gain on the Group's disposal of Guangzhou Yuhong recorded for FY2020, which was absent in FY2019.

Profit for the year

The Group's profit for FY2020 was approximately HK$2,225,196,000 (FY2019: HK$719,497,000), which represented an increase of approximately 209.3% as compared to that for FY2019. The increase in profit was mainly attributable to (i) the gain realised from the disposal of a subsidiary in FY2020 resulting from the Group's disposal of the entire equity interest in Guangzhou Yuhong in FY2020, a then wholly owned subsidiary of the Company, of approximately HK$2,037,683,000 which was absent in FY2019; (ii) the increase in the revenue from the sale of properties during FY2020 to approximately HK$4,384,023,000 (FY2019: HK$2,540,074,000) mainly due to the sales revenue recognised by the Group from its disposal of the entire equity interest in Yujia in FY2020, which held a block of office and commercial building and car parks for sale and investment purposes; and (iii) the foreign exchange gain of approximately HK$865,753,000 recorded as a result of the appreciation of Renminbi ("RMB") against Hong Kong dollar ("HK$") during FY2020 as compared to the foreign exchange loss of approximately HK$254,697,000 recorded in FY2019.

Treasury and funding policies

The Group has adopted a prudent approach with respect to its treasury and funding policies. The Group's financial and fundraising activities are subject to effective centralised management and supervision, with an emphasis on risk management and transactions that are directly related to the business of the Group. There is in general no seasonality in relation to the borrowing requirements of the Group.

Cash position

As at 31 December 2020, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$2,512,180,000 (31 December 2019: HK$3,889,815,000). The cash and cash equivalents of the Group were mainly denominated in RMB, United States dollar ("US$") and HK$.

Borrowings, charges on group assets and gearing ratio

The Group's bank and other borrowings comprised the following:

	31 December 2020 HK$'000	31 December 2019 HK$'000
Bank loans — secured	**5,671,151**	4,659,742
Bank loans — unsecured and guaranteed	**236,849**	478,264
Senior notes — secured	**2,438,908**	3,381,035
Other borrowings — secured	**8,580,261**	9,446,734
Other borrowings — unsecured and guaranteed	**100,000**	220,000
Lease liability	**13,850**	20,242
	17,041,019	18,206,017

(a) As at 31 December 2020, the Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; (iii) other borrowings, including trust loans, a margin loan and a term loan facility; and (iv) a lease liability. Out of these borrowings, approximately HK$1,037,773,000 (31 December 2019: HK$1,270,974,000), approximately HK$13,281,930,000 (31 December 2019: HK$13,467,953,000) and approximately HK$2,721,316,000 (31 December 2019: HK$3,467,090,000) were denominated in HK$, RMB and US$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 3% to 14% (31 December 2019: 3% to 12%). Approximately 41.58% (31 December 2019: 97.4%) of the bank loans carried fixed interest rates ranging from 2.35% to 13% (31 December 2019: 2.97% to 14.25%) while the remaining 58.42% (31 December 2019: 2.6%) of the bank loans carried floating interest rates.

(b) The gearing ratio of the Group is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, term deposits with initial terms of over three months and restricted cash) over the total capital (total equity plus net debt) of the Group. As at 31 December 2020, the gearing ratio of the Group was 61% (31 December 2019: 65%).

(c) As at 31 December 2020, the Group had outstanding secured bank loans of approximately HK$5,671.2 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's properties under development and completed properties held for sale; (iii) the Group's term deposits; (iv) the entire equity interest of the Company's subsidiaries, namely, 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*), 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*), 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited*), 廣東海聯大廈有限公司 (Guangdong Hailian Building Company Limited*) and 廣州佳譽投資有限公司 (Guangzhou Jiayu Investment Company Limited*); (v) the entire equity interest of a subsidiary of Guangdong Zhuguang Group); (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; and (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung and Mr. Liao Tengjia. The secured bank loans comprised (1) a bank loan in the principal amount of US$11.11 million due in March 2021; (2) a bank loan in the principal amount of HK$3.17 million due in May 2021; (3) a revolving bank loan in the principal amount of HK$4.1 million with the final maturity due in June 2021; (4) a bank loan in the principal amount of US$11.28 million due in June 2021; (5) a bank loan in the principal amount of RMB50 million due in June 2021; (6) a bank loan in the principal amount of HK$38.77 million due in July 2021; (7) a bank loan in the principal amount of RMB5 million due in August 2021; (8) a bank loan in the principal amount of RMB2,500 million due in August 2021; (9) bank loans in the principal amount of HK$198.56 million due in September 2021; (10) a bank loan in the principal amount of US$14.04 million due in September 2021; (11) a bank loan in the principal amount of HK$349 million due in October 2021; (12) a bank loan in the principal amount of RMB300 million repayable by instalments within 3 years with the last instalment due in November 2021; (13) a bank loan in the principal amount of RMB750 million due in January 2022; (14) a bank loan in the principal amount of RMB1 million due in November 2022; (15) a bank loan in the principal amount of RMB27.5 million due in July 2025; and (16) a bank loan in the principal amount of RMB2,500 million due in September 2035.

(d) As at 31 December 2020, the Group had an outstanding unsecured and guaranteed bank loan of approximately HK$236.8 million, which was guaranteed by (i) the corporate guarantees executed by the Company, Guangdong Zhuguang Group and a subsidiary of Guangdong Zhuguang Group; and (ii) the personal guarantees executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed bank loan had a principal amount of RMB600 million repayable by instalments within 4 years with the last instalment due in October 2021.

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(e) As at 31 December 2020, the Group had outstanding 2019 Senior Notes in the aggregate principal amount of US$328 million (equivalent to approximately HK$2,438.9 million), due on 21 September 2022, which are secured and guaranteed by (i) 3,361,112,000 Shares owned by Rong De Investments Limited (融德投資有限公司) ("Rong De"); (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) ("Ai De"), All Flourish, Capital Fame Investments Limited (嘉鋒投資有限公司) ("Capital Fame"), Cheng Chang Holdings Limited (誠昌控股有限公司) ("Cheng Chang"), East Orient Investment Limited (達東投資有限公司) ("East Orient"), Ever Crown Corporation Limited (冠恒興業有限公司) ("Ever Crown"), Fresh International Limited (豐順國際有限公司) ("Fresh International"), Fully Wise Investment Limited (惠豐投資有限公司) ("Fully Wise"), Pacific Win, Polyhero International Limited (寶豪國際有限公司) ("Polyhero International"), Profaith International Holdings Limited (盈信國際控股有限公司) ("Profaith International"), Talent Wide Holdings Limited (智博控股有限公司) ("Talent Wide"), Top Asset Development Limited (通利發展有限公司) ("Top Asset"), Top Perfect Development Limited (泰恒發展有限公司) ("Top Perfect"), Vanco Investment Limited (雅豪投資有限公司) ("Vanco Investment") and World Sharp Investments Limited (華聲投資有限公司) ("World Sharp"); (iii) the corporate guarantees executed by Rong De, Zhuguang Group Limited (珠光集團有限公司) ("Zhuguang Group"), South Trend, Ai De, All Flourish, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fully Wise, Pacific Win, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, Vanco Investment, Fresh International and World Sharp; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

(f) As at 31 December 2020, the Group had outstanding secured other borrowings of approximately HK$8,580.3 million, which were secured and guaranteed by (i) the Group's properties under development and completed properties held for sale; (ii) the Group's assets under construction included in property and equipment; (iii) the Group's investment properties; (iv) the security provided by Guangdong Zhuguang Group; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*) and 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*); (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (viii) 445,000,000 Shares owned by Rong De; and (ix) 681,240,000 shares in Silver Grant owned by the Company. The secured other borrowings comprised (1) a loan in the principal amount of RMB450 million repayable by instalments within 3 years with the last instalment due in January 2021; (2) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 4 years with the last instalment due in June 2021; (3) a loan in the principal amount of RMB1,200 million due in July 2021; (4) a loan in the principal amount of RMB1,200 million due in July 2021; (5) a margin loan in the principal amount of HK$330 million due in October 2021; (6) loans in the principal amount of RMB165.5 million repayable by instalments within 2 years with the last instalment due in November 2021; (7) a loan in the principal amount of RMB58.5 million repayable by instalments within 2 years with the last instalment due in November 2021; (8) a loan in the principal amount of RMB629.6 million repayable by instalments within 4 years with the last instalment due in December 2021; (9) a loan in the principal amount of RMB2,500 million due in May 2022; (10) a loan in the principal amount of RMB551 million repayable by instalments within 8 years with the last instalment due in November 2024; and (11) a loan in the principal amount of RMB636 million due in April 2026.

(g) As at 31 December 2020, the Group had outstanding unsecured and guaranteed other borrowings of HK$100 million, which were guaranteed by the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed other borrowings comprised a loan in the principal amount of HK$100 million due in December 2021.

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FINANCIAL GUARANTEE CONTRACTS

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**3,643,803**	3,671,035

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. Such guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgage loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

Except for the financial guarantee contracts as disclosed above, the Group had no material contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

FOREIGN EXCHANGE RATE

During FY2020, the Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During FY2020, the Group did not adopt any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

CAPITAL COMMITMENT

The capital expenditures in 2021 are currently expected to be settled by cash through internal resources of the Group. Please refer to note 42 to the consolidated financial statements for the details of the capital commitments of the Group as at 31 December 2020. Other than those as disclosed, the management of the Group does not expect there to be any plans for material investments or capital assets in 2021 with reference to the current situation as at the date of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 289 employees in Hong Kong and the PRC as at 31 December 2020 (31 December 2019: 476). During FY2020, the level of the Group's overall staff cost was approximately HK$183.2 million (FY2019: HK$154.6 million). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group encourages sustainable training of its employees through coaching and further studies. In-house training was provided to eligible employees during FY2020, including training on updates of accounting standards and training on market updates.

During FY2020, the Group did not experience any significant problem with its employees or disruption to its operations due to labour discipline nor did it experience any difficulty in the recruitment and retention of experienced staff. The Group has maintained a good relationship with its employees. Most members of the senior management have been working for the Group for many years.

I. PREAMBLE

Urbanisation, the process by which people pursue better lives and migrate from rural areas to metropolises, has fuelled China's economic growth and altered its environmental and social landscapes as new towns, buildings and infrastructure are springing up across the entire country. The selection of three major urban clusters to spearhead smart urbanisation by the State Council of the PRC, followed by the launch of the National Urbanisation Plan issued in 2014 that advocated a people-centred and environmentally friendly path to urban development, further provided internal impetus for robust economic growth. While yielding tremendous opportunities for the real estate industry, a myriad of diverse obstacles and challenges have surged and pushed us to reconsider the way cities should be designed and built. 2020 was an extraordinarily challenging year to the entire humankind due to the outbreak of the COVID-19 pandemic, bringing uncertainties and causing a profound effect on business operations and livelihoods of city dwellers, which was an enabling factor amplifying the risks faced in the real estate industry. As the phases of the COVID-19 pandemic progress, more emphasis has been placed on the "green" recovery of businesses and the substance of high-quality and sustainable urban development. The real estate industry is one of the most influential sectors globally that impact the health and welfare of people and the environment, as it has been interconnected with a wide range of sustainability impacts in land development, resource use, waste generation and labour practices throughout its life cycle. As laid out in the Proposals for Formulating the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035* (中共中央關於制定國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標的建議), the promotion of healthy housing consumption and people-oriented urbanisation stressing sustainable development are becoming the foundation and tone of the future of the real estate industry in the PRC. Driven by the urban development goal of "more scientific development, more beautiful environment, more harmonious society, happier people", the real estate industry is entering into a stage of high-quality development, and technological innovation and sustainable development are reshaping all aspects of the value chain from development, marketing, services all the way through to the delivery of the final products.

* *English name is translated for identification purpose only*

The Group is aware that with its cross-sectoral reach, the real estate industry can be a powerful driver for corporate sustainability and for accelerating the progress to achieving the Sustainable Development Goals ("SDGs") under the United Nations Global Compact. To tangibly demonstrate its responsible business purpose and commitment, as a socially responsible enterprise that has long been engaged in the business of property development, project management and property investment in the PRC, the Group has been endeavouring to identify and address the material environmental, social and governance (collectively referred to as "ESG") matters that may spawn a range of risks and opportunities for value creation and resilience improvement towards unexpected crisis such as the unprecedented public health emergency and global climate change causing market dips. To align business strategies and operations with the Ten Principles on human rights, labour, environment and anti-corruption in the United Nations Global Compact, and take action to advance broader societal goals through stakeholder collaboration and product innovation, the Group takes into consideration the material ESG matters alongside financial factors in its decision-making process and operations, and inherently connects its long-term success with the effectiveness of its corporate ESG management and sustainable development.

ESG COMMITMENT

In constant pursuit of the integration of ESG into its daily management and business development, the Group has focused its efforts on these parts.

1 **FRIENDLY WORKPLACE**

Maximise the potential of human capital through improved working conditions, more respect for employees' rights and opinions and effective occupational health and safety policies.

2 **ENVIRONMENTAL PROTECTION**

Optimise operational resource efficiency and contribute to sustainable urban development through best-in-class environmental sustainability standards in all aspects of operations (e.g. energy, water, waste and raw materials, etc).

3 **DATA MONITORING**

Increase the Group's reputation as a leader on ESG through effective performance monitoring systems in which environmental and social criteria are well-defined.

4 **RISK MANAGEMENT**

Eliminate the operational risks along its value chain, including the protection of labour and human rights, and promote the compliance with regulatory requirements and industry standards.

5 **SOURCING PRACTICES**

Make use of consistently sustainable practices in supply chain management to standardise the procedures in materials procurement, thereby furthering the control of any social and environmental risks in the supply chain management.

II. ABOUT THE REPORT

In strict compliance with the requirements under Appendix 27 — Environmental, Social and Governance Reporting Guide to the Listing Rules (except for the amendments thereto which are applicable to financial years commencing on or after 1 July 2020) ("ESG Guide"), the Group is pleased to present its ESG Report ("ESG Report") for FY2020, which demonstrates the Group's approach and performance in terms of its ESG management and corporate sustainable development for FY2020.

Boundary Setting

The Group believes that a clear and rational reporting boundary is important for helping report preparers and information users to define and limit the scope and extent of disclosures, while allowing the Group to clearly review and evaluate its performance during the past year based on the principle of "Materiality", furthering the transparency, comparability and benchmarking of the reporting content. Given the business nature and development plans of the Group, this ESG Report examines the ESG performance and management policies of operations of the Group for FY2020 under the operational control approach, comprising the Group's businesses of property development and property investment in the PRC, and the Group's offices in Hong Kong and the PRC, including the Group's business of project management.

Reporting Principles

In line with the principles underpinning the reporting process as laid out in the ESG Guide, the Group has followed the following principles of materiality, quantitative, balance and consistency, in its preparation of the ESG Report.

APPLICATION OF ESG REPORTING PRINCIPLES

In FY2020, the Group conducted a materiality assessment of the ESG-related topics with reference to the recommended procedures in the Global Reporting Initiative ("GRI") standards. Through online surveys, in which its well-selected stakeholders voiced their concerns about the Group's sustainable development, the Group integrated the opinions of its key stakeholders with the assessment of the significance of the economic, social and environmental impacts of its business. The assessment matrix prioritised and presented the relevant ESG issues material to the Group in its ESG management, to which the Group will continue to pay more attention in its business development.

As a supporter of Task Force on Climate-related Financial Disclosures ("TCFD") that was created by the Financial Stability Board to develop consistent climate-related financial risk disclosures, the Group referenced the recommendations in the TCFD framework, identifying and evaluating the implications of climate-related risks and opportunities on its long-term business plan as well.

The application of the reporting principle of Quantitative was reflected in many sections of the ESG Report. Committed to quantifying its environmental and social performance and associated impacts for better comparability across the years and against its peers, in FY2020, the Group collected and summarised its performance in greenhouse gas ("GHG") emissions, consumption of various energy resources, number of employees in terms of age, geographic locations and position types, implementation of training policies and contributions to local communities in numeric manner.

A table and bar chart depicting the patterns of the Group's GHG emissions were presented as well, enabling stakeholders to garner a deep understanding of the Group's GHG emissions in various categories over the years.

To provide an unbiased picture of the Group's impact on and contribution to sustainable development, both achievements and room for improvements have been discussed in the ESG Report. With an in-depth analysis of market trends and the immense changes caused by the increasingly volatile external environment during the year, including technological advances, weakening consumption power and escalating regulatory pressure, the Group objectively discussed its performance in ESG in FY2020 and how it was committed to finding ways to improve its resilience towards the risks of the ripple effects of the COVID-19 pandemic and other major emergencies.

For better comparability and benchmarking, the Group based its approaches to data collation, information disclosure and reporting framework on a consistent methodology that was in alignment with its previous ESG reports. Specifically, the accounting of GHG emissions was with reference to the GHG Protocol, "How to Prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the 2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines for National Greenhouse Gas Inventories, which enabled the Group to effectively monitor its trajectory in minimising its carbon footprint. As discussed in the section headed "II. About the Report — Boundary Setting", in the ESG Report, the Group also adopted a coherent approach in its boundary setting process.

III. SUSTAINABILITY MANAGEMENT

The COVID-19 pandemic, which posed a devastating impact on business and society at large, was testing the Group's commitment to its sustainability strategies and the resilience of such strategies. As climate change, social inequality, environmental deterioration, resource scarcity and a series of sustainability concerns are centring in the daily headlines, more stakeholders are demanding companies to improve their governance structure in managing sustainability and set out a clear roadmap for sustainable development with the implementation of an accountability system. To this end, the Group ensures that the material sustainability topics that encompass ESG-related concerns are positioned on the Board agendas, and the sustainability concept is gradually embedded into the Group's business strategies, decision-making process and operational practices. The Company takes the lead on and oversees the Group's ESG issues. The Group is fully aware of the pivotal role that its Board plays in corporate ESG management, including but not limited to the following:

- Overseeing the assessment of the Group's environmental and social impacts, and the implications of market fluctuations and changes to the macro-environment on the Group's ability to create values to all its stakeholders in the long-term;
- Identifying and fathoming the potential risks of the ESG issues on the Group's operating model and strategic plans;
- Being updated on the expectations and concerns of the Group's stakeholders including, the investors and regulators through ongoing dialogues;
- Creating a barrier-free communication strategy and approach within the Group;
- Enforcing a materiality assessment and reporting process to ensure effective actions are well followed through and implemented; and
- Maintaining a sustainability culture with considerations of environmental and social impacts of daily operations throughout the Group.

To deliver a clear message of corporate vision of sustainable development from the top, communicate relevant regulatory requirements throughout the entire organisation and encourage the staff to update the policymakers and executives of the Group on a timely basis with the hands-on experience that they have gained in the daily operations of the Group, the Group has adopted a top-down and bottom-up approach, which is an integral part of its ESG strategy and management. In particular, the Board initiates sustainability strategies and proposes guidelines, including setting up relevant performance indicators, whereas the management of the Group steers, supervises and monitors the implementation of the Group's sustainability practices. The management is responsible for reporting to the Board about the progress of ESG building within the Group, and any significant risks and opportunities arising from operations. In particular, the Board mainly acquires corporate ESG information through the disclosure of key performance indicators in the Company's ESG reports, meetings with ESG teams of the Group, shareholders' general meetings and its internal and external stakeholders' feedback via surveys. Different business units of the Group are responsible for the execution of the policies at different stages of operations. With a fiduciary duty to protect and enhance shareholder value as well as to advance the progress of corporate sustainability, the Board values its stakeholders' support and is responsible for making sure that the Group has open communication with its stakeholders on ESG-related issues, so that the Group's sustainable development can be connected with its corporate purpose and strategy, after the Group has taken into due consideration the interests of its key stakeholders.

To discharge its duty to oversee and ensure its business is sustainable and resilient in such a fiercely competitive market, the Group has built an ESG steering group ("ESG Steering Group") and an ESG taskforce ("ESG Taskforce") which are mainly responsible for the efficient management of the Group's ESG matters. Specifically, the ESG Steering Group, which is formed by the executive Directors, the chief financial officer and company secretary of the Company, and the general manager of the financial management centre of the Company, is in charge of the supervision of the entire process of the preparation of the ESG Report and the communication with the Board about relevant matters relating to the ESG Report. The major duties of the ESG Taskforce are to coordinate and monitor the data collection process in the preparation of the ESG Report, ensuring that material ESG policies of different companies in the Group can be identified and the accurate information of ESG performance of the Company and each of its subsidiaries can be obtained.

Based on the systematic approach to the integration of the full spectrum of material ESG-related factors into operations, the Board is able to define a clear sustainability strategy of the Group, build and track well-established targets, evaluate the performance of the Group against certain criteria for incentives, and maintain sound dialogues with both the internal and external stakeholders of the Group. During the past years, the Group's integrated ESG management approach has enhanced a higher sustainability awareness of its employees and defined clearer sustainability responsibilities for different functions within the enterprise.

As the primary steward of risk and guardian of creating long-term values to all the stakeholders of the Group, the Board is collectively responsible for keeping the Group's mechanism for corporate governance and ESG management consistently effective and adaptable to the ever-changing market. As such, the Board annually reviews the effectiveness of ESG risk management and internal control systems of the Group, which partners with external professional ESG advisors who are responsible for the provision of ongoing expertise, knowledge and technical understanding of ESG-related issues that may influence operational decisions in the short-, medium- and long-term. The Legal Affairs Department of the Company is responsible for collecting, summarising and preparing the latest updates of ESG-related regulations and policies to the Board for study on a regular basis. Meanwhile, recognising the significance of materiality in ESG management, the Group has made use of its sound relationship with its stakeholders through various engagement tools and materiality assessment, to drive improvements in its key policies and procedures, enabling the Group and the Board to give priority to the areas of great importance to the real estate industry and its business, thereby timely shifting the Group to a more efficient manner of operating, while leveraging its strength to contribute to global sustainable development.

As the unprecedentedly fast speed and massive magnitude of the COVID-19 pandemic that inflicted on the global system has pushed companies to think about how to navigate an extremely difficult market and pivot quickly in response to a string of unexpected scenarios, resilience building has become a key topic to the Group in managing its business. As such, the Group will further focus its efforts on the following areas in its management approach in the future:

(a) incorporating ESG-related risks into its enterprise risk management (ERM) that enables the Board and the management to prioritise business issues and allocate resources more effectively;

(b) ensuring the Group has access to relevant information and resources for building adaptive capacity to monitor its progress towards sustainability objectives;

(c) opening up more avenues for business development and diversifying business types for the Group;

(d) benchmarking global best practices to evaluate its performance in its compliance with legally binding regulations as well as international standards; and

(e) deepening the analysis of its corporate strategy by compiling strategic measures and action plans every 3 years.

IV. BOARD STATEMENT

2020 was unquestionably a special year to all humankind, in which the COVID-19 pandemic swept the globe and put the lives of billions at severe risk. In the meantime, the global public health emergency also acted as a catalyst stimulating companies to make changes, altering the ways their businesses are operated and their attitudes to sustainability, of which the significance and urgency have further been elevated to the core of the global economic recovery. During such a period of intense disruption, however, the Group's commitments to and actions on promoting an environmentally and socially responsible business never changed.

Real estate is central to urban development, which consumes vast amounts of resources, generates various types of emissions, involves different groups of stakeholders, touches on numerous social and ethical aspects, and ranges from the development phase, real estate use, through to the phase of land recovery. As an enterprise that has long been dedicated to fulfilling its responsibilities in maximising social values, eliminating environmental impacts and realising economic growth simultaneously, the Group endeavours to keep its original aspirations in heart in making continuous improvements in its ESG governance and management. Standing at the intersection of the nation's "Two Centennial (兩個一百年) Goals"* which is to build a moderately prosperous society in all respects, the Group has continued and is committed to contributing to the miracle of China's all-round development in the acceleration of economic growth, construction of ecological civilisation and promotion of social wellbeing.

Eco-friendly practices

Environmental questions and expectations from stakeholders about how the Group conducts its business responsibly that the Group must address have never been of higher significance. With an inherent focus on sustainable practices and reducing its environmental impacts, the Group has relentlessly made analyses with its business partners in the application of innovative concepts and green building principles into property design, construction and management.

Governance resilience

Reckoning that a strong corporate governance is the foundation to promoting a sustainable and responsible business, including business ethics, corporate values and risk management, the Group has been leveraging sound foundation in corporate governance over the past few years to minimise its negative environmental and social impacts during its operations, while striving to create long-term shared values for all its stakeholders. Strict internal strategies and policies have been developed and implemented, aiming to achieve a "greener tomorrow". The Group keeps reviewing and upgrading its solid ESG governance system, which upholds the implementation of its ESG strategies across the business, the management of its sustainability targets and engagement with key stakeholders. To improve its governance robustness and resilience, transparency is believed to be an enabling factor that could allow the Group to keep reviewing its operations and accelerate its alignment in ESG management with internationally recognised practices. Supported by its systematic management system, on top of its adherence to the general reporting principles set out in the ESG Guide, the Group insists on the principles of Specific, Measurable, Accurate, Reliable and Time-Bound, in order to better monitor, track, summarise and reveal its sustainability performance through well-defined metrics.

** English name is translated for identification purpose only*

COVID-19

Under the unified guidance of central government, the Group's comprehensive response to the COVID-19 pandemic in early 2020 was effective in preventing the spread of the coronavirus in the Group. Facing the outbreak, the Group promptly established an internal management team responsible for the coordination of the epidemic prevention and control work and the monitoring of the implementation of policies to fight the pandemic throughout different business divisions within the Group. Detailed and comprehensive group-wide guidelines covering medical treatment reporting, mask-wearing regulation, contingency planning, shift work arrangement, quarantine policy, social distancing rules, work arrangements, temperature measurements, hygiene requirements and others were swiftly formulated and executed.

Adhering to the basic principles of "Formulating Plans in Response to The National Call, Implementing Policies and Procedures of Strict Epidemic Prevention and Control, Informing Employees of Self-Protection"* (按照國家號召制定防控方案，嚴防措施落實各項工作，通知員工做好個人防範), the Group actively responded to and followed the instructions of central and local authorities, including the Health Commission of Guangdong Province, resolutely controlling the spread of COVID-19 and promoting the building of a community with a shared future for all mankind.

Climate change

The Group's approach to sustainability does not envision the crossing of the finishing line. Rather, the Group strives for ongoing and unending progress to address the uncertainties. During these years, the physical and economic impacts caused by climate change are increasingly being felt. Some regions have experienced more frequent and intense extreme weather events. In 2020, China announced an ambitious goal of achieving carbon neutrality by 2060, in response to actions taken by other countries to tackle climate change. Actively studying and following the national call for carbon neutrality, the Group has been unswervingly focused on the exploration of advanced but feasible methods in minimising its energy consumption, thereby curbing its GHG emissions. The Group makes reference to international standards, including the TCFD framework in identifying, assessing, managing and monitoring the potential implications of climate-related risks for its business operations. "Mandates on and regulations of existing products and services", "Exposure to litigation", "Increased cost of raw material", "Shift in consumer preferences" and "Increased stakeholder concerns", among a range of physical and transition risks, are regarded to be the most relevant and material climate-related risks, which will probably impact the stability of the supply chain, operating costs and new capital expenditure of the Group in the long term. As such, the Group will put more focus on addressing its exposures to these risks. In particular, the Group plans to enhance its disclosures and practices with respect to climate-related matters to make more relevant data publicly available to facilitate its external stakeholders' decision-making, while strengthening its internal review of carbon actions. In the meantime, the Group will reinforce its collaboration with the business partners in its supply chain on identifying and minimising the potential climate-related risks. The Group will be fully committed to the road for scientific carbon neutrality at a faster pace in the future, with appropriate carbon targets being formulated and policies being implemented.

The COVID-19 crisis has halted the global mightiest economies, while also demonstrating the power of technology and human tenacity when faced with unprecedented challenges. While the COVID-19 pandemic has brought tremendous uncertainties to global development, China has shown firm determination to deliver its sustainability goals as scheduled. Looking forward, the Group will remain committed to its sustainability vision, and making efforts in fighting against the pandemic, accelerating the recovery of the ecosystem, promoting harmony with nature, eliminating poverty and inequality, respecting human and labour rights, advocating gender equality and deploying digital technology in its operations.

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V. STAKEHOLDER ENGAGEMENT

Stakeholder relationships are central to the Group's long-term competitiveness and success in the market. By engaging with its core stakeholders, the Group believes that it can better anticipate the emerging trends, grasp potential opportunities in technological advances, improve operational practices while lowering environmental impacts, and provide products and services that cater to its customers' needs. The Group engages with its stakeholders through numerous ways such as surveys and industry associations, through which the Group can efficiently identify and prioritise the issues that are material and relevant to different stakeholder groups. The Group relies on its good corporate citizenship, reputational influence and strong capability in coordination to communicate and collaborate with its stakeholders effectively. Through a broad range of open communication channels, the Group has successfully gained a deeper understanding of its stakeholders' concerns and expectations, which has facilitated the Group to better position itself in the competitive market and to make rapid and appropriate strategic adjustments. As the real estate industry involves a wide range of stakeholders in the value chain, from tenants, property management teams, government, through to construction material suppliers, architects, surveyors and engineers, the Group's stakeholder engagement strategy takes a holistic approach by considering its overall business impacts. Through continuing stakeholder engagement and ongoing discussions, the Group is committed to:

- Promoting awareness raising, learning and dialogues among its stakeholders around ESG;
- Facilitating collaboration and sharing good practices and ideas in the corporate sustainability journey;
- Evaluating the business impacts of the Group on its stakeholders and taking actions to minimise the actual or potential impacts; and
- Mobilising its stakeholders including occupants, suppliers, employees and the wider community groups to scale up their existing initiatives and contribute to the sustainable development of the entire real estate industry in which the Group operates.

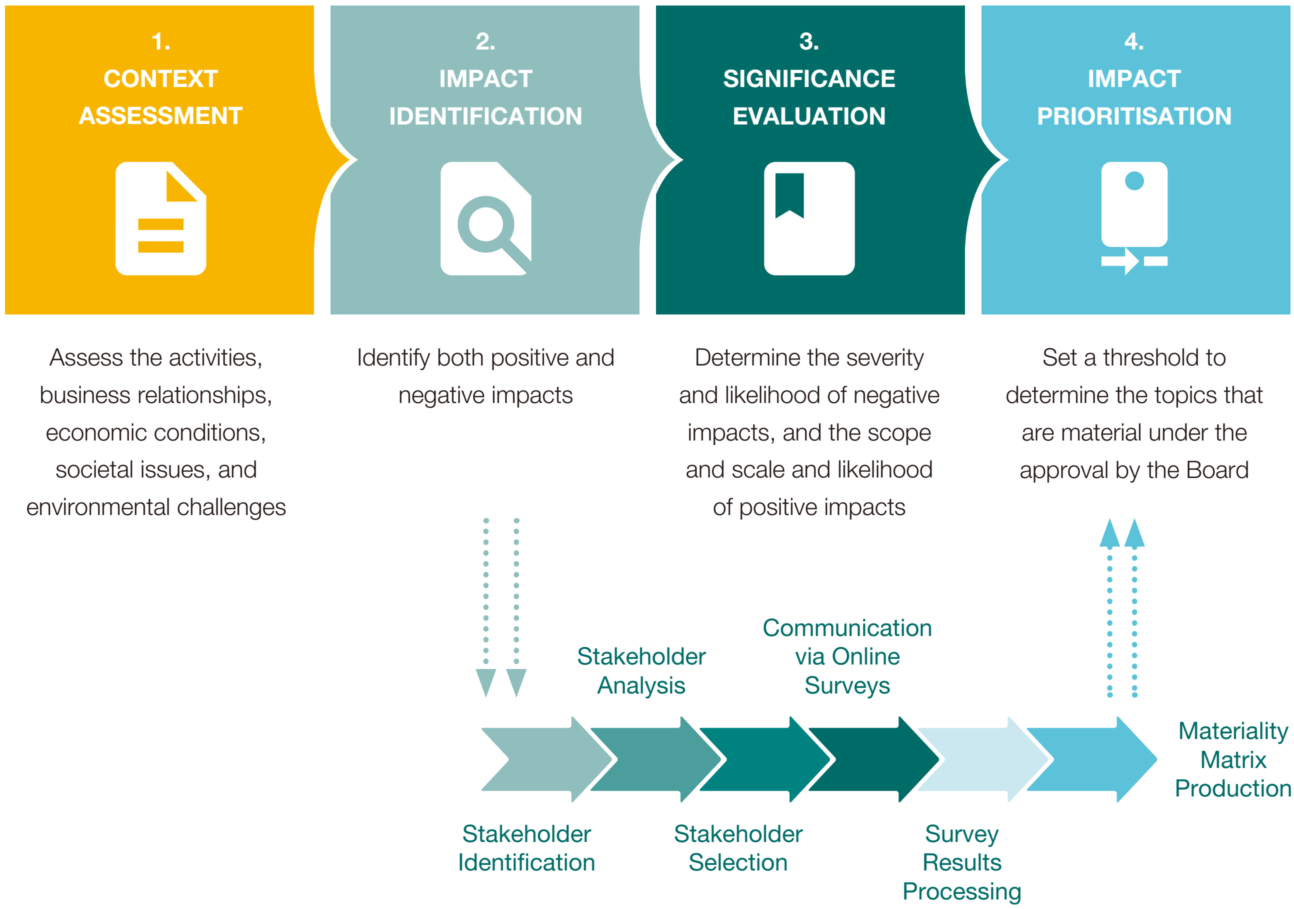
Communication with Stakeholders

Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	— Compliance with laws and regulations — Anti-corruption policies — Occupational health and safety	— Supervision on compliance with local laws and regulations — Routine reports and tax payments
Shareholders	— Return on investments — Corporate governance — Compliance with laws and regulations	— Regular reports — Announcements — General meetings — Official website of the Company
Employees	— Employees' remuneration and benefits — Career development — Health and safety in the workplace — Sustainable solid waste management and water consumption — Correlation between ESG performance and corporate financial returns	— Performance reviews — Regular meetings and training — Written comments via emails, notice boards, telephone calls and team building activities with management
Customers	— Production quality assurance — Protection of the rights of customers — Customer satisfaction — Implications of market changes on the business prospect	— Customer satisfaction surveys — Face-to-face meetings and on-site visits — Customer service hotline and emails
Suppliers	— Fair and open procurement — Win-win upstream and downstream cooperation — Environmental protection — Protection of intellectual property rights	— Open tenders — Suppliers' satisfaction assessments — Telephone conferences, face-to-face meetings and on-site visits — Industry seminars
General public	— Involvement in communities — Compliance with laws and regulations — Environmental protection awareness	— Media conferences and responses to enquiries — Public welfare activities — Face-to-face interviews

In response to the global call to address the proliferating global sustainability-related challenges facing the planet and its stakeholders' expectations and concerns, the Group is aware of its pivotal role in achieving the SDGs and is committed to doing business responsibly by making the Ten Principles in the areas of Human Rights, Labour, Environment and Anti-Corruption of the UN Global Compact an integral part of its daily business decision-making and operations. With appropriate commitments, targets and metrics in either directional or quantitative ways for seeking alignment with the SDGs being planned, the Group believes that its impact-based approach to revealing the interconnectedness of global sustainability targets will make sustainability a reality within the organisation in the long run.

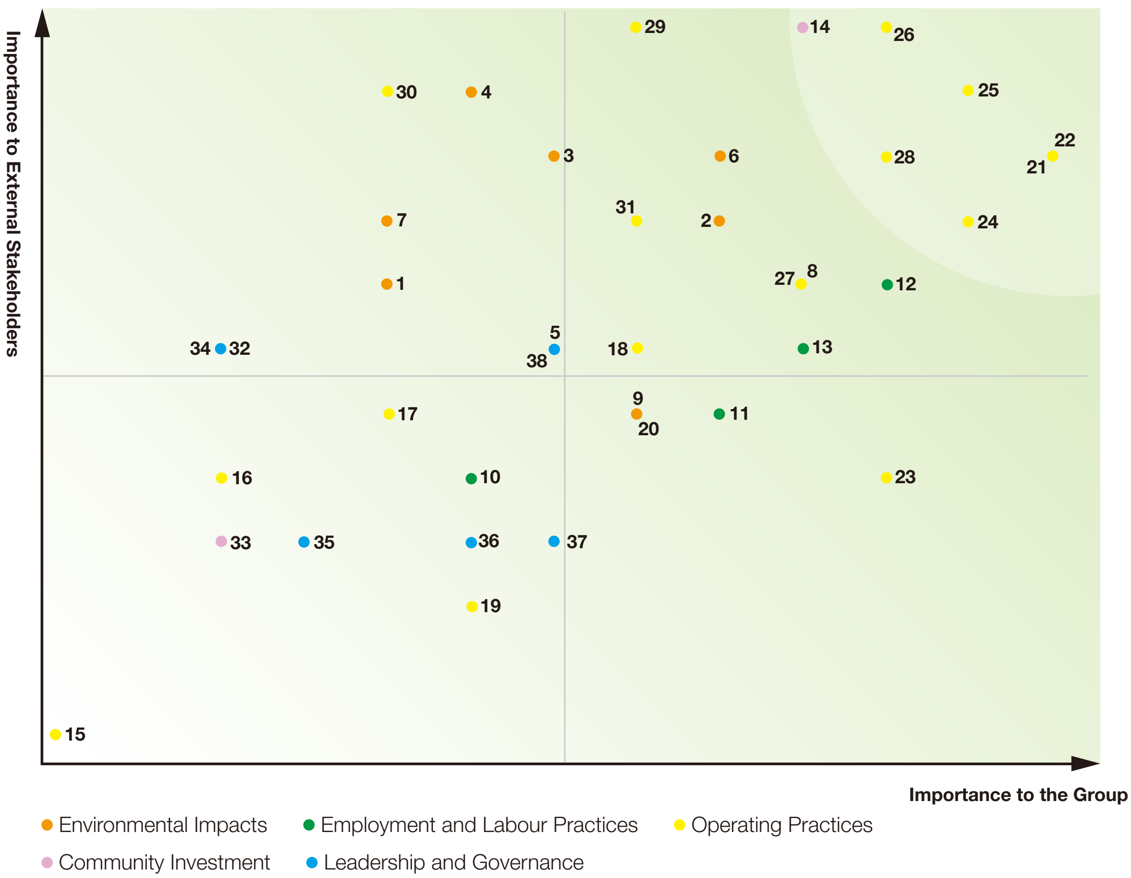
Materiality Assessment

MATERIALITY ASSESSMENT PROCESS



As ESG risks and opportunities vary among the stakeholders of the Group involving different backgrounds, principal activities and business/operating models, the Group goes through a series of steps in order to identify the material topics according to the recommendations of GRI standards, namely assessing the organisation's context, identifying actual and potential environmental and social impacts, assessing the significance of identified impacts and prioritising the most significant impacts for reporting and management. To identify its environmental and social impacts more accurately, thoroughly and objectively, the Group seeks to gain a better understanding of the concerns of its stakeholders, as environmental and social impacts may change over time as the Group's activities, business relationships and economic and social context keeps evolving. The Group undertakes an annual review to identify its stakeholders' main concerns and material interests in relation to the ESG issues of the Group. In FY2020, the Group engaged its stakeholders to conduct a materiality assessment survey. Specifically, the Group referenced ISO 26000 (Guidance on Social Responsibility) and chose its stakeholders against criteria including legal obligations, power of influence, significance in the value chain and willingness for engagement. The selected stakeholders were then invited to participate in an online survey to express their views on a list of ESG issues of the Group. The online survey contained numerous well-designed questions, which were believed to be material and relevant to the Group's business development and strategies from the stakeholders' standpoint. Such an objective, transparent and decision-useful materiality assessment allowed the Group to prioritise its ESG issues after mapping the results of the survey to a materiality matrix as shown below. The assessment process demonstrated the Group's emphasis on stakeholders' engagement. The results of the survey served as a powerful tool that assisted the Group to develop its action plans for more focused ESG management.

Stakeholder Engagement Materiality Matrix



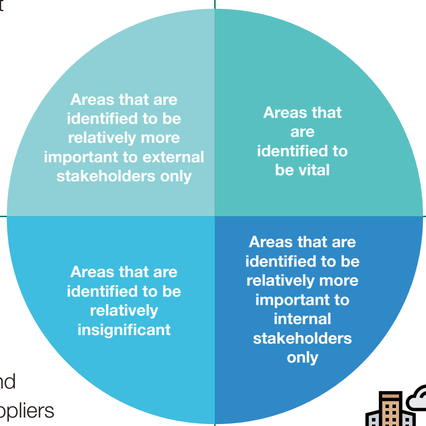
MATERIALITY ASSESSMENT OUTCOME

- Solid waste treatment
- Anti-corruption policies and whistle-blowing procedure
- Use of other raw/packaging materials
- Air and greenhouse gas emissions
- Community engagement
- Cultivation of local employment
- Energy use
- Systemic risk management
- Land use, pollution and restoration

- Number of legal cases filed against the Group about bribery, extortion, fraud and money laundering
- Water use
- Anti-corruption training provided to directors and staff
- Sewage treatment
- Labelling relating to products/services

- **Preventing child and forced labour**
- **Protection of consumer information and privacy**
- **Product design and lifecycle management**
- **Product quality assurance and recall percentage**
- **Observing and protecting intellectual property rights**
- **Health and safety relating to products/services**
- **Customers satisfaction (Welfare)**

- Mitigation measures to protect the environment and natural resources
- Occupational health and safety
- Employee development and training
- Social risks (e.g. monopoly) of the suppliers



- Environmental risks (e.g. pollution) of the suppliers
- Smooth communication and sound relationship with suppliers
- Participation in charitable activities and support to public welfare
- Business model adaptation and resilience to environmental, social, political and economic risks and opportunities
- Procurement practices
- Management of the legal & regulatory environment (regulation-compliance management)
- Diversity of employees
- Critical incident risk responsiveness
- Selection of local suppliers

- Climate-related risks
- Environmentally preferable products and services
- Employee remuneration and benefits
- Marketing and promotion

Through the materiality analysis, the Group identified "Preventing child and forced labour", "Protection of consumer information and privacy", "Product design and lifecycle management", "Product quality assurance and recall percentage", "Observing and protecting intellectual property rights", "Health and safety relating to products/services" and "Customers satisfaction (Welfare)" as the ESG issues that were significant to the Group's sustainable development.

Stakeholders Feedback

As the Group strives for excellence, it welcomes its stakeholders' feedback and advice on the improvement of its corporate ESG approach and performance, especially the ESG issues identified as the most important in the materiality assessment of the Group. Readers are also welcomed to share their views on the ESG matters with the Group at info@zhuguang.com.hk or www.zhuguang.com.hk.

VI. ENVIRONMENTAL SUSTAINABILITY

For China, 2020 marked the year to finish building a moderately prosperous society in all respects, while also the decisive year in the battle against environmental pollution. To consistently seek long-term sustainability of the environment and community in which it operates, the Group has made tremendous efforts in controlling its emissions as well as its consumption of resources, and has strictly complied with the relevant environmental laws and regulations in the PRC and Hong Kong in its daily operations, including but not limited to the following:

- *Environmental Protection Law of the People's Republic of China** *(中華人民共和國環境保護法);*
- *Environmental Impact Assessment Law of the People's Republic of China** *(中華人民共和國環境影響評價法);*
- *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes** *(中華人民共和國固體廢物污染環境防治法);*
- *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise** *(中華人民共和國環境噪聲污染防治法);*
- *Law of the People's Republic of China on Prevention and Control of Water Pollution** *(中華人民共和國水污染防治法);*
- *Atmospheric Pollution Prevention and Control Law of the People's Republic of China** *(中華人民共和國大氣污染防治法);*
- *Energy Conservation Law of the People's Republic of China** *(中華人民共和國節約能源法); and*
- *Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong).*

The following section primarily discloses the Group's policies, practices and quantitative data on its emissions, use of resources, the environment and natural resources in FY2020.

** English name is translated for identification purpose only*

A.1. Emissions

In FY2020, the Group complied with the relevant national and local environmental laws in terms of emissions during its daily operations. In particular, the Group was not in violation of any laws and regulations in relation to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group. As China has started to conduct central environmental inspections and implemented guidelines to control air emissions, water pollution and soil contamination under the guidance of the thought on ecological civilisation* (生態文明), in an effort to realise the 2030 Agenda for Sustainable Development, the Group has invariably followed the national directions, sticking to the vision of 'innovative, coordinated, green and open development'* (創新、協調、綠色、開放、共享的發展理念), in the pursuit of sustainable development. In active response to the all-out fight to keep the skies blue, the waters clear and the land pollution-free* (藍天、碧水、淨土保衛戰), the Group has implemented various measures to mitigate its impacts on the environment, thereby facilitating the building of ecological civilisation.

In FY2020, the air pollutants emitted by the Group, such as sulphur oxides ("SO_x"), nitrogen oxides ("NO_x") and particulate matter ("PM"), were mainly generated from vehicles used for transportation and business affairs. Specifically, the Group's air emissions of SO_x, NO_x and PM amounted to approximately 0.55 kg, approximately 20.99 kg and approximately 1.55 kg, respectively in FY2020. Nowadays, climate change is posing a huge challenge to the survival and development of human beings, which pushes the nations to make ambitious commitments to reducing carbon emissions and some have already taken increasingly stringent actions on curbing their levels of carbon emissions. In 2020, China pledged to reach carbon neutrality before 2060 and ensured that its greenhouse gas emissions would peak in the next decade, which further gave fresh impetus to the UN's efforts to galvanise actions on the climate crisis that was to some extent decelerated as the COVID-19 pandemic wreaked havoc on the global societies and economies. GHG emissions from the Group were primarily due to the burning of fossil fuels for transportation and the electricity purchased and consumed in its business operations during FY2020. In FY2020, the Group's total GHG emissions amounted to approximately 1,651.04 tonnes of CO_2e, with an intensity of approximately 0.25 tonnes of CO_2e/HK$ million. In addition, a total of approximately 2,770 tonnes of non-hazardous solid wastes including domestic, commercial and construction wastes, and approximately 89,222 m^3 of non-hazardous wastewater including domestic, commercial and construction sewage were generated by the Group during FY2020. In FY2020, the Group did not discharge any hazardous wastes (i.e. solid waste and sewage that were hazardous) to the environment during its operations. The Group's total emissions in FY2020 are summarised in Table 1 below. The Group's total emissions in FY2019 are also included in Table 1 for comparison.

** English name is translated for identification purpose only*

Table 1 The Group's Total Emissions by Category in FY2020 and FY2019[8]

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2020	Intensity[1] (Unit/ HK$ million) in FY2020	Amount in FY2019[2]	Intensity[2] (Unit/ HK$ million) in FY2019
Air Emissions	SOx	Kg	0.55	8.30×10^{-5}	0.35	2.59×10^{-5}
	NOx	Kg	20.99	3.17×10^{-3}	15.34	4.25×10^{-3}
	PM	Kg	1.55	2.34×10^{-4}	1.13	3.12×10^{-4}
GHG Emissions	Scope 1 (Direct Emissions)[3]	Tonnes of CO_2e	86.71	–	54.96	–
	Scope 2 (Energy Indirect Emissions)[4]	Tonnes of CO_2e	1,532.34	–	1,299.39	–
	Scope 3 (Other Indirect Emissions)[5]	Tonnes of CO_2e	31.99	–	22.44	–
	Total (Scopes 1, 2 & 3)	Tonnes of CO_2e	1,651.04	0.25	1,376.79	0.34
Non-hazardous Waste	Solid Wastes[6]	Tonnes	2,770	0.42	516.4	0.13
	Wastewater[7]	m^3	89,222	13.47	29,168.90	4.79

1 *Intensity for FY2020 was calculated by dividing the amount of air, GHG and other emissions respectively by the Group's revenue of approximately HK$6,624.8 million in FY2020;*

2 *The amount and intensity in FY2019 were extracted from the data in the ESG report set out in the Company's annual report for FY2019;*

3 *The Group's Scope 1 (Direct Emissions) included only the consumption of gasoline and diesel in motor vehicles, and carbon offset from planted trees;*

4 *The Group's Scope 2 (Energy Indirect Emissions) included only electricity consumption;*

5 *The Group's Scope 3 (Other Indirect Emissions) included other indirect emissions from paper waste disposed at landfills and electricity used for processing fresh water and sewage by government departments;*

6 *The solid wastes included domestic and commercial wastes and construction wastes;*

7 *The total amount of wastewater generated by the Group was primarily based on the direct measurement together with appropriate estimations assuming 100% of the fresh water consumed by the Group will enter the sewage system in areas where an accurate recording of the amount of wastewater was hard to obtain; and*

8 *The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, The GHG Protocol Corporate Accounting and Reporting Standard and the 2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines for National Greenhouse Gas Inventories.*

Hong Kong Office

The Group's Hong Kong office is located at Two International Finance Centre ("Two IFC") in Central. In FY2020, the Two IFC continued its efforts in participating in initiatives and campaigns in environmental protection and energy efficiency in various areas, aiming to further integrate advanced sustainability concepts into its property management services. In FY2020, Two IFC was awarded a number of accolades and praises for its strenuous endeavour in seeking sustainability.

Accolades from Hong Kong

Over the years, the Group has been proactively taking the initiative to support a variety of the campaigns launched and the events arranged by the Two IFC with regard to the promotion of environmental sustainability, as it believes that the systematic transformation towards sustainability should start from strong commitments to and relentless pursuit of small changes around the Group that benefit the environment. The following awards received by the Two IFC from the government, NGOs and the community were not only a commendation for the Two IFC's accomplishment in leading its tenants towards green development, but also provided an opportunity for the Group, being a tenant of the Two IFC, to speed up its transformation towards sustainability through awareness building, active contribution and participation and uptake of innovative technologies and approaches to improving its business operations while bringing positive impacts to the environment and natural resources. In FY2020, the Group joined a range of campaigns held by the Two IFC or as invited by the Two IFC to support environmental protection, further consolidating its environmental leadership and commitments.

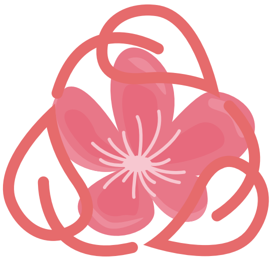
FY2020

AWARDS & ACCOLADES BY TWO IFC

The Recognition of Achievements in Seeking Sustainability

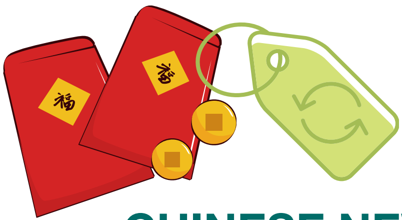
PEACH BLOSSOM RECYCLING PROGRAM

February 2020



In FY2020, the Group was invited by the Two IFC to participate in the activity of 'Peach Blossom Recycling Program' organised by the Hong Kong Environmental Protection Department, under which undecorated peach blossoms were collected and then delivered to designated collection points for further processing. The recycling of peach blossoms, as a necessary component of a circular economy that increases the efficiency of primary resource consumption, can lessen the heavy burden on landfills by transforming the peach blossoms into valuable resources including mulches and composting materials.

The distribution of red packets for gift giving during the Spring Festival is an old Chinese tradition and a common practice that symbolises good luck. However, the used red packets that are normally thrown away may end up being disposed of at landfills. To ease the burdens on landfill sites, the Group participated in the Chinese New Year Red Packet Recycle Programme 2020 as invited by the Two IFC, under which the Group's employees working in the Two IFC office donated used red packets for recycling.



CHINESE NEW YEAR RED PACKETS RECYCLE PROGRAM

February 2020

HONG KONG GREEN ORGANISATION CERTIFICATION

20 March 2020

The Two IFC was granted by the Environmental Campaign Committee the Hong Kong Green Organisation Certification, which aims to benchmark green organisations with substantial achievement in green management, to encourage participants to embrace environmental practices in various areas and to recognise their efforts and commitments to protecting the environments. The certificate also reflected the endeavours of the Two IFC in striving for environmental improvement and contributing to environmental protection.

WWF EARTH HOUR

28 March 2020

Earth Hour is one of the world's largest grassroots movements for environmental actions and campaigns, encouraging all people and organisations to go far beyond the symbolic action of switching off lights. On 28 March 2020, the Group joined the Two IFC in supporting the Earth Hour, an event it has participated in for years. The Group is committed to taking actions with other tenants in the Two IFC to make positive environmental impacts, sparking global conversations on protecting nature and contributing to addressing energy crisis as well as mitigating climate change.

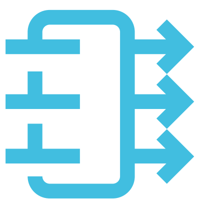
ACHIEVEMENT OF "EXCELLENT LEVEL" FOR WASTEWI$E CERTIFICATE

27 May 2020

The Two IFC was awarded the Wastewi$e Certification — Excellence Level by Hong Kong Green Organisation Certification, commending its efforts in bringing draconian measures to minimise the generation of wastes during operations. During the year under review, the Two IFC was dedicated to environment protection and it engaged its tenants including the Group to apply the 3R principle — "reduce, reuse and recycle" in waste management. The Two IFC performed strict in-house monitoring of its waste management practices on a continuous basis and maintained consistent dialogues with its stakeholders to promote green operations.

INDOOR AIR QUALITY CERTIFICATE (EXCELLENT CLASS)

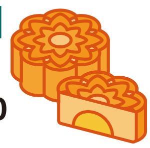
17 July 2020



The Environmental Protection Department awarded the Two IFC the Indoor Air Quality Certificate for fully meeting the requirements of the 'Excellence Class' of the Indoor Air Quality Objectives in the entire building. The accolade demonstrated the perseverance of the Two IFC in consistently improving its indoor air quality, raising public awareness of the importance of indoor air quality, and creating a highly comfortable environment for its tenants.

MOONCAKE BOXES RECYCLING CAMPAIGN

September 2020

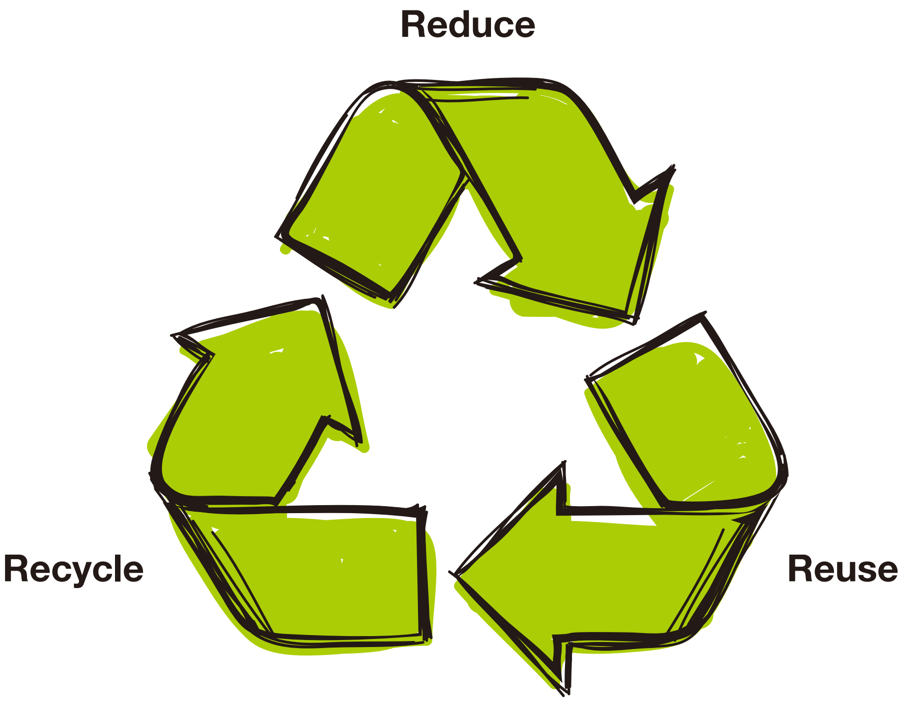


The Two IFC invited its tenants to join the 'Mooncake Boxes Recycling Campaign 2020', an event that aimed to raise the tenants' awareness of waste recycling. As a supporter of projects featuring recycling as an important part of the sustainable development road map, the Group actively responded to the call of the Two IFC by encouraging all its employees working in the Two IFC office to collect and donate clean metal mooncake boxes to St. James' Settlement People's Food Bank, a multi-social service agency which provides quality comprehensive services meeting the diverse social needs in Hong Kong.

The Group strives to maximise its resource conservation, reduce the environmental impacts across its operations and takes initiatives to engage in various environmental campaigns in its Hong Kong office, with a particular focus on programmes and practices in relation to energy efficiency and sustainable waste management.

Under Hong Kong's Climate Action Plan 2030+, which was established in 2017 that targeted a 65-70% reduction in carbon intensity by 2030 from 2005 levels, the Hong Kong government has adopted various policies and measures to improve its energy efficiency, develop its capacity for natural gas use and continue its development of renewable energy sources to largely phase out coal use. Following such robust plan made by the government, the Group has been committed to identifying and implementing energy conservation measures that improve the efficiency of its energy use in the office. The implemented measures include the replacement of fixtures with high-efficiency LEDs and fluorescent lamps, which conserve energy resources, improve energy efficiency and provide improved lighting quality that supports healthy indoor environments for its employees. Other measures that the Group has taken include but are not limited to:

- Give priority to equipment with automatic low power mode or energy saving mode;
- Establish an energy saving policy or guidelines with clear or directional targets being set up for continual improvement and awareness building among employees;
- Monitor equipment operations by performing energy audits on a regular basis;
- Switch off the air-conditioner in the meeting rooms right after use and affix "Save Energy" stickers as a reminder at the exit; and
- Encourage employees to unplug equipment chargers and adapters when they are not in use.



Hong Kong is confronted by increasing burdens of solid waste disposal, given its large population with limited land resources. In pursuit of an improved sustainable waste management performance, the Group has embraced the multi-pronged approach of waste reduction, reuse and recycling in its daily operations as a strategic management approach, and implemented effective policies and taken various measures, such as using centralised rubbish bins for the collection of waste in the office. Besides, the Group has focused its efforts on solid waste classification. The sorted municipal solid waste from the office is normally handled and disposed of by the property management of the Two IFC. Meanwhile, the Group has strengthened the education of waste reduction among its employees, encouraging them to pay attention to details, such as avoiding single-use straws, plates, cups and cutlery when catering, reusing scrap paper to take notes and considering refillable printer cartridges in replenishing office supplies.

In FY2020, the wastewater generated from the Hong Kong office of the Group was directly discharged into the sewage network of the office building and handled by the property management of the Two IFC. Since the amount of wastewater generated highly depends on the amount of fresh water used, the Group has put emphasis on the advocacy of water conservation measures and taken actions to reduce the water consumption in its Hong Kong office, which are further described in the subsection headed "Water" under the subsection headed "A.2 Use of Resources" in this ESG Report.

Property Development

The major emissions generated from the Group's property development business during FY2020 included air and GHG emissions, solid waste, wastewater and noise emissions. As an enterprise whose business purposes and way of thinking, investing and operating have been grounded on environmental sustainability, the Group has adhered to best-in-class sustainability standards and taken an initiative to incorporate the real estate lifecycle mindset into its decision-making and operations given the fragmented and complex nature of the sector. In particular, the Group has put processes, systems and resources in place to identify potential or actual adverse environmental impacts in all stages of its operations from land status change, land acquisition, project planning and design, materials sourcing, through to construction process and recycling, in order to track its environmental performance on a continuous basis and advance its businesses responsibly.

Property Investment and Project Management

Since the Property Investment business and Project Management business mainly consisted of office operations in FY2020, the major emissions from these two business segments of the Group during FY2020 were the domestic and commercial solid waste and sewage generated from the Group's offices. During FY2020, the Group laid great emphasis on the management of its daily waste generation in the office and aimed to minimise its environmental impact at source by strictly controlling its use of resources following the '3R' principles. In response to the national policy of China which bans single-use plastic straws and non-degradable shopping bags in the major cities in an effort to reduce the increasing plastic waste in the country, the Group endeavoured to rid the office of single-use plastic and disposable utensils and dishware and encouraged its employees to eliminate the waste of packaging materials by bringing their own lunch boxes instead of ordering takeaway food. More measures taken by the Group in this report are further described in the subsection headed "A.2 Use of Resources" in this ESG Report.

PRIORITY ENVIRONMENTAL SUSTAINABILITY GOALS

The environmental targets of the Group have been built upon its commitment to continuously lowering its environmental impacts through business advancement and the integration of ESG management concepts and approach into its operations. The Group is committed to setting science-based goals and ambitious plans for improving its environmental performance by benchmarking global leasing practices and against well-defined criteria.

- **Systematically** assess the Group's lifecycle ecological footprint and exposure to various environmental risks;
- **Consistently** abide by applicable environmental laws and regulations in the regions where the Group operates;
- **Appropriately** set and make progress towards GHG emission reduction targets with reference to the Science-Based Targets Initiative;
- **Gradually** take into consideration the climate-related implications on the long-term business development and operations of the Group through scenario-analysis by adopting the TCFD framework;
- **Significantly** lower the Group's reliance on traditional energy resources for operations and improve energy use efficiency; and
- **Resolutely** work on the transformation from silo-thinking amongst sector participants, clients and suppliers to a holistic, whole life cycle approach and circular economy thinking through education and initiatives taken by the Group.

Air & GHG Emissions

In FY2020, air and GHG emissions generated during the construction operations of the Group mainly came from the use of gasoline and electricity by onsite machinery and heavy vehicles for operation and transportation purposes. To standardise its operating practices thereby minimising its environmental impacts, the Group has set up and implemented its internal policy 'Anti-pollution and Anti-noise Construction Scheme'* (防污染防噪音施工方案), which introduces feasible measures for the sustainable management of construction projects of the Group. The Group also requires the following practices to be adopted at all construction sites of the Group:

- Clean the wheels of the vehicles before leaving the construction sites;
- Rinse the ground or sprinkle water daily to settle dirt and avoid sludge accumulation;
- Implement preventive maintenance for machinery and maintain stock of regularly required replacement parts;
- Install bag-house dust collectors, closed hoods and pressurised dust reduction spray devices along the main road of the construction sites; and
- At the end of the works, all bare surface should be hydroseeded as soon as possible.

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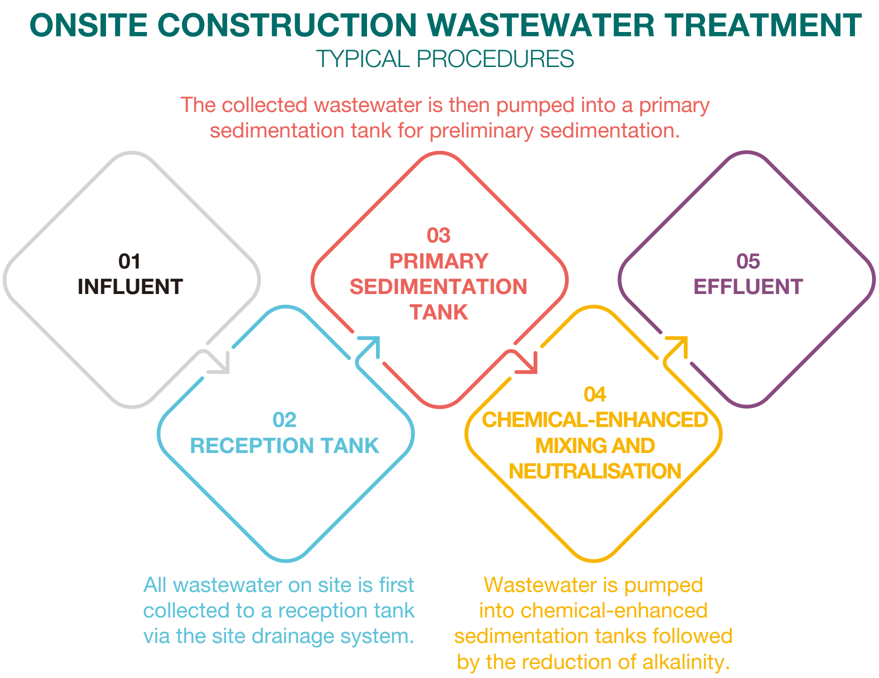
Since the consumption of electricity and other energy resources is the major contributor to the generation of air pollutants and GHG emissions within the Group, the Group has set up internal policies regulating the procedures of energy conservation in order to mitigate its impacts on the environment at source, such as the requirement of switching off the engine of construction plant when idling and placing reminder notices near the switches, which are further described in the subsections headed "Electricity" and "Other energy resources" below.

Wastewater

The Group is aware that reducing its wastewater generation and strengthening the reuse of water onsite can minimise its water bill and effluent surcharge, while promoting water conservation. The wastewater generated from the Group's property development business during FY2020 consisted of industrial sewage during construction operations and domestic and commercial wastewater from workers in the offices. Sticking to its principles for environmental sustainability, the Group has put enormous efforts in promoting the wide employment of water-saving facilities and set up policies in its onsite wastewater treatment. Specifically, the Group has installed sewage treatment facilities in the construction sites for the treatment of construction and domestic wastewater, which are regularly checked by relevant departments of the Group and local governmental agencies to ensure regulatory compliance. The domestic wastewater on site is primarily treated through three-level septic tanks, while sedimentation basins are set up on site for the treatment of construction wastewater before it is discharged into the municipal sewage network. The Group ensures that its onsite wastewater meets the first grade under the Integrated Wastewater Discharge Standard (GB 8978-1996) * (污水綜合排放標準一級標準) of the PRC after treatment. The floating mud generated during the treatment process is normally collected and transported to certified external environmental organisations for further disposal. The treated effluent from the onsite wastewater treatment facilities is used for water testing of pipelines and non-portable water tanks, as well as for other construction operations, such as wheel-washing and dust suppression.



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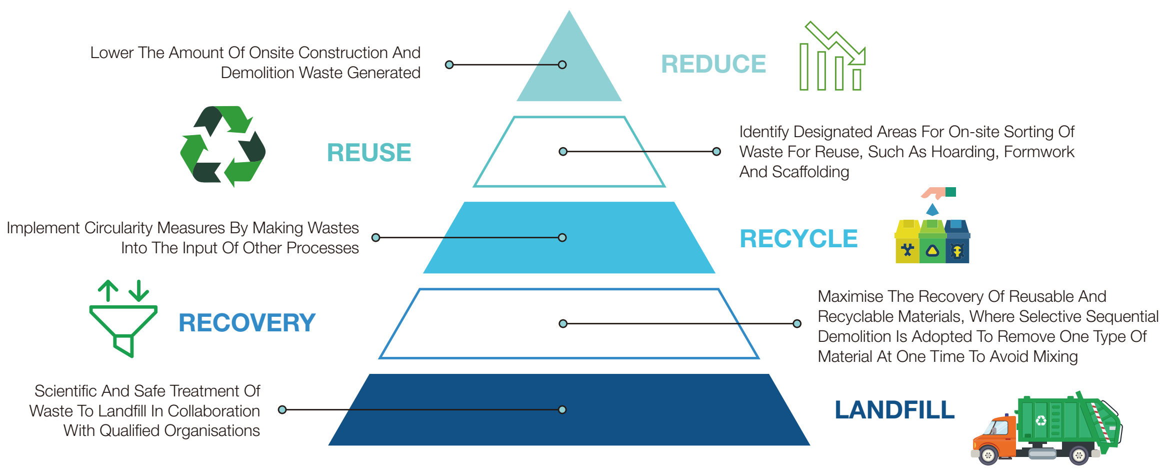
Solid Waste

As construction projects produce a large amount of construction waste, the Group, as a leading property developer and in partnership with external professional organisations in waste management, has implemented a comprehensive waste management strategy by benchmarking the best waste management practices in the industry. In recognition of different treatment measures that should be taken to manage onsite waste from varying waste streams, the Group has incorporated the principles of waste hierarchy to establish a robust management plan to prioritise the practices that should be implemented into its waste stewardship strategy. Specifically, depending on the classification of different types of solid waste on site, including inert, non-inert, soft, hard, recyclable and non-recyclable wastes, the Group is committed to reusing and recycling as much construction waste as possible. For example, rubble is collected, crushed, transported and reused in new construction projects and road building. Steel residues and wooden square bars are collected and transported regularly to landfill sites for disposal by special trucks. As for other general solid waste, the local sanitation department collects the domestic waste on a daily basis. The Group is deeply aware that resource efficiency, circular use of materials and minimised waste generation are connected to operational efficiency and reduced environmental impacts. In all projects, the Group keeps exploring feasible solutions in lowering the consumption of resources on site and requires its subcontractors to monitor and report on the waste generated and methods for disposal by category, in particular the storage and treatment of those containing hazardous substances.

Also, the Group has actively explored the viability of circular economy-inspired actions such as the application of recycled aggregates in the construction projects, endeavouring to improve resource efficiency while lowering the amount of waste.

ONSITE WASTE MANAGEMENT HIERARCHY



Meanwhile, the Group has strictly implemented the policies stipulated by the government or local authorities for construction waste management and carried out thorough planning for waste reduction and management before site operations commence:

- Formulate a waste management plan as part of the overall environmental management plan of the Group;
- Build waste reduction targets and launch relevant programmes;
- Arrange personnel responsible for onsite sorting of waste and the supervision of the proper waste disposal process; and
- Partner with qualified organisations to conduct waste management monitoring and audit programmes.

Noise

SOURCE CONTROL

- Focusing on the control and mitigation of the actual noise from the use of excavator-mounted breakers, equipment with internal combustion engines, piling process, stone saw and other machinery.

SOUND TRANSMISSION PATH CONTROL

- Installing appropriate noise enclosures and noise barriers.

ADMINISTRATIVE SITE CONTROL

- Minimising the cumulative noise sources from various activities; and
- Establishing a communication channel to address the concerns from affected neighbours and take immediate responsive actions to reduce adverse noise impact.

Noise emissions generated by the Group during FY2020 were mainly caused by the operation of construction machinery and equipment on site. In strict compliance with the national and local regulations of the PRC in relation to noise emissions, such as the Emission Standards for Industrial Enterprises Noise at Boundary (GB12348-2008), and following the strategy of source control, sound transmission path control and administrate site control, the Group has implemented the following measures to minimise the nuisance of noise during construction operations in FY2020:

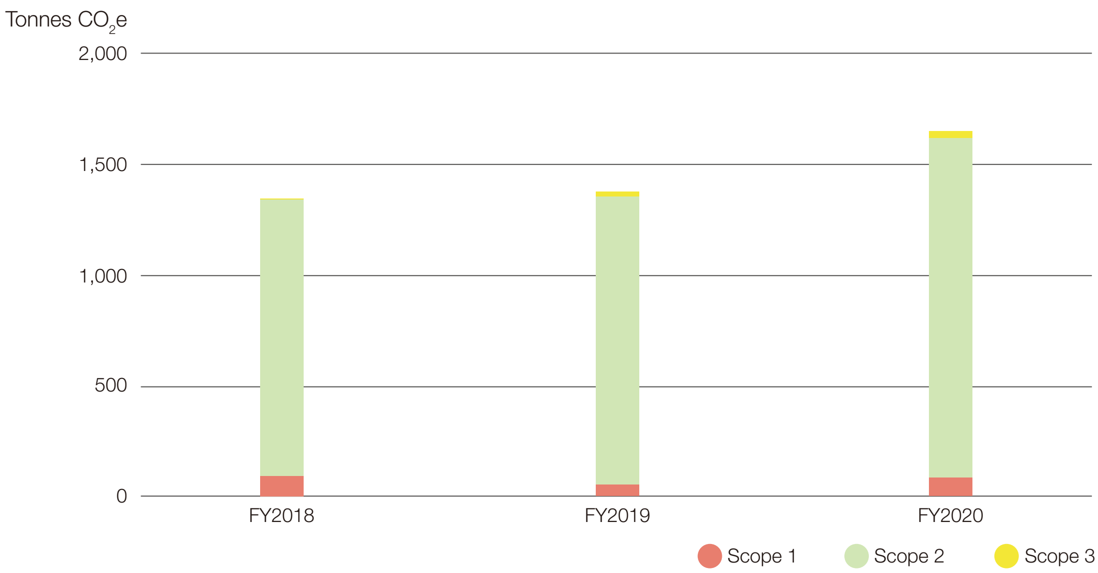
- Install shock pads, noise barriers, silencers, enclosures and real-time sound monitoring equipment in the construction sites;
- Restrict noisy operation and use of noisy equipment, such as hand-held breakers or electric drills, to less sensitive hours of the day;

- Use quality powered machinery and equipment with register labels such as the QPME (Quality Powered Mechanical Equipment) Labels; and

- Assign the staff to regularly check and review the implementation of noise control measures via reports to ensure that construction activities are being carried out in strict compliance with statutory requirements.

Targets and Progress

With a goal to become an environmentally friendly enterprise that seeks to achieve its environmental sustainability goals, the Group has made unremitting efforts in emission control and waste management and made solid progress in limiting its environmental impacts in FY2020. Specifically, while the total air emissions from transportation in FY2020 increased slightly, the intensity dropped as compared with that in FY2019, which demonstrated the endeavours in and effectiveness of the emission control measures of the Group. In FY2020, the rapid business development and activities of the Group (as demonstrated by an increase of approximately 62.6% in the Group's revenue) directly resulted in the rising amount of energy consumption, which led to a growth of GHG emissions in all three scopes. Specifically, the GHG emissions in Scopes 1, 2 and 3 climbed by approximately 57.8%, 17.9% and 42.6%, respectively. However, the intensity of GHG emissions of the Group descended by approximately 26.5% to approximately 0.25 tonnes CO_2e/HK$ million as compared to that in FY2019. In FY2020, the Group continued to strengthen the monitoring of its environmental performance and required the subsidiaries of the Company to pay more attention to implementing effective waste management practices as well as making a more accurate measurement of the environmental impacts. The total amount of domestic and commercial solid waste reported for FY2020 ascended drastically when compared with that in FY2019, given the inclusion of the data from sources that were not covered previously. While the Group's policies in improving water efficiency have been implemented throughout the entire organisation, the comprehensive data monitoring that incorporated the water data from all subsidiaries of the Company for FY2020 through either direct measurement or rational estimations gave rise to a sharp increase in the amount of wastewater discharged by the Group. The Group is committed to bringing in more policies in an effort to control its emissions in the future. Below is a summary of the Group's GHG emissions from FY2018 to FY2020:



A.2 Use of Resources

In FY2020, the primary resources consumed by the Group were electricity, water, gasoline, diesel, paper and other construction materials. Given its business nature, the Group did not consume any packaging material during FY2020. Table 2 illustrates the amount of different resources used by the Group in FY2020.

Table 2 Total Resource Consumption in FY2020

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2020	Intensity[1] (Unit/HK$ million) in FY2020	Amount in FY2019[2]	Intensity[2] (Unit/HK$ million) in FY2019
Energy	Electricity	kWh'000	2,901	0.44	2,428	0.60
	Gasoline	L	27,937	4.22	15,863	3.89
	Diesel	L	8,793	1.33	7,405	1.82
	TOTAL	GJ	11,717	1.77	9,556.0	2.35
Water	Water	m^3	92,842	14.01	30,829	7.57
Paper	Paper	Kg	1,500	0.23	2,540	0.62
Construction materials	Metal	Tonnes	3,766.00	0.57	3,551.82	0.87
	Concrete	Tonnes	2,314.16	0.35	5,489.78	1.35
	Wood	Tonnes	–	–	20	4.91×10^{-3}

1 *Intensity for FY2020 was calculated by dividing the amount of resources the Group has consumed in FY2020 by the Group's revenue of approximately HK$6,624.8 million for FY2020; and*

2 *The amount and intensity in FY2019 were extracted from the data in the ESG report set out in the Company's annual report for FY2019.*

Electricity

The Group purchases the electricity consumed in its daily operations at its offices and construction sites from the local public utility companies. Improving energy efficiency is a long-standing goal of the Chinese government, which has been included in most of the Five-Year Plans since the 1980s that set out clear intensity goals for the Chinese economy. Despite the unwavering efforts in electricity conservation of the Group, the total electricity consumption of the Group in FY2020 was approximately 2,901 kWh'000, which was slightly higher than that in FY2019 primarily due to the growth in the business development of the Group in FY2020. However, the intensity of electricity consumption dropped by approximately 26.7% from FY2019 to FY2020. To further lower the consumption of electricity so as to cut down on its GHG emissions, the Group perseveres with its fundamental policy of conserving energy resources and protecting the environment. The Group highly encourages the application of energy-saving technologies and equipment, and explores new ground in altering its business models and practices to advance green development. In particular, the Group has implemented the following practices:

- Clean the filters of air conditioners regularly to reduce the fan power;
- Switch off all idle lights and air conditioners (e.g. most electrical equipment is turned off during lunchtime);
- Replace lighting using traditional bulbs with energy-efficient lighting, such as LED lamps;
- Assign internal representatives to coordinate energy saving programmes held within or outside the Group;
- Adjust the set temperature of air conditioners at offices based on the weather at the time;
- Use multiple light switches for separate zones to facilitate partial lighting in large areas when it is only partially occupied;
- Adopt natural or mechanical ventilation for areas that do not require air-conditioning;
- Install motion sensors to automatically control the lighting in public areas including corridors of the building;
- Keep windows and doors closed when the air-conditioner is turned on and encourage employees to make use of curtains or blinds to shade against the sunlight; and
- Initiate environmental campaigns and arrange relevant seminars to educate all employees to maximise daylight usage.

Other energy resources

Other energy resources consumed by the Group during FY2020 included gasoline and diesel, which were mainly used for transportation purposes. The Group is aware that sound vehicle management is of paramount importance to reducing its environmental impacts as poor management gives rise to air pollution and carbon emissions that cause climate change. As such, the Group fully implemented its policies in the management of vehicle use in FY2020. During the year under review, both diesel intensity and total energy intensity of the Group fell in varying degrees, marking the effectiveness of the Group in improving energy efficiency. The Group was also committed to optimising its operations with more research in the feasibility of substituting renewable energy as a principal source of vehicles for fossil fuels. Meanwhile, the Group promoted the use of mass transit by its employees through training, meetings and email messages. All employees were encouraged to support alternative means of transport, including electric vehicles and the use of car pooling that minimise the impacts on environment. In addition, the Group has particularly brought in the following measures in an effort to improve its energy use efficiency:

ENERGY CONSUMPTION CONTROL IN VEHICLE MANAGEMENT

POLICY SETTING	To standardise the practices of its drivers and the use of vehicles for its business, the Group keeps formulating and refining its internal policies, which specify the procedures of hot work, and has committed to introducing key performance indicators in managing its vehicle use.
SOURCING PRACTICE	As energy efficiency for its vehicles is foundational to cost savings and the delivery of its environmental commitment of business, the Group considers energy efficiency in the procurement of vehicles and chooses high-quality lubricant and fuel for high performance and less pollution.
OPERATION CONTROL	The Group takes a proactive approach to assessing and training its drivers, enabling real-time routing and scheduling of vehicles and regulating drivers's driving habits and operators' practices that may increase the Group's fuel consumption, such as speeding, harsh acceleration, harsh braking and unnecessary idling.
MAINTENANCE	Regular servicing of vehicles is important to fuel conservation and emission control. The Group requires its employees to regularly check the performance of vehicles and perform maintenance, such as quality check of spark plugs, re-greasing, topping up, or renewal of lubricants for engine and gearboxes.
KNOWLEDGE SHARING	The Group recommends sustainable travel practices, such as walking and cycling, and introduces leading techniques and management approaches in advancing operations towards efficiency through lectures, meetings and training programmes to its employees.

The Group will continue its commitment to 'low carbon and low consumption' operating process and keep improving its energy efficiency in the future by researching the application of more clean energy resources.

Water

As a real estate enterprise, the Group inevitably consumes a considerable amount of water both during the construction and use phases. During the year under review, the water consumption of the Group rose significantly due to growing business activities. To increase its water efficiency, the Group has set up comprehensive policies covering specifications and recommendations pertinent to how to use water smartly, and taken a range of effective measures during its operations. The Group focuses its efforts on monitoring and benchmarking water usage in its operations, committed to improving the performance in water efficiency among all its business divisions. In FY2020, the Group did not face any problem in sourcing water that was fit for its purpose. The Group learned and adopted 'sponge city' features in its daily operations, incentivising all its employees to reduce, reuse and recycle water resources through an integrated water management approach. For instance, the Group has paid attention to the installation of water-saving facilities, such as dual flush toilets, automatic faucets and a rainwater harvesting system to recycle wastewater for landscaping, cleaning outdoor public spaces and other uses.

Paper

The global digitalisation trend shows how sound digital content management and resource preservation can benefit the environment. To this end, the Group is committed to creating a paperless workplace that is supported by leading-edge technology tools and standard operational procedures and platforms. The application of cutting-edge technologies in offices is believed by the Group as one of the best ways to curb the overconsumption of paper while curtailing operating cost. The Group has made enormous efforts in accessing, storing and securing documents in digital ways, thereby eliminating or reducing the need for printing. Specific measures taken by the Group to lower its use of paper are highlighted as follows:

- Promote office automation and disseminate messages by electronic means (i.e. emails or e-bulletin boards) as much as possible;
- Give priority to recycled paper instead of virgin paper;
- Reuse and recycle the folders in the offices;
- Use transit envelopes where covers are necessary for the despatch of documents within the Group;
- Set duplex printing as the default mode for most of the network printers;
- Put a single-sided paper collection box and recycling box near the photocopiers;
- Encourage the staff to reuse one-side printed papers as drafts; and
- Select paper suppliers with sustainably sourced materials for procurement.

In FY2020, with the concerted efforts of all staff of the Group in paper conservation, the paper consumption of the Group declined by approximately 40.9% as compared to that in FY2019.

Raw Materials

The Group believes that it is crucial to achieve an integrated and intelligent use of raw materials by following the principle of value maximisation, pollution prevention and resource conservation. As part of its sustainability vision to develop LEED (Leadership in Energy and Environmental Design), BREEAM (Building Research Establishment Environmental Assessment Method) and other green building related projects, the Group has integrated a range of relevant criteria into its building materials selection process, spanning from sustainable material procurement, property delivery, conservation of natural resources, improvement of indoor air quality and waste management. To lower its environmental footprint, the Group has set up policies to ensure that building materials are non-hazardous (e.g. no volatile organic compounds (VOCs), urea-formaldehyde, or other chemicals of concern), and are consumed in the most productive and sustainable way across their entire life cycle. Major raw materials, such as metals, cement and wood, were used by the Group in its construction operations during FY2020. Given the variance in the requirements and the size of the projects, the amounts of different types of raw materials consumed by the Group in FY2020 and FY2019 differed as shown in Table 2 above. To improve the resource use efficiency, the Group has adopted the following practices:

- Use aerated blocks to reduce the weight of the walls;
- Ensure that the waste management strategies encompass the entire process from project planning and design, construction, demolition, disposal of waste, to waste haulage and final disposal;
- Use new polymer waterproofing membranes to prevent water penetration;
- Use hollow glass tiles for insulation;
- Optimise construction procedures at the planning and design stage to improve the efficiency of material utilisation;
- Apply the ‘cradle-to-cradle’ approach to sourcing the recycled and reclaimed raw materials for construction;
- Integrate the concept of modular construction in project planning and construction operations, such as the application of the Prefabricated Prefinished Volumetric Construction (PPVC) method; and
- Choose responsibly sourced green construction materials and locally sustainable construction materials to reduce the embodied impacts related to energy, waste, carbon and water.

A.3. The Environment and Natural Resources

As urbanisation keeps growing at a staggering rate and, in particular, under the unprecedented crisis of the COVID-19 pandemic which was faced by the entire human being in history at the beginning of year 2020, an increasing number of businesses have been facing obstacles and challenges which drove them to build their business resilience that would allow them to better grasp the opportunities coming up in the new era. Under the growing focus on green and sustainable development of the real estate industry in China that has been reiterated in the ambitious plans for green and low-carbon development under the 14th Five-Year Plan, sustainability has been widely discussed and is becoming mainstream. Recognising that more and more leading real estate enterprises have joined the initiative and incorporated sustainability goals in their value propositions, the Group, as a prominent enterprise in the industry, has committed to further strengthening its internal corporate sustainability management by aligning its objectives with the globally agreed targets and frameworks, in order to be a key enabler driving sustainable development while articulating the world’s latest and most pressing environmental, social and economic issues.

To this end, the Group has long been committed to sustainable practices in business development and gives play to its role as a sustainability trailblazer in minimising its potentially negative environmental impacts with effective environmental stewardship.

In FY2020, the Group continued to evaluate the material impacts of its business operations on the environment and identified the generation of GHG emissions, construction waste and exploitation of various types of energy and natural resources as its principal environmental impacts that should be addressed. Thus, the Group has adopted sustainable practices in a consistent way to control its environmental impacts throughout all stages of its business operations from land use planning, project preparation, building design, vehicle management, noise abatement, procurement of low-impact building materials, all the way to the delivery of the final property. In particular, the Group has put its main focus on the following areas in advancing sustainable practices:

Climate Actions

Climate Mitigation

With a holistic review of different climate scenarios and transition pathways, the Group has carefully identified and evaluated the relevant and material physical and transition risks of climate change. To contribute to the deceleration of global warming, the Group is devoted to tapping into the renewable energy and leveraging its capacity to find alternative cleaner solutions powering its operations. In addition, the Group continues to improve energy saving for both its offices and the properties to be developed under its new projects, while prudently prioritising the procurement and use of low carbon construction materials, which are shown with a lower amount of embodied carbon.

To sequester carbon emissions from its business, the Group has participated in many carbon offset schemes over the years and planted a total of not less than 200 trees since its inception, which have absorbed and stored carbon dioxide emissions equivalent to approximately 4.6 tonnes during FY2020.

Climate Adaptation

To build resilience towards the imminent climate-related risks, including the increasingly frequent wildfires, hurricanes and flooding, which may cause construction delays and rising repair or replacement costs of damaged or destroyed property, the Group keeps promoting applied research into the risks associated with climate impacts and other hazards that are material to the Group, and factoring the potential impacts into its project planning and design, property investment and project management.

Sustainable Waste Management

In its property development, the Group follows the preferred order in onsite waste management, namely avoidance, minimisation, recycling, treatment and disposal. The Group has set up a comprehensive waste management plan that identifies major waste types and defines ways for waste reduction, and organises onsite sorting areas, practices and personnel responsible for the supervision before operations commence. In addition. the Group also emphasises the training of sustainable practices in waste management and chemical waste handling procedures. In its office operations, the Group has resolutely responded to the countrywide solid waste sorting policy by promoting the dissemination of the concept of "3R — Reduce, Reuse and Recycle".

Energy Efficiency & Resource Conservation

Policy Implementation

Apart from engaging in meaningful activities that will raise the awareness of environmental protection among its employees, to further its efforts in ensuring that all the Company's subsidiaries and departments of the Group adhere to the energy-saving principles, the Group has set up internal policies, such as the "Notice on Strengthening Office's Energy Saving and Consumption Reduction"* (關於加強辦公室節能降耗工作的通知) and the "Notice on Implementing Office Energy – Saving Inspection System"* (關於實施辦公室節能降耗巡查制度的通知) that regulate the daily practices of all the subsidiaries of the Company. In the meantime, the Group has developed and advocated the deployment of "Smart Energy Management System"* (智慧能源管理系統) in its operations, which can effectively increase its energy efficiency while lowering its emissions from the use of resources. The Group has formulated strict rules in controlling the use of face tissues and toilet paper, and disseminated the conservation spirit to various subsidiaries of the Company through notices and training.

Vehicle & Machinery Management

Given the adverse environmental impacts of massive fossil fuel consumption, the Group has been committed to controlling its use of gasoline and diesel through various ways and dedicated to "greener" options that are more environmentally friendly. The Group has strengthened its monitoring, measurement and disclosure of the consumption of energy resources, aiming to objectively reflect the achievements in accomplishing the energy targets of the Group and any areas that need improvements.

With a forward-looking development strategy and well-designed plans for actions to implement the Group's ESG policies which are to develop in a future-proof and environmentally sustainable manner, the management and all staff of the Group under the leadership of the Board will persevere in improving the Group's environmental performance and seeking opportunities to innovate on its business operations towards sustainability.

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VII. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group has long been focused on talent recruitment, retention, professional development, workplace diversity and inclusion, and fostering a healthy culture where all its employees can feel engaged, respected and motivated. The Group believes that sound capital management and the formulation of appropriate employment policies are foundational to the long-term stability and competitiveness of the Company. The Group treasures employees' talent and strives to provide its employees with a suitable platform and working environment for their professional development. As of the end of FY2020, the total number of employees of the Group was 289.

Table 3 — Total Workforce of the Group by Gender, Position Type, Age and Geographical Location in FY2020[1]

Unit: Number of employees	Age group				
Gender	Aged 30 or below	Aged between 31 and 40	Aged between 41 and 50	Aged 51 or above	Total
Male	33	73	29	18	153
Female	45	69	21	1	136
Total	78	142	50	19	289

Position type		
Full time	Part time	Total
289	0	289

Geographical location		
The PRC	Hong Kong	Total
281	8	289

1 *The employment data in headcount was obtained from the Group's Human Resource Department based on the employment contracts entered into between the Group and its employees. The data covers employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/or workplace was controlled by the Group. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Social KPIs" issued by the Stock Exchange.*

Table 4 — Employee Turnover by Geographical Location, Gender and Age in FY2020[1]

Unit: Number of employees	Age group				
Gender	Aged 30 or below	Aged between 31 and 40	Aged between 41 and 50	Aged 51 or above	Total
Male	40	38	19	7	104
Employee turnover rate (percentage)	76.9%	41.3%	40.9%	35.0%	49.4%
Female	38	35	9	1	83
Employee turnover rate (percentage)	62.3%	41.7%	37.5%	33.3%	48.3%
Total	78	73	28	8	187
Employee turnover rate (percentage)	69.0%	41.5%	39.7%	34.8%	48.9%

Unit: Number of employees	Geographical location		
	The PRC	Hong Kong	Total
Total	186	1	187
Employee turnover rate (percentage)	48.6%	0.3%	48.9%

1 *The turnover data in headcount was obtained from the Group's Human Resource Department based on the employment contracts entered into between the Group and its employees. Turnover rate was calculated by dividing the number of employees who resigned in FY2020 by the number of employees on average in FY2020. The methodology adopted for reporting on turnover data set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Social KPIs" issued by the Stock Exchange.*

Law and Compliance

The Group's employment policies have been updated and adjusted to cater to social changes since the inception of the Company, and more importantly, to abide by the relevant laws and regulations in Hong Kong and the PRC. In FY2020, the Group abided by all material relevant laws and regulations, including the following:

- *Employment Ordinance (Cap. 57 of the Laws of Hong Kong);*
- *Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);*
- *Labour Law of the People's Republic of China* (中華人民共和國勞動法);*
- *Employment Promotion Law of the People's Republic of China* (中華人民共和國就業促進法); and*
- *Insurance Law of the People's Republic of China* (中華人民共和國社會保險法).*

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In compliance with national and local employment requirements, the Group provided social security that is commonly known as the "five insurances and housing provident fund"* (五險一金) to its employees in China and the Mandatory Provident Fund Scheme (MPF) to its employees in Hong Kong.

Recruitment and promotion

Top talent is one of the Group's strategic pillars for sustainable development. The Group has set up a set of transparent and clear policies to implement its annual recruitment plan, such as 'Human Resource Management Procedures'* (人力資源管理辦法) and 'Recruitment Management Regulations'* (招聘管理規定). The Group considers talent acquisition to be essential to keeping the Group energetic and competitive in the market and organised several job fairs and campus recruitment during FY2020. The 'Chasing Light' programme has long been one of the many recruitment plans for fresh graduates developed by the Group, which symbolises young people endeavouring to pursue dreams. The programme was designed to demonstrate the culture of 'Zhuguang people will always start a business' in the Group. Through the programme, the Group is committed to providing a platform and opportunity for college graduates to pursue career development and be courageous in realising their bright dreams together with the Group.

Pursuant to its recruitment policy, the Group offers fair and competitive remuneration and benefits in accordance with the applicants' educational backgrounds, personal attributes, job experiences and career aspirations to attract high-calibre candidates. The Group also references to market benchmarks in relation to staff promotion and provides equal opportunities of promotion and development for eligible employees who have shown outstanding performance and potential in their positions. With reference to the organisational structure chart and the 'Staff Handbook'* (員工手冊) of the Group, any promotion within the Group is based on clear and legitimate procedures.

Compensation and dismissal

The Group periodically reviews its compensation packages and performs the probationary and regular evaluations on the capability and performance of its employees, to ensure that all employees can be recognised by the Group appropriately with respect to their efforts and contributions. Adjustment of compensation and termination of employment which are determined by a number of factors, such as performance of the relevant employee and the Company, are based on reasonable and lawful grounds and the internal policies of the Group, such as the 'Staff Handbook'* (員工手冊) and the 'Implementation Rules for Staff Turnover and Movement on Positions'* (員工異動管理實施細則). Since the Group strictly prohibits any kind of unfair or illegitimate dismissal, stringent policies regulating the procedures of dismissal of employees are in place for employee management. In particular, for employees who have violated the Group's employment policies, the Group would warn them verbally before issuing a warning in writing. For employees who keep on making the same mistakes repeatedly notwithstanding having been warned, the Group would terminate their employment contracts according to the relevant laws and regulations in Hong Kong or the PRC (as the case may be).

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Working hours and rest periods

The Group has formulated and implemented its policies, such as 'Implementation Rules for Attendance'* (考勤管理實施細則), based on local employment laws, including 'Provisions of the State Council on Employees' Working Hours'* (國務院關於職工工作時間的規定), to determine the working hours and rest periods for its employees. For instance, an attendance management system coupled with a field work registration form (外勤登記表) that needs to be filled out in detail by the employee and approved by the relevant department manager, have been adopted by the Group to monitor the working hours of each employee and to ensure that the employees who have worked overtime would be compensated with extra pay or additional days off. In addition to basic annual leave and statutory holidays, employees of the Group are also entitled to extra leave benefits, such as marriage leave, maternity leave and compassionate leave.

Equal opportunity, diversity and anti-discrimination

It has been and will always be the core pillar of the Group's development strategy to respect and treat every employee in all job titles equally. As an equal opportunity employer that prohibits discrimination and promotes equality at the workplace, creating a fair, respectful and diverse working environment in all its human resources and employment decisions is central to the Group. The Group has set up policies and brought in stringent measures to regulate its daily corporate practices and avoided any activities that may violate the principles of equal opportunity and anti-discrimination. Specifically, hiring, training, promotion opportunities, dismissal and retirement policies are all based on factors irrespective of the applicants' or the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related factors. Meanwhile, in accordance with the local laws and regulations, the Group's equal opportunity policy allows zero tolerance to any workplace discrimination, harassment or vilification. Employees are vigorously encouraged to report any incidents involving discrimination to the Human Resource Department of the Group, which takes the responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions in relation to the substantiated cases.

The Group encourages ongoing dialogues between the management and general employees of the Group. To facilitate a barrier-free communication across the organisation, the Office Automation (OA) system and Company Portal have been designed and maintained to enable its employees to report on any issues and share innovative ideas within the Group.

Other benefits and welfare

The well-being of employees has invariably been one of the core issues to the Group since its establishment. In addition to the bonuses and gifts given during festivals, the Group regularly arranges a plethora of entertaining and meaningful activities including quarterly birthday parties, in order to create a positive atmosphere among the employees of the Group. In FY2020, given the social distancing rules under the pandemic, only a limited number of activities were organised by the Group for its employees.

In FY2020, the Group was in compliance with the relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

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B.2. Health and Safety

The Group has been leveraging its experience and improved policies to put forward innovative and sustainable solutions to create value for its stakeholders, which is particularly reinforced by its continued commitment to and endeavours in addressing the exposures of its employees to occupational health and safety risks. To provide and maintain a safe, clean and environmentally friendly working environment for its employees, the Group has established strict safety and health policies in line with material relevant laws and regulations in Hong Kong and the PRC, including the following:

- *Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);*
- *Construction Law of the People's Republic of China* (中華人民共和國建築法);*
- *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* (中華人民共和國職業病防治法);*
- *Administrative Provisions on the Work Safety License of Construction Enterprises* (建築施工企業安全生產許可證管理規定);*
- *Administrative Regulations on the Work Safety of Construction Projects* (建設工程安全生產管理條例);*
- *Regulation on Work-Related Injury Insurance* (工傷保險條例); and*
- *Warning Signs for Occupational Hazards in the Workplace* (工作場所職業病危害警示標識).*

Striving for zero accidents in its construction works, the Group rigorously follows the instructions of the Quality Management Systems (ISO 9001:2015) and the Occupational Health and Safety Management Systems (ISO 45001:2018) during its construction operations. The Group requires its employees and business partners to strictly follow the occupational health and safety regulation and recommended practices in operations. In particular, all operating sites are required to prevent accidents by ensuring that all dangerous areas are securely fenced. To prevent fire hazards, suitable and adequate fire safety facilities are provided and checked on a regular basis. The Group is committed to creating and maintaining a clean workplace and ensuring that its indoor working environment is adequately lit and ventilated. Adequate and professional first aid facilities and tools should be on the premises and the Group has appointed designated employees for management. As for employees engaged in onsite work, the Group provides proper training and necessary protective equipment for those who undertake manual handling operations. Meanwhile, the assessment and review of onsite safety risks are performed regularly by the Group.

The engineering management department of the Group strictly follows the instructions under the Group's internal policy, 'Safe Production and Civil Construction Management', in carrying out its responsibility of monitoring and providing guidance and supervision in relation to construction work at its construction sites. Adhering to the Group's internal guidelines of 'Safety First, Precaution Matters', the Group has clearly defined the duties of the different business units on the construction sites. The Group is committed to optimising its countermeasures to any environment-related contingency in accordance with the 'National Emergency Plans in Response to the Outbreak of Environmental Incidents'* (國家突發環境事件應急預案). To minimise the safety risks on-site, the administration department of the Group organises emergency drills for its employees on a regular basis and is responsible for overseeing and supervising the implementation of the Group's health and safety policies.

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Response to COVID-19 Pandemic

In early 2020 when the outbreak of the COVID-19 pandemic swept across the world, the Group resolutely responded to the requirements of the national and local governments, formulating and implementing a series of epidemic prevention and control guidelines and measures, including 'Guidelines on Dealing With Emergencies Regarding the COVID-19 Epidemic'* (關於新冠疫情相關突發事件處理指引) and 'COVID-19 Epidemic Prevention and Control Measures'* (關於加強新型冠狀病毒防疫措施), in order to prevent and reduce the risks of virus transmission at workplace. In particular, a Response Team was established by the Group immediately at the initial stage of the pandemic, developing and overseeing the roll-out of a range of effective safety measures and programmes, including remote working and shifted operations, so as to minimise the risk of staff getting infected. In FY2020, the specific requirements of the Group to protect the health of its employees included but were not limited to:

- Employees should check their body temperature before going to work and ensure that there are no symptoms including fever and cold;
- Employees who are unwell should seek medical treatment as soon as possible and should avoid continuing to work;
- Employees should report the relevant diagnosis and treatment results to the administrative department of the Group if necessary;
- Employees should avoid staying in crowded places and should wear disposable medical surgical masks in the correct way when taking public transport or going to crowded public places;
- Employees should maintain good personal and environmental hygiene habits at all times, such as washing their hands frequently with soap and water for more than 20 seconds;
- Employees should cover their mouths and noses with a tissue when sneezing or coughing, and throw the used tissue into a covered trash can and clean their hands thoroughly; and
- Employees should keep an eye on the latest information and news on the COVID-19 epidemic.

In FY2020, the Group had zero work-related fatality and two work-related injuries were recorded, leading to 23 lost days due to work injury. During the year under review, the Group was in compliance with the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

Table 5 — Number and Rate of Work-related Fatalities of the Group in Past Three Years[1]

Year	2018	2019	**2020**
Number of work-related fatalities	2	0	**0**
Rate of fatalities as a result of work-related injury (per hundred workers)	0.6	0	**0**

[1] *The fatality information was obtained from the Group's Human Resource Department. The methodology adopted for reporting the number and rate of work-related fatalities set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Social KPIs" issued by the Stock Exchange.*

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B.3. Development and Training

The Group believes that the provision of appropriate training packages to employees is conducive to employee retention and morale uplift, thereby arranging a multitude of training courses that cover numerous subjects annually to its employees in accordance with its internal policy, such as 'Implementation Rules on Training'* (培訓管理實施細則) and 'Implementation Rules on Employee's Personal Development Management'* (員工個人進修管理實施細則). The Group has long been focusing on employee training and development, and provides various training opportunities to its employees with different needs. Normally, an induction training is required to be completed by all new hires who are expected to have a better understanding of the Group in terms of corporate culture, organisational structure and policies concerning occupational health and safety after such training, while other job-related courses are offered to the experienced staff according to both corporate and individual needs.

For more flexible training arrangement, the Group makes the full use of multimedia and e-learning technologies, such as QingXueTang* (輕學堂) Online Training Platform and DeDao* (得到) Online Training Platform, enabling its employees to have access to abundant learning opportunities at any time. The Group believes that the adoption of innovative training materials and formats facilitates the interactivity and gamification of training, promotes efficient management and record, and adapts to the different needs and levels of employees through self-driven and self-paced learning styles.

To further enhance their professional skills so as to meet the Group's development goal, the employees of the Group are highly encouraged to take professional qualification examinations and enrol in external training programmes. Employees who have taken professional qualification examinations and obtained vocational qualification certificates relevant to their roles in the Group will receive reimbursements from the Group. Meanwhile, the Group partners with external organisations and experts in co-hosting seminars and training courses for its employees regularly.

Table 6 — Number and Percentage of Employees Trained in the Group by Gender and Employee Category in FY2020[1]

Unit: Number of employees	**Employee Category[2]**			
Gender	**General Staff**	**The Management**	**Directors**	**Total**
Male	36	12	3	51
Percentage of employees trained	34.3%	11.4%	2.9%	48.6%
Female	49	5	0	54
Percentage of employees trained	46.7%	4.8%	0.0%	51.4%
Total	85	17	3	105
Percentage of employees trained	80.0%	16.2%	2.9%	36.3%

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1 *The training information was obtained from the Group's Human Resource Department. Training refers to the vocational training that the Group's employees attended in FY2020. The methodology adopted for reporting on the number and percentage of employees trained set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Social KPIs" issued by the Stock Exchange; and*

2 *Following the recommendations of the ESG Guide, the detailed employee categories by level were adopted for measurement and disclosure.*

Table 7 — Training Hours Completed in the Group by Gender and Employee Category in FY2020[1]

Unit: Training Hours	**Employee Category[2]**			
Gender	**General Staff**	**The Management**	**Directors**	**Total**
Male	308	98	21	427
Average training hours	3.1	2.7	1.3	2.7
Female	406	35	0	441
Average training hours	3.4	2.1	0	3.4
Total	714	133	21	868
Average training hours	3.3	2.5	1.2	3.0

1 *The training information was obtained from the Group's Human Resource Department. The methodology adopted for reporting training hours set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Social KPIs" issued by the Stock Exchange; and*

2 *Following the recommendations of the ESG Guide, the same employee categories were adopted for measurement and disclosure.*

B.4. Labour Standards

In FY2020, the Group abided by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China* (中華人民共和國勞動法) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child and forced labour employment. To combat illegal employment of child labour, underage workers and forced labour, the Group has set up strict verification procedures which the Human Resource Department needs to follow. All job applicants are required to provide valid identity documents to ensure that they are lawfully employable prior to confirmation of any employment. It is also the responsibility of the Group's Human Resource Department to monitor and guarantee the compliance of corporate policies and practices with the relevant laws and regulations that prohibit child labour and forced labour. Once the Group has identified any case which fails to comply with the relevant labour laws, regulations and standards, the relevant employment contract will be immediately terminated and disciplinary punishment will be taken against responsible individuals. The Group will circulate a notice of criticism throughout the entire organisation and prevent similar cases from happening again.

In FY2020, the Group was not in violation of any relevant laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group.

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OPERATING PRACTICES

B.5. Supply Chain Management

Aiming to forge a responsible supply chain, the Group remains committed to its consistently sustainable supplier selection criteria, procurement process and supplier management approach. As sustainable supply chain management procedures are of growing importance for the real estate industry that is normally characterised by long and complex supply chains, the Group has gradually integrated responsible practices into the core of business partnerships with suppliers, in order to effectively identify and address the potential social and environmental risks in the value chain and leverage its expertise in ESG to drive improvements among its business partners.

The major types of suppliers and sub-contractors of the Group are engineering companies and intermediaries, from which the Group purchases its products and services for internal consumption, including construction projects, intermediary services, information technology products and office supplies.

As the construction work of the Group is normally outsourced, the Group has formulated its internal policy, 'Implementation Rules for Cooperative Management'* (合作商管理實施細則), to ensure that the assessment, selection and contracting of suppliers and their ongoing performance management are consistently aligned with the relevant laws and regulations in the PRC, industry standards and the Group's internal requirements. The Group has established and implemented a supplier risk management system that seeks to identify and address potential business and sustainability risks and legal liabilities when selecting and engaging suppliers. In particular, the Group assesses its suppliers based on multiple business and ESG criteria and performs adequate and strict due diligence towards suppliers that might be involved in activities resulting in great economic, environment or social impacts. Specifically, to enhance the effectiveness of its procurement, the Group, in accordance with its two other internal policies, namely, 'Implementation Rules for Procurement Management'* (招標管理實施細則) and 'Implementation Rules for Evaluation on Construction Unit'* (施工單位評價管理細則), regularly performs onsite investigations to assess the background of eligible tenderers based on factors, including tenderers' reputation, service/product quality, environmental management qualification, cost, production and technical capacity, business track record for at least the recent 3 years, economic disputes history with the Group and regulatory compliance.

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The Group has specific staff responsible for the communication and collaboration with the suppliers for each project, and the contracts with suppliers are required to be reviewed and verified by the Group's internal compliance department before approval is granted to eliminate any unnecessary risks. The Group has established 'Cooperative Management Measures'* (合作商管理辦法) to standardise the management process with its business partners and carry out ongoing evaluation of each project. The functional management departments (職能管理部門) of the project management centre (工程管理中心) of the Group, including the project establishment department (立項部門), the engineering centre (工程中心) and the design centre (設計中心), conduct a performance review and an annual review after the completion of each project and at the end of the year, respectively. In the meantime, the Group also values the feedback from its business partners, who will receive the 'Customer Evaluation Form'* (需方評估表) after the completion of the project and at the end of the year for an evaluation of the different aspects of the entire process of collaboration with the Group, including tender inspection, onsite management, supplier management, payment and personnel integrity. With the suggestions from its business partners, the tender management centre of the Group can make an objective assessment on the quality of the management work of the functional management department and the management staff, which is conducive to a more in-depth understanding of the entire collaboration process that will allow timely adjustments to be made, if necessary. The Group has been working on providing relevant training programmes for its dedicated supply chain management team, in order to enhance their awareness on ethics, compliance and corporate social responsibility in the collaboration with business partners. To stabilise its supply chain and avoid the monopoly of suppliers, the Group normally maintains relationships with at least two qualified suppliers for each type of raw materials it needs. Given the solid and sound business partnership with its suppliers, the Group did not experience any material delays, conflicts or other significant issues with its suppliers in the past years.

The Group is committed to continuously embracing sustainable sourcing practices and requiring its business partners to conduct their operations in an environmentally sustainable manner. As part of its green procurement strategy, the Group has implemented its environmental procurement in accordance with the ISO 14001 Environmental Management System, making orders based on the monitoring of the consumption of office supplies, selecting equipment and construction materials against a range of environmental criteria and prioritising suppliers by considering their environmental certification and green practices. For example, the Group gives priority to local business players which meet the Group's selection criteria for suppliers to minimise the detrimental environmental impacts in the supply chain while boosting the local economy.

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B.6. Product Responsibility

In FY2020, the Group abided by the relevant rules, regulations and standards in Hong Kong and the PRC that have a significant impact on the Group concerning health and safety, advertising, labelling and privacy matters with respect to its products and services and methods of redress, including the following:

- *Construction Law of the People's Republic of China* (中華人民共和國建築法);*
- *Law on Protection of Consumer Rights and Interests of the People's Republic of China* (中華人民共和國消費者權益保護法);*
- *Advertising Law of the People's Republic of China* (中華人民共和國廣告法);*
- *Contract Law of the People's Republic of China* (中華人民共和國合同法);*
- *Administrative Regulations on the Work Safety of Construction Projects* (建設工程安全生產管理條例);*
- *Regulations on Quality Management of Construction Projects* (建設工程質量管理條例);*
- *Opinions on Strengthening the Protection of Intellectual Property Rights (關於強化知識產權保護的意見);*
- *Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong); and*
- *Consumer Council Ordinance (Cap. 216 of the Laws of Hong Kong).*

Sustainability considerations have been engrained into all service lines of the Group and are the drivers enabling the Group to continuously provide uniquely premium products and services to its customers. In strict compliance with the relevant laws and regulations above, the Group has set up internal policies for the management of its construction projects. The project management centre (工程管理中心) and the construction project supervision department (項目工程監理部) of the Group are responsible for overseeing, evaluating and leading construction projects from conception to completion, and ensuring that the operational process and its final delivery meet the standards. In accordance with the national standards in the PRC, such as GB/T 19001-2016 (質量管理體系要求) and GB/T 24001-2015 (環境管理體系要求及使用指南), the Group acts in conformity with its internal policies including 'Engineering Construction Supervision Manual'* (工程建設監理工作手冊), 'Rules on Engineering Quality Management'* (工程質量管理細則) and 'Rules on Project Schedule Management'* (工程進度管理細則), endeavouring to protect its customers' health and safety through delivering reliable and high-quality products and services. In relation to property development projects, for example, health and safety factors are embedded in all stages of operations from preliminary project design, selection of non-hazardous materials, to the completion and delivery of the properties to clients in which stringent procedures are followed to ensure the efficient and satisfactory handover of the properties to customers. In the selection of construction materials, in particular, the Group implements its internal policy 'Operating Standard of Product Inspection'* (產品檢測作業標準) and has adopted sampling techniques to detect any potentially hazardous substances in the construction materials used in all phases of its projects. Once any unqualified product is discovered, the quality control ("QC") department of the Group will lead an investigation and address the problem as soon as possible following the requirements and procedures in its internal policy 'Control Procedure of Non-conforming Products'* (不合格產品控制程序). The Group has persevered in investing in innovations to deliver its sustainability objectives. For both its offices and the properties under its development and management, the Group keeps applying the highest standards of sustainability and wellbeing, and benchmarking its performance with globally leading practices.

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The marketing service centre of the Group is responsible for the collection of customers' complaints. Once any complaint is received, the QC department of the Group will follow up on the entire investigation to make sure that relevant substantiated complaints are dealt with effectively.

The Group has been committed to protecting its clients' privacy and keeping personal information confidential by abiding by the applicable laws and regulations concerning data protection, privacy and information security. The Group endeavours to protect the privacy of its employees, business partners and customers through stringent policies. The Group has implemented its internal policy, 'Confidentiality Management and Regulations'* (保密管理規定), to ensure that its customers' rights and privacy are strictly protected. Information collected by the Group from its customers would be used only for the purpose for which it has been collected. In FY2020, the Group did not receive any substantiated complaints concerning breaches of customer privacy or loss of customer data.

The legal counsel in the regulatory department of the Group is responsible for reviewing, verifying and approving that accurate, complete and unbiased information is provided to the public in marketing and advertising materials and ensuring the compliance of the Group's marketing practices with the relevant laws and regulations. All marketing materials released by the Group including signage, advertising mails and promotional items should all undergo strict review and verification of the Group. Any misrepresentation in marketing materials or exaggeration of offerings is strictly prohibited.

Given the Group's business nature and the principle of materiality, the labelling-related issue is not applicable to the Group, thereby not being discussed in this section.

B.7. Anti-corruption

The Group has a strong commitment to minimising its exposures to bribery, corruption, conflicts of interest and any other risks in relation to the code of business conduct. Fundamental to the Group's core values in operations is integrity and honesty. To create a fair, ethical and efficient working environment, the Group abided by the local laws and regulations relating to anti-corruption and bribery, irrespective of the region in which the Group operates, including the Anti-Corruption Law of the People's Republic of China* (中華人民共和國反腐敗法), the Law of the People's Republic of China on Anti-money Laundering* (中華人民共和國反洗錢法), the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) during FY2020.

The Group has formulated and strictly enforced its sales-related policies, such as 'Implementation Rules on Sales Management'* (銷售管理實施細則), to prevent any illegal practices, including corruption, extortion and money-laundering within the Group. The Group prohibits all forms of bribery and corruption, and requires all its employees to follow the relevant codes of professional ethics. A protocol called 'Sunshine Service Convention'* (陽光服務公約) has been adopted by the Group, introducing the duties of the Group's salespersons in rooting out any corrupt, bribery and fraudulent practice in the Group's business transactions. In FY2020, no legal cases regarding corrupt practices were brought against the Group or any of its employees.

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To enhance the awareness of all employees, especially the senior management of the Group, in understanding and practising the code of ethics and cultivating a culture of integrity throughout the enterprise, the Group organises relevant training programmes on anti-corruption for its employees on an annual basis. To jointly create a clean and honest business collaboration in partnership with external parties, the Group has set out clear requirements in its policies that regulate the practices of employees in dealings by promoting transparency.

Whistle-blowers can report verbally or in writing to the audit committee of the Company for any suspected misconduct with supporting evidence. The audit committee of the Company will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group has established an effective grievance mechanism to protect the whistle-blowers from unfair dismissal or victimisation. Where any crime is suspected by the Group, a report will be submitted promptly to the relevant regulators or law enforcement authorities when the management of the Group considers it necessary.

In FY2020, the Group was not in violation of any relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

COMMUNITY

B.8. Community Investment

The Group has been committed to supporting the development of local communities by leveraging its business strength to address the most urgent social challenges. As an enterprise dedicated to integrating SDGs into its corporate culture and the way it runs its business while fulfilling its social responsibilities, the Group strives to take the initiative to help the underprivileged in the communities where it operates through communication and engagement. Over the years, the Group has unswervingly focused its efforts on the wellbeing of community groups, in particular in the areas of driving sustainable urban development, launching scalable and sustainable education and poverty alleviation programmes, strengthening the resource allocation to community care activities by ongoing actions on volunteerism and financial donations, and addressing major and severe incidents that endanger human health, stability of society and the environment.

In FY2020, the COVID-19 pandemic posed a serious threat to people's health and social activities, which dramatically exacerbated the problems of those disadvantaged neighbourhoods that had already suffered from inadequate housing and limited resources. In swift response to the call of the Chinese Central Government to combat the virus, the Group spared no efforts in providing its support to epidemic prevention and control via donations. Specifically, the Group donated materials for epidemic prevention and control, including masks, that were equivalent to approximately RMB60,000. In first quarter of 2020, the Group also cooperated with multiple enterprises to collectively donate 27 boxes of herbal tea products, 500,000 bags of concentrated Chinese medicine extract and certain medical materials to Hubei Province. During the "Household Epidemic Prevention" period, the Group distributed free "Fresh Vegetable Gift Boxes"* (愛心生鮮大禮盒) to the frontline institutions, which not only alleviated the problem of unsalable agricultural products, but ensured the sufficient supply of food during the critical period.

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To put the principle of "Build good with love and perseverance"* (以愛助善，持之以恒) into practice, the Group did not just fund education in impoverished areas of China in FY2020, but also donated approximately RMB3,050,000 to the charity foundation through the charity auction of the Cantonese Charity Association for "Helping Cantonese Youths in Study" and "Caring for "ShiDu" (失獨) Families in Difficulties", which would be used for supporting junior high school graduates whose families are in financial difficulties and families which have lost their only child.

In FY2020, the Group strongly supported the 2020 Guangdong-Hong Kong-Macao Greater Bay Area Youth Cycling League — Guangzhou Station Finals, and delegated a corporate team made up of its employees to participate in the opening ceremony, which demonstrated and guided the popularisation and promotion of national fitness activities.

As one saying goes, "success comes to those who share in one purpose"* (上下同欲者勝，同舟共濟者贏). The Group has always been highly engaged in local communities, not for seeking entitlements, but to better position its development directions and its projects that can enhance neighbourhood amenities and quality of life. In the future, the Group will inherit more charity spirits, contribute to philanthropy from more dimensions and create more value for society with love and warmth.

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BIOGRAPHY OF DIRECTORS

The Board currently comprises nine Directors, six of whom are executive Directors and three of whom are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Chu Hing Tsung (alias Zhu Qing Yi) ("Mr. Chu HT"), aged 51, is the chairman of the Company ("Chairman") and an executive Director. He has been appointed as an executive Director since September 2009 and he was appointed as the chief executive officer of the Company ("Chief Executive Officer") on 9 September 2009. In February 2010, he was appointed as a deputy chairman of the Company ("Deputy Chairman"). In December 2013, he was re-designated as the Chairman. With effect from 21 August 2015, Mr. Chu HT has resigned as the Chief Executive Officer. Mr. Chu HT is a shareholder of Rong De, the controlling shareholder of the Company. Mr. Chu HT has over 22 years of extensive experience in corporate management and property development in the PRC. He is the younger brother of Mr. Chu Muk Chi, an executive Director. Mr. Chu HT has been appointed as a non-executive director, the chairman of the board of directors and the chairman of the nomination committee of Silver Grant with effect from 29 January 2019.

Mr. Liu Jie ("Mr. Liu"), aged 57, was appointed as an executive Director and the Chief Executive Officer on 17 March 2017. He obtained a degree of Bachelor of Science from the Guangzhou Teachers College* (廣州師範學院) (now known as Guangzhou University) in 1985. Mr. Liu was a Deputy Mayor (副區長) of the People's Government of Haizhu District of Guangzhou Municipality of the PRC (廣州市海珠區人民政府) from November 2006 to April 2015 and the Mayor (區長) of the People's Government of Liwan District of Guangzhou Municipality of the PRC (廣州市荔灣區人民政府) from April 2015 to September 2016. Mr. Liu has over 22 years of experience in administrative and operation management in the PRC.

Mr. Liao Tengjia ("Mr. Liao"), aged 57, is a Deputy Chairman and an executive Director. He was appointed as the Chairman and an executive Director in September 2009 and a director of certain subsidiaries of the Group. In December 2013, Mr. Liao resigned as the Chairman. With effect from 21 August 2015, Mr. Liao has been appointed as the Chief Executive Officer. With effect from 17 March 2017, Mr. Liao has resigned as the Chief Executive Officer and was appointed as a Deputy Chairman. Mr. Liao is a shareholder and the sole director of Rong De, the controlling shareholder of the Company, whose interest in the Shares falls to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). He has over 22 years' management experience in the property development industry in the PRC.

Mr. Huang Jiajue ("Mr. Huang"), aged 50, is a Deputy Chairman, an executive Director and a member of each of the nomination committee and the remuneration committee of the Company. He has been appointed as an executive Director since September 2009 and a director of a subsidiary of the Company. With effect from 21 August 2015, Mr. Huang has been appointed as a Deputy Chairman. Mr. Huang obtained a Master's Degree in Business Administration from the Sun Yat-Sen University in the PRC. He has over 22 years of financial management experience in the property development industry in the PRC. Mr. Huang has been appointed as an executive director, a member of the remuneration committee and an authorised representative under Rule 3.05 of the Listing Rules of Silver Grant with effect from 29 January 2019 and has been appointed as the chief executive officer of Silver Grant with effect from 2 September 2019.

Mr. Chu Muk Chi (alias Zhu La Yi) ("Mr. Chu MC"), aged 63, has been appointed as an executive Director since September 2009. He obtained a Bachelor's Degree in Medicine from the Guangzhou College of Traditional Chinese Medicine (now known as Guangzhou University of Chinese Medicine). Mr. Chu MC is a shareholder of Rong De, the controlling shareholder of the Company. Mr. Chu MC has over 22 years of extensive experience in corporate management, Chinese medicine and property development in the PRC. He is the elder brother of Mr. Chu HT, the Chairman and an executive Director.

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Ms. Ye Lixia ("Ms. Ye"), aged 56, was appointed as an executive Director on 17 June 2015. She is also a director of certain subsidiaries of the Company. Ms. Ye obtained a Master's Degree in Economics from the Sun Yat-Sen University in the PRC in 1989. Before joining the Company, Ms. Ye served as the General Manager of the Investment and Finance Management Centre of Guangdong Pearl River Investment Holdings Limited* (廣東珠江投資股份有限公司) from July 2007 to April 2015. She has over 11 years of financial management experience in the property development industry in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping ("Mr. Leung") *JP*, aged 77, has been appointed as an independent non-executive Director since October 2009. He is also the chairman of the audit committee of the Company, and a member of each of the nomination committee and the remuneration committee of the Company. Mr. Leung is a certified public accountant with extensive experience in Hong Kong tax and international tax planning for over 31 years. Currently, he is a senior advisor to Crowe Horwath (HK) CPA Limited. Mr. Leung is a fellow member of The Institute of Chartered Accountants in England and Wales, The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. Apart from his professional work, Mr. Leung has actively participated in community affairs. He had been a Regional Councillor for 5 years and a District Councillor for 18 years. Mr. Leung is currently a Councillor of the New Territories Heung Yee Kuk and the Hon. Secretary of Heung Yee Kuk Foundation Limited. He also serves as a member of each of the United Christian Nethersole Community Health Service Management Committee, and the Management Committee on Nethersole Chinese Medicine Service cum the Chinese University of Hong Kong Chinese Medicine Clinical Training and Research Centre of the Alice Ho Miu Ling Nethersole Charity Foundation. Mr. Leung was awarded a Badge of Honour by Her Majesty Queen Elizabeth II in 1994 for his service to the community. He was a District Advisor to the Hong Kong Branch of Xinhua News Agency before 1997. He was also appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2000. Mr. Leung was an independent non-executive director of Heng Xin China Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8046) from August 2009 to June 2016.

Mr. Wong Chi Keung ("Mr. Wong"), aged 66, has been appointed as an independent non-executive Director since June 2012. He is also the chairman of each of the nomination committee and the remuneration committee of the Company, and a member of the audit committee of the Company. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of each of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, and an associate member of each of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants.

Mr. Wong has over 40 years of experience in finance, accounting and management. He was a Responsible Officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the SFO from 23 March 2010 to 16 April 2016. Mr. Wong was a director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0123, which is now known as Yuexiu Property Company Limited), for over 10 years.

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Mr. Wong was an independent non-executive director of FU JI Food and Catering Services Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1175 and provisional liquidators appointed from 19 October 2009 to 2 July 2013, and now known as Fresh Express Delivery Holdings Group Co., Ltd.), for the period from 22 November 2004 to 24 June 2011. He was also an independent non-executive director and a member of each of the audit committee and the remuneration committee of First Natural Foods Holdings Limited ("First Natural Foods") (a company listed on the Main Board of the Stock Exchange with stock code: 1076 with provisional liquidators appointed from 6 January 2009 to 4 September 2012, which is now known as Imperial Pacific International Holdings Limited) for the period from 26 November 2007 to 20 November 2013, and a member of the nomination committee of First Natural Foods from 4 September 2012 to 20 November 2013. Mr. Wong had been an independent non-executive director of PacMOS Technologies Holdings Limited ("PacMOS") (a company listed on the Main Board of the Stock Exchange with stock code: 1010, which is now known as PacRay International Holdings Limited) since August 1995, and he ceased to be an independent non-executive director and the chairman of each of the audit committee, remuneration committee and nomination committee of PacMOS with effect from 1 July 2014. He was an independent non-executive director of ENM Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0128) from 17 June 2010 to 9 June 2017. He was also an independent non-executive director of Heng Xin China Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8046) from 17 October 2016 to 18 September 2017. He was an independent non-executive director of China Shanshui Cement Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0691) from 2 February 2016 to 23 May 2018. He was an independent non-executive director of Nickel Resources International Holdings Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 2889 and subsequently withdrawn from listing from 9:00 a.m. on 14 February 2020) from 2 May 2005 to 21 February 2020.

Mr. Wong is currently an independent non-executive director of Asia Orient Holdings Limited (stock code: 0214), Asia Standard Hotel Group Limited (stock code: 0292), Asia Standard International Group Limited (stock code: 0129), Century City International Holdings Limited (stock code: 0355), China Ting Group Holdings Limited (stock code: 3398), Changyou Alliance Group Limited (stock code: 1039, formerly known as Fortunet e-Commerce Group Limited), Golden Eagle Retail Group Limited (stock code: 3308), Paliburg Holdings Limited (stock code: 0617), Regal Hotels International Holdings Limited (stock code: 0078) and Yuan Heng Gas Holdings Limited (stock code: 0332). All of the companies above are listed on the Main Board of the Stock Exchange. Mr. Wong is also an independent non-executive director of TPV Technology Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0903, which was subsequently withdrawn from listing from 4:00 p.m. on 14 November 2019). Mr. Wong is also a Responsible Officer for asset management and advising on securities of CASDAQ International Capital Market (HK) Company Limited under the SFO.

Dr. Feng Ke ("Dr. Feng"), aged 49, was appointed as an independent non-executive Director on 17 June 2015. He is also a member of the audit committee of the Company. He graduated from the Guangdong University of Finance* (廣東金融學院) (previously known as Guangdong Academy of Finance* (廣州金融高等專科學校)) majoring in International Finance in July 1993. Dr. Feng obtained a Master's Degree in Economics from the Guangdong Academy of Social Sciences* (廣東省社會科學院) in July 1999. He obtained a Doctor's Degree in Economics from the Peking University* (北京大學) in July 2002. He was the assistant manager of Golden Eagle Asset Management Co., Ltd.* (金鷹基金管理有限公司) from July 2002 to January 2006. Dr. Feng was an independent director of Sichuan Guang'an AAA Public Co., Ltd* (四川廣安愛眾股份有限公司) (a company whose shares are listed on the Shanghai Stock Exchange with stock code: 600979) from November 2011 to September 2014, and an independent director of Nan Hua Bio-medicine Co., Ltd.* (南華生物醫藥股份有限公司)

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(previously known as Beijing CCID Media Investments Co., Ltd.* (北京賽迪傳媒投資股份有限公司)), a company whose shares are listed on the Shenzhen Stock Exchange with stock code: 000504) from December 2013 to December 2014. He had also been an independent director of Guangdong Provincial Expressway Development Co., Ltd.* (廣東省高速公路發展股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 000429) from June 2009 to April 2016, and an independent director of Tande Co., Ltd.* (天地源股份有限公司), a company listed on the Shanghai Stock Exchange with stock code: 600665, from December 2009 to December 2015. Dr. Feng was an independent non-executive director of Yingde Gases Group Company Limited (whose listing of shares on the Main Board of the Stock Exchange with stock code: 2168 was withdrawn on 21 August 2017) from November 2016 to March 2017. He was an independent non-executive director of Asian Capital Resources (Holdings) Limited (a company listed on GEM of the Stock Exchange with stock code: 8025), from October 2008 to August 2013 and has been re-designated as an executive director since 1 September 2013. Dr. Feng was an independent director of China Greatwall Technology Group Co., Ltd.* (中國長城科技集團有限公司) (previously known as China Great Wall Computers Shenzhen Co., Ltd.* (中國長城計算器深圳股份有限公司)) (a company listed on the Shenzhen Stock Exchange with stock code: 000066) from 30 August 2010 to 3 April 2018. He was an independent director of Shenzhen Success Electronics Co., Ltd. * (深圳市宇順電子股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002289) from 30 December 2015 to 15 October 2020. Dr. Feng is currently an independent director of Tianjin Guangyu Development Co., Ltd.* (天津廣宇發展股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 000537). He is also currently an independent non-executive director of China Huirong Financial Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1290).

SENIOR MANAGEMENT

The six Directors holding executive offices above are directly responsible for the various businesses of the Group. They are regarded as members of the senior management of the Group.

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CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The Company firmly believes that a good, solid and sensible framework of corporate governance will allow the Company to run its business in the best interest of its shareholders as a whole. The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Code") as contained in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors, who confirmed that they have complied with the required standards set out in the Code for FY2020.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company complied with the applicable code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules during FY2020, other than Code Provision E.1.2 of the CG Code.

Code Provision E.1.2 of the CG Code requires that the chairman of the Board should attend the annual general meeting of the Company ("AGM"). Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), the Chairman, did not attend the AGM held on 15 June 2020 ("2020 AGM") due to his other engagement.

SECURITIES TRANSACTIONS BY MANAGEMENT AND STAFF

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

Financial Officer

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

Company Secretary

The company secretary ("Company Secretary") of the Company reports directly to the Chairman. All Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure the board meeting procedures are properly followed and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for providing assistance to the Board with respect to the Directors' obligations on securities interest disclosure, and disclosure requirements on notifiable transactions, connected transactions and inside information. The Company Secretary provides assistance to the Board with respect to the Company's compliance with the laws, regulatory requirements and the Company's bye-laws ("Bye-Laws") as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long-term value to the shareholders of the Company. In addition, the Company Secretary also assists in the provision of relevant information updates and continuous professional development to the Directors with respect to the legal, supervisory and other continuing obligations of being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investors' relations of the Group.

BOARD OF DIRECTORS

A. The Responsibilities of The Board

The principal functions of the Board are to consider, set and approve the strategies, financial objectives, annual budget, investment proposals, appointment and re-appointment of Directors, and accounting policies of the Group. The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the CG Code. The Board also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems by the Group to manage these risks. The day-to-day operations of the Group are delegated to the management of the Group.

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of the Directors and other significant financial and operational matters. The Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's management independently. The daily management, administration and operation of the Group are delegated to the management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Board recognises that corporate governance should be the collective responsibility of the Directors and the Board delegates the corporate governance duties to the management which include:

(i) to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iii) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and the Directors; and

(iv) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance Shareholders' relationship with the Company.

B. Board Composition and Diversity

During FY2020 and as at the date of this annual report, the Board comprised six executive Directors, namely Mr. Chu Hing Tsung, who was also the Chairman, Mr. Liu Jie, who was also the Chief Executive Director, Mr. Liao Tengjia, who was also a Deputy Chairman, Mr. Huang Jiajue, who was also a Deputy Chairman, Mr. Chu Muk Chi and Ms. Ye Lixia, and three independent non-executive Directors, namely Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke. The independent non-executive Directors are expressly identified in all corporate communications that disclose the names of the Directors. The number of independent non-executive Directors during FY2020 and as at the date of this annual report represented one-third of the Board. The Company seeks to achieve board diversity through consideration of a number of factors, including but not limited to gender, age, skills, knowledge and length of service. The ultimate selection decision will be based on merit and contribution to the Board.

During 2018, the Company adopted a board diversity policy, which sets out the Company's approach on achieving diversity on the Board. In reviewing and assessing the composition of the Board and the nomination of Directors (as applicable), the Company takes into account a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. The Board may adopt and/or amend from time to time (as applicable) such diversity perspectives and/or measurable objectives that are appropriate to the Company's business and Board succession planning, as applicable.

The Directors have professional background in property development, finance, taxation, investment and management. They have extensive experience and independent views in their respective areas of expertise so that they can provide professional advice to the Board in respect of the long-term development of the Company. The Company has formal letters of appointment with all Directors setting out the key terms and conditions relating to their appointment.

Mr. Chu Hing Tsung, the Chairman and an executive Director, and Mr. Chu Muk Chi, an executive Director, are brothers. The biographical details of the Directors and the relationships between Board members are set out in the section headed "BIOGRAPHY OF DIRECTORS" in this annual report. Save as disclosed above and in the section headed "BIOGRAPHY OF DIRECTORS" in this annual report, none of the Directors has any financial, business, family or other material/relevant relationships with one another and this is true in particular between Mr. Chu Hing Tsung, the Chairman, and Mr. Liu Jie, the Chief Executive Officer.

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

C. Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer are carried out by different individuals and have been clearly defined in writing.

The Chairman is Mr. Chu Hing Tsung, and the Chief Executive Officer is Mr. Liu Jie. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balanced judgement of views.

With the support of the Company Secretary, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems, internal procedures and processes for the Board's approval.

BOARD MEETINGS AND ANNUAL GENERAL MEETING

The Board meets regularly and as warranted by particular circumstances. Notices and agendas are prepared by the Company Secretary as delegated by the Chairman and distributed to the Board members within reasonable time before the meetings. Relevant meeting papers are also sent to the Directors well before the meetings, informing them of the background and giving explanation on matters to be brought before the Board. All Directors are given the opportunity to include matters in the agendas for Board meetings. Draft and final versions of the minutes of Board meetings are sent to all Directors for their comment and records, respectively, within a reasonable time after the Board meetings and are kept by the Company Secretary.

During FY2020, the Directors made active contribution to the affairs of the Group and five Board meetings were held to consider, among other things, various transactions contemplated by the Group, and to review and approve the interim results and annual results of the Group. To ensure the Directors will make decisions objectively and in the interests of the Company, Bye-Law No. 103(1) of the Bye-Laws provides that any Director shall abstain from voting on any resolutions in which he/she or his/her associate(s) is/are materially interested nor be counted in the quorum of the meeting. Any Board meeting in which a Director has abstained from voting or has not been counted in the quorum of the meeting shall not be taken into account in determining that Director's attendance record.

Except for Mr. Chu Hing Tsung, the Chairman, Mr. Liu Jie, Mr. Huang Jiajue and Mr. Chu Muk Chi, the other members of the Board all attended the 2020 AGM and were available to answer questions.

The individual attendance of each Director in the Board meetings held during FY2020, the 2020 AGM and the special general meeting of the Company held during FY2020 is as follows:

	Attended/Eligible to attend		
	Board meetings	2020 AGM	Special general meeting
Executive Directors			
Mr. Chu Hing Tsung	5/5#	0/1	0/1
Mr. Liu Jie	4/4	0/1	0/1
Mr. Liao Tengjia	4/4	1/1	0/1
Mr. Huang Jiajue	4/4	0/1	0/1
Mr. Chu Muk Chi	4/4	0/1	0/1
Ms. Ye Lixia	4/4	1/1	1/1
Independent non-executive Directors			
Mr. Leung Wo Ping *JP*	5/5#	1/1	1/1
Mr. Wong Chi Keung	5/5#	1/1	1/1
Dr. Feng Ke	5/5#	1/1	0/1

Included a meeting between the Chairman and the independent non-executive Directors held during FY2020.

NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Each of the independent non-executive Directors has been appointed for a term of two years. All of the independent non-executive Directors are subject to retirement by rotation once every three years and should be subject to re-election.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance, other related ordinances and relevant regulatory requirements of Hong Kong, is provided to each newly appointed Director.

Pursuant to Code Provision A.6.5 of the CG Code, the Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses to ensure that they are fully aware of their responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

Pursuant to the requirements of the CG Code, all Directors should provide their records of continuous professional development to the Company. According to the records provided by the Directors, the training received by each of them during FY2020 is summarised as follows:

	Training received
	Notes
Executive Directors	
Mr. Chu Hing Tsung	(1)(2)
Mr. Liu Jie	(1)(2)
Mr. Liao Tengjia	(1)(2)
Mr. Huang Jiajue	(1)(2)
Mr. Chu Muk Chi	(1)(2)
Ms. Ye Lixia	(1)(2)
Independent non-executive Directors	
Mr. Leung Wo Ping *JP*	(1)(2)
Mr. Wong Chi Keung	(1)(2)
Dr. Feng Ke	(1)(2)

Notes:

(1) Reading articles/other materials in relation to legal and regulatory changes which are relevant for the Directors in discharging their duties.

(2) Participation in seminars/conferences/courses/workshops on subjects relating to directors' duties, and financial, legal and corporate governance matters.

All Directors as disclosed above confirmed that they complied with Code Provision A.6.5 of the CG Code on directors' continuous professional development during FY2020.

BOARD COMMITTEES

The Board has set up three specialised committees, namely the audit committee ("Audit Committee"), the remuneration committee ("Remuneration Committee") and the nomination committee ("Nomination Committee") to oversee particular aspects of the Company's affairs. The three Board committees were established with defined written terms of reference approved by the Board, which set out the major duties of each Board committee. These terms of reference are posted on the websites of the Stock Exchange and of the Company and are available to the Shareholders. Members of the Board committees are mainly independent non-executive Directors. The list of the chairman and members of each Board committee is set out in each of the following Board committee sections below in this annual report. The meeting procedures of each Board committee follow the procedures of the Board meetings.

The members of the Board committees are provided with sufficient resources to discharge their duties and in appropriate circumstances, the Company can retain external auditors, financial advisers, lawyers and other relevant independent professionals to provide independent professional advice to assist members of the Board committees in fulfilling their responsibilities.

A. Audit Committee

The Company established the Audit Committee in 1999 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties.

During FY2020 and as at the date of this annual report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke. Mr. Leung Wo Ping *JP* was the chairman of the Audit Committee during FY2020 and as at the date of this annual report.

The major roles and functions of the Audit Committee are as follows:

(1) to consider, and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the audit fee and other terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(3) to discuss with the external auditor before the audit commences in respect of the nature and scope of the audit and reporting obligations;

(4) to monitor the integrity of the Company's financial statements, annual report, accounts and half-year report, and to review significant financial reporting judgements contained in them;

(5) to review the Company's financial controls and internal control and risk management systems, and to ensure that management has discharged its duty to establish an effective internal control system;

(6) to review the external auditor's management letter, and material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control as well as management's response to the points raised; and

(7) to ensure that the Board responds promptly to the matters raised by the external auditor in the management letter.

The Audit Committee shall meet with the external auditor without the presence of the executive Directors to discuss the Group's financial reporting and any major financial matters arising during the financial year at least twice a year.

The Audit Committee held four meetings during FY2020. Individual attendance of each committee member is set out below:

	Attended/ Eligible to attend
Independent non-executive Directors	
Mr. Leung Wo Ping *JP* *(Chairman)*	4/4
Mr. Wong Chi Keung	4/4
Dr. Feng Ke	4/4

During FY2020, the Audit Committee held four meetings with the external auditor to discuss the general scope of their audit work and the audit findings. The Audit Committee also reviewed the Group's annual audited results for FY2019 and unaudited interim results for the six months ended 30 June 2020, and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made, and submitted them to the Board for approval. In addition, the Audit Committee also made a review of the effectiveness of the financial reporting, internal audit function, and risk management and internal control systems of the Group.

B. Remuneration Committee

The Company established the Remuneration Committee in September 2005 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties. The Remuneration Committee has adopted the approach under Code Provision B.1.2(c)(ii) of the CG Code and made recommendations to the Board on the Group's overall policy and structure of the remuneration of Directors and senior management.

During FY2020 and as at the date of this annual report, the Remuneration Committee comprised an executive Director, Mr. Huang Jiajue and two independent non-executive Directors, namely Mr. Wong Chi Keung and Mr. Leung Wo Ping *JP*. Mr. Wong Chi Keung was the chairman of the Remuneration Committee during FY2020 and as at the date of this annual report.

The major roles and functions of the Remuneration Committee are as follows:

(1) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(2) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(3) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payment (including any compensation payable for loss or termination of their office or appointment);

(4) to make recommendations to the Board on the remuneration of the non-executive Directors;

(5) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(6) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and otherwise fair and not excessive;

(7) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and otherwise reasonable and appropriate; and

(8) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held two meetings during FY2020. Individual attendance of each committee member is set out below:

	Attended/ Eligible to attend
Executive Director	
Mr. Huang Jiajue	2/2
Independent non-executive Directors	
Mr. Wong Chi Keung *(Chairman)*	2/2
Mr. Leung Wo Ping *JP*	2/2

The following is a summary of work performed by the Remuneration Committee during FY2020:

(a) reviewing and recommending the policy and structure of the remuneration of the Directors and senior officers of the Group to the Board;

(b) assessing individual performance of the Directors and senior officers of the Group; and

(c) reviewing specific remuneration packages of the Directors and senior officers of the Group with reference to the Board's corporate goals and objectives as well as individual performances.

The remuneration of the executive Directors, who are regarded as the senior management of the Group, by band for FY2020 is set out below:

HK$0 to HK$2,000,000	2
HK$2,000,001 to HK$4,000,000	2
Over HK$4,000,001	2
	6

The remuneration of the Directors is determined by reference to their qualifications, experience, duties and responsibilities, the Group's remuneration policy and the prevailing market trends. Neither the Chief Executive Officer nor any of the Directors waived or agreed to waive any emoluments during FY2020.

C. Nomination Committee

The Company established the Nomination Committee in September 2005 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties.

During FY2020 and as at the date of this annual report, the Nomination Committee comprised an executive Director, Mr. Huang Jiajue and two independent non-executive Directors, namely Mr. Leung Wo Ping *JP* and Mr. Wong Chi Keung. Mr. Wong Chi Keung was the chairman of the Nomination Committee during FY2020 and as at the date of this annual report.

The major roles and functions of the Nomination Committee are as follows:

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

(2) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship;

(3) to assess the independence of the independent non-executive Directors; and

(4) 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.

The Nomination Committee selects and recommends candidates for directorship based on certain criteria and procedures. The major criteria include (i) the candidates' professional background, especially their experience in the industry in which the Group operates; (ii) their financial management experience and track record with other companies engaged in similar business as the Group's; and (iii) the recommendations from the management team and other knowledgeable individuals. The Nomination Committee will shortlist the candidates and then submit them to the Board for final approval.

The Nomination Committee held one meeting during FY2020. Individual attendance of each committee member is set out as below:

	Attended/ Eligible to attend
Executive Director	
Mr. Huang Jiajue	1/1
Independent non-executive Directors	
Mr. Wong Chi Keung *(Chairman)*	1/1
Mr. Leung Wo Ping *JP*	1/1

During the meeting held in FY2020, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors coupling with the relevant requirements under the Listing Rules, and the suitability of the Directors who were subject to re-election at the AGM.

INTERNAL CONTROL

Risk Management and Internal Control

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the assets of the Group and interests of the Shareholders. The Board is clearly aware of the key role played by the Group's risk management and internal control systems in the Group's risk management and compliance with the laws and regulations on an on-going basis. The Group is aware of the responsibilities of the Board and the management over risk management and internal control systems:

- **The Board** is responsible for evaluating and determining the nature and extent of the risks the Group is willing to take in achieving its strategic business objectives, ensuring the Group establishes and maintains appropriate and effective risk management and internal control systems, and overseeing the management's design, implementation and monitoring of risk management and internal control systems on an ongoing basis.

- **The management** is responsible for the design, implementation and monitoring of the risk management and internal control systems and confirming to the Board whether or not the risk management and internal control systems are effective.

Such risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or losses.

The Audit Committee continuously reviews the Group's risk management and internal control systems. The Board also reviews the effectiveness of the Group's risk and management and internal control systems on annual basis. Based on its review, the Audit Committee will provide advice to the Board as to the adequacy of the Group's risk management and internal control systems.

RISK MANAGEMENT

The Group has established a basic risk management structure in 2016 to specify the risk management process, and consciously enhanced the Group's risk management culture internally. The Group strives to optimise its risk management structure, standardise its risk management process, and adopt qualitative and quantitative risk management methodologies to identify, evaluate and mitigate risks, so as to promote its sustainable and healthy business growth by keeping its risks under control.

Construction of Risk Management System

- **Construction and update of basic risk management structure:** the Group has established an organisational structure and functions for risk management practices covering different levels, including decision-making level (the Board and the Audit Committee), leadership level (the Group's management) and implementation level (management of each function centre of the Group and the regional subsidiaries) over the past years. The duties and authorities of each level of decision-making, leadership and implementation are specified in writing and the Group's major risks are classified into different categories, including strategy, operation, market, finance and laws so as to create a risk database. During FY2020, the Group reviewed, updated and improved the above-mentioned basic structure based on changes in both internal and external environment. From the perspective of the Group's strategic objective and the management's risk appetite, appropriate risk assessment dimension and criteria as well as qualitative and quantitative approaches of assessment have been established. Meanwhile, approaches and criteria of assessment identified by the management together are used to assess and respond to risks likely to affect the achievement of the corporate target.

- **Establishment and regulation of risk management process:** the Group has established closed-loop procedures in respect of sustainable risk management, covering the identification, assessment, response, monitoring and reporting (see Chart 1: Major Steps of Risk Management Process), in addition to risk management procedures and tools used to support the implementation of such procedures. The Board analyses and prioritises risks identified to determine key risks exposed to the Group and discusses how to manage such key risks. Besides, existing risk mitigation measures are identified and recorded against each significant risk, with improvement suggestions being made based on the management's risk appetite. During FY2020, the Group reviewed, adjusted and improved the risk management process to improve the efficiency and standardisation of its operations.

(Chart 1: Major Steps of Risk Management Process)

Risk Assessment Performed by the Group in FY2020

On the basis of the above construction of risk management systems at the group level, the management of the Group continued to strengthen its risk management with the assistance from an external consultant during FY2020, and updated and assessed the top 10 risks of the Group in FY2020.

- **Updating and assessing the top 10 risks of the Group:** in view of the external market environment, changes in the internal business environment, the business operation and risk appetite of the Group, the management of the Group updated the risk assessment standards and risk database during FY2020. Meanwhile, it reviewed the change in nature and degree of significant risks exposed to the Group by using a systematic approach of assessment, reassessed the top ten risks exposed to the Group and studied the tendency of such change as compared with that of FY2019. The current governance and control measures were reviewed to determine the department responsible for control of the relevant risks as well as the corresponding response measures and improvement plans. Results of the assessment and implementation of the governance and control measures were reported to the Audit Committee, which, on behalf of the Board, reviewed and assessed the change in nature and degree of the significant risks and considered that the risk management systems were effective and adequate upon review of such systems.

In the years to follow, the management of the Group will continue to strengthen the risk management systems through various measures, including on-going risk management training, regular risk alert and risk management reporting, and will perform review and assessment of the responses to significant risks at least annually and report the results to the Audit Committee.

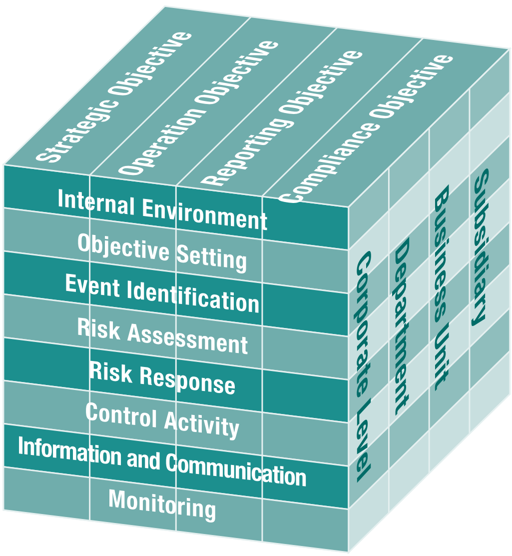
Internal Audit

The Company has established an internal audit function as an independent third line of defence, which is responsible for assisting the Audit Committee in making analysis and independent assessment of the adequacy and effectiveness of the Group's risk management and internal control systems. The Board has reviewed the resources and staff qualifications and experiences of the internal audit function, and considered that the budget and the training received by the internal audit staff were adequate during FY2020.

Internal Control

Construction of Internal Control Management Framework

The Company has established its own internal control framework by reference to the internal control management framework from the COSO (Committee of Sponsoring Organisations of the Treadway Commission) (see Chart 2: Internal Control Management Framework from the COSO). The Group's risk management system consists of five elements, i.e. control environment, risk assessment, control activity, information and communication, and monitoring activity, which are related to, interacting with and relying on each other, and collectively safeguard the performance of the Group's internal control function. An established organisational structure is included in such control systems, clearly defining the power and obligations of each department, in order to protect the Group's assets against improper use, maintain appropriate accounts and ensure compliance with rules and regulations. The scope of review covers significant controls, including controls over operations and risk management. Annual review of the effectiveness of the risk management and internal control systems has been performed with reference to the COSO framework.



(Chart 2: Internal Control Management Framework from the COSO)

Review of Internal Control Performed by the Group in FY2020

On the basis of the above internal control management framework of the Group, the management of the Group engaged an external consultant to support the internal control review in FY2020 to ensure that the operation and management of the Company and its subsidiaries were in compliance with laws and regulations as well as regulatory requirements. Based on the changes in risk conditions and control environment, the management of the Group selected key business processes for review, assessed the adequacy and effectiveness of existing control activities, determined major risks and existing control defects, and identified the key departments responsible for control defects and the following response measures and improvement plans. The results of assessment were reported to the Audit Committee.

Review of Risk Management and Internal Control Systems

The Board has, through the Audit Committee, performed an overall review of the effectiveness of the Group's risk management and internal control systems for FY2020, considering changes in the nature and degree of significant risks exposed to the Group, as well as the Group's capability of responding to changes in its business and external environment. The management has continued monitoring the scope and quality of the risk and internal control systems and the work performed by the internal audit function, and has prepared the reports provided to the Audit Committee. The Board considered the Group complied with the provisions relating to internal control set out in the CG Code and the risk management and internal control systems were effective and adequate during FY2020.

INSIDE INFORMATION

The Company takes every precaution in its handling of inside information. The Company regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding inside information. Also, the Company keeps the Directors, management and employees abreast of the latest regulatory updates. Employees who are privy or have access to inside information have also been notified to observe the restrictions regarding the handling and dissemination of inside information from time to time. The Board is generally responsible for ensuring that the Company complies with its disclosure obligations regarding inside information. Inside information should be disclosed by way of an announcement in accordance with the requirements of the SFO and the Listing Rules. Before relevant information is fully disclosed to the public, the Board will ensure that such information is kept strictly confidential.

CORPORATE GOVERNANCE FUNCTIONS

The Company is committed to enhancing its corporate governance practices relevant to the model and growth of its business. In order to achieve a right balance between governance and performance, the Board is responsible for introducing and proposing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company. The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the CG Code and has established the following corporate governance duties to serve this purpose:

(1) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(2) to review and monitor the training and continuous professional development of the Directors and management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(5) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

There was no meeting held by the Board in respect of its corporate governance functions during FY2020. However, the Company has from time to time provided updated information to the Directors and management on the relevant rules and regulations relating to corporate governance, ensuring that they have a proper understanding of the latest development of the best corporate governance practice.

AUDITOR'S REMUNERATION

For FY2020, the remuneration paid/payable to the Company's auditor, Ernst & Young, for their audit and non-audit services provided, is set out as follows:

Nature of services	**Fee paid/payable** HK$'000
Audit services	4,500
Non-audit services	
— Acting as a reporting accountant for a corporate exercise	1,400
— Professional services in relation to proposed disposals	1,250
— Agreed-upon procedures	780
— Internal control services	450
Total	8,380

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility of preparing the financial statements for FY2020, which were prepared in accordance with statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgement and estimates made are prudent and reasonable.

In respect of Code Provision C.1.3 of the CG Code, the Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the external auditor on the consolidated financial statements are set out in the "Independent Auditor's Report" on pages 120 to 126 of this annual report.

SHAREHOLDERS' RIGHTS

(1) Dividend policy

The Company has adopted a dividend policy during 2018.

The Company does not have any pre-determined dividend pay-out ratio. The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Bye-laws, all applicable laws and regulations and the following factors:

1. financial results;
2. cash flow situation;
3. business conditions and earnings;
4. capital requirements and expenditure plans;
5. interests of Shareholders;
6. any restrictions on payment of dividends; and
7. any other factors that the Board may consider relevant.

The dividend policy of the Company will be reviewed by the Board as appropriate from time to time.

The Company treats all Shareholders equally and ensures that Shareholders' rights are protected and every convenience is provided to the Shareholders for them to exercise their rights in ways that they are entitled to. The memorandum of association of the Company ("Memorandum of Association") and the Bye-Laws set out the rights of the Shareholders.

(2) Rights and procedures for Shareholders to convene a special general meeting ("SGM")

Pursuant to Bye-Law No. 58 of the Bye-Laws, Shareholders holding not less than one-tenth of the paid-up capital of the Company and carrying the right of voting at general meetings may request the Company to convene a SGM by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition. The requisition must be signed by the requisitionists and deposited at the Company Secretary at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Before convening the SGM, the request will be verified with the Company's share registrar in Bermuda or the Hong Kong branch share registrar with their confirmation that the request is proper and in order.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, i.e. Shareholders holding not less than one-twentieth of the paid-up capital of the Company, may themselves convene a meeting in accordance with the requirements and procedures set out in Sections 74(3) and 74(4) of the Bermuda Companies Act 1981 (as amended), but any meeting so convened shall not be held after the expiration of three months from the said date.

(3) Rights and procedures for Shareholders to make proposals at general meetings

(i) Rights and procedures for proposing a person for election as a Director at a general meeting are as follows:

Pursuant to Bye-Law No. 88 of the Bye-Laws, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected including that person's biographical details as required by Rule 13.51(2) of the Listing Rules, shall have been lodged at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong, or at the Hong Kong branch share registrar provided that the minimum length of the period, during which such notice is given, shall be at least 7 days before the date of the general meeting.

If the notice is submitted after the dispatch of the notice of the general meeting appointed for such election, the period for lodgement of such notice shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

If the notice is received less than 10 business days prior to the date of such general meeting, the Company will need to consider the adjournment of such general meeting in order to allow Shareholders 14 days' notice (the notice period must include 10 business days) of the proposal.

The procedures for Shareholders to propose a person for election as a Director is posted on the Company's website (www.zhuguang.com.hk).

(ii) Rights and procedures for proposing resolution to be put forward at a general meeting are as follows:

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981 (as amended), (i) shareholders holding not less than one-twentieth of the total voting rights; or (ii) not less than 100 shareholders, are entitled to request the company to give shareholders notice of a resolution which is intended to be moved at the next annual general meeting or special general meeting. If any Shareholders wish to propose a resolution to be put forward at a general meeting of the Company, a written notice to that effect signed by the requisitionists with contact information must be deposited at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong (addressed to the Company Secretary). The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such a proposal and any material interest of the proposing Shareholder in such a proposal. The request will be verified with the Company's share registrar in Bermuda or the Hong Kong branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at the AGM or the SGM varies according to the nature of the proposal, the details of which are as follows:

- At least 14 days' notice (the notice period must include 10 business days) in writing if the proposal constitutes an ordinary resolution of the Company in SGM.

- At least 21 days' notice (the notice period must include 20 business days) in writing if the proposal constitutes an ordinary resolution of the Company in AGM or a special resolution of the Company in AGM or SGM.

In the event of failure in serving the notice to the Company by the requisitionist within reasonable time, the Company reserves the right to claim from the requisitionist any expenses incurred by the Company in serving the notice of the resolution and circulating the statement given by that requisitionist to all Shareholders in accordance with the requirements under the Listing Rules (unless the Company otherwise resolves).

The rights and procedures for proposing resolution to be put forward by Shareholders at a general meeting is posted on the Company's website (www.zhuguang.com.hk).

(4) Procedures to send enquiries to the Board

Any enquiry is welcome to be presented to the Board by the Shareholders and any proposal relating to the business, strategy and management of the Company is welcome to be presented at general meeting for review and discussion. Such enquiry or proposal can be submitted in writing with contact information and deposited at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong (addressed to the Company Secretary).

COMPANY SECRETARY

Pursuant to the requirements of Rule 3.29 of the Listing Rules, the Company Secretary, Mr. Choi Kwok Keung Sanvic confirmed that he had taken no less than 15 hours of relevant professional training during FY2020.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS

During FY2020, the Company has not made any changes to its Memorandum of Association or Bye-Laws. An up-to-date version of the Memorandum of Association and the Bye-Laws is available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.zhuguang.com.hk).

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with the Shareholders. Information in relation to the Company is disseminated to the Shareholders in a timely manner through a number of formal channels, which include the interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the website of the Company (www.zhuguang.com.hk).

The AGM provides a useful platform for the Shareholders to exchange views with the Board. The Chairman and the chairman of each committee of the Board are available at the AGM to answer questions from the Shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also available at the AGM to assist the Directors in addressing any relevant queries from the Shareholders. To ensure the Board is maintaining an ongoing dialogue with the Shareholders, the Shareholders are encouraged to attend the AGM or other general meetings of the Company. The AGM notice is sent to the Shareholders at least 20 clear business days before the AGM. The notice is also published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.zhuguang.com.hk). Separate resolutions are proposed at the general meetings on each substantially separate issue. A Shareholder is permitted to appoint any number of proxies to attend and vote on his behalf. All resolutions put forward at shareholders' meetings of the Company will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and of the Company immediately after the relevant general meetings.

To ensure effective communication with the Shareholders, the Company highly values any opinion from the Shareholders. Comments and suggestions are welcome and can be addressed to the Company by mail to the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

DIRECTORS' REPORT

The Directors herein submit their report together with the audited consolidated financial statements of the Group for FY2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 1.1 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Companies Ordinance, including an analysis on the Group's financial key performance indicators, an indication of the likely future developments in the Group's business, employment policy of the Group and important events of the Company occurring after the end of FY2020, can be found in the "Chairman's Statement" and the "Management Discussion and Analysis" set out on pages 5 to 26 of this annual report. These discussions form part of this "Directors' Report".

The financial risk management objectives and policies of the Group are shown in note 46 to the consolidated financial statements.

An analysis of the Group's performance during FY2020 using key financial performance indicators is set out in the Five-Year Financial Summary on page 234 of this annual report.

The Group is committed to building a better environment by adopting an environmentally-friendly approach in its business operations. The Group is also committed to complying with all applicable environmental laws and regulations in conducting its business. The Group aims to reduce emissions and use of resources in its operation through the following measures:

- Enhance the efficiency of the resources used in the Group's business operations;
- Adopt the use of energy-efficient equipment across the Group's properties and offices;
- Encourage employees to minimise their daily use of resources, such as electricity;
- Encourage contractors and/or service providers to adopt environmentally-friendly practices in their design, services and products; and
- Undertake property development projects which are conducive to environmental protection and to obtain environmental certification on such projects.

During FY2020, the Group has made improvements in energy saving and emission reduction by adopting measures, which included regularly upgrading and maintaining air-conditioning systems and equipment, and using recycled papers.

Further information about the Company's environmental policies and performance can be found in the ESG Report on pages 27 to 73 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. The Group's subsidiaries were incorporated in the British Virgin Islands, Hong Kong and the PRC. The Group's operations are mainly carried out by the Group's subsidiaries in the PRC while the Group also has a corporate and administrative office in Hong Kong.

The Group's principal business activity is property development in the PRC which is a highly regulated industry. Property developers in the PRC must abide by various laws and regulations in the country, including rules stipulated by the national and local governments. To engage in property development, the Group must apply to the relevant government authorities to obtain and renew various licenses, permits, certificates and approvals, including but not limited to, land use rights certificates, qualification certificates for property developers, construction work commencement permits, construction work planning permits, construction land planning permits and pre-sales permits. Before the government authorities issue or renew any such certificate or permit, the Group must meet the relevant requirements. Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to the Group's operations and business, which include laws and regulations relating to:

- Establishment and qualification of real estate development, including the City Real Estate Management Regulation*《城市房地產管理法》, the PRC City Planning Regulation*《中華人民共和國城鄉規劃法》, the PRC Construction Regulation*《中華人民共和國建築法》and the City Real Estate Development Operation Management Rules*《城市房地產開發經營管理條例》; and

- Sale of commodity properties, including the City Commodity Properties Pre-Sale Management Regulation*《城市商品房預售管理辦法》.

If there is any non-compliance with the above rules and regulations, it will affect the Group's operations, development and financial performance. During FY2020, the Group complied with all the relevant laws and regulations in Bermuda, the British Virgin Islands, the PRC and Hong Kong that have a significant impact on the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, the summary of which is as follows:

Fierce industry competition

The fierce competition among property developers in China may lead to the increase in acquisition costs of land and construction costs in prime locations in China, oversupply of properties, decrease in price of the properties and slower approval and review of new property development projects by the relevant government authorities as well as the increase in the costs of human resources, all of which have an adverse impact on the business operations and profit of the Group.

Fluctuation of exchange rates

As the focus of the Group's operations is in China, most revenue and expenses of the Group are denominated in RMB. The exchange rates of the RMB against the US$ and other foreign currencies may fluctuate and may be affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions. Fluctuations in the exchange rates will affect the results of operations of the Group. As the 2019 Senior Notes are denominated in US$, the depreciation of RMB, if any, will further increase the finance costs of the Group.

** English name is translated for identification purpose only*

Fluctuation of interest rates

Interest-bearing debts are one of the primary financing sources for the Group to fund its operations. Part of the Group's loans are RMB-denominated and obtained from banks in the PRC, and carry floating interest rates. Thus, any adjustments in the interest rates made by the People's Bank of China will affect the finance costs of the Group.

External contractors and suppliers

In the event that the performance of the external contractors and suppliers entrusted by the Group falls short of the standards of the Group, or they encounter financial, operational or managerial difficulties, there may be disruption to the construction progress of the Group's property developments, and the Group may need to incur additional costs and may be potentially liable for compensation payable to the customers for delay in completion of property development and delivery of the properties.

Government policies and regulations

The real estate market in the PRC is highly subject to government policies and regulations. In order to curb the rapid rise in housing price and control speculative demand, the PRC Government has imposed a series of strict restrictions, including house purchase restrictions (限購), tighter down-payment requirements (限貸), and limiting the selling price of properties (限價). Further, a series of regulations and policies have been issued by the PRC Government to generally control the growth of the property market, including those relating to idle land, house loans to buyers, financing to property developers, etc.. It is uncertain whether the PRC Government will relax or enhance the existing restrictive measures, or will introduce new restrictive measures in the future. The existing and any future restrictive measures may limit the Group's access to capital, reduce market demand for its products and increase the finance costs.

SEGMENT INFORMATION

An analysis of the performance of the Group by reportable segments is set out in note 4 to the consolidated financial statements.

DIVIDENDS

The Directors recommended the payment of a final dividend of HK1 cent (FY2019: Nil) per Share ("Final Dividend") and a special dividend of HK9 cents (FY2019: Nil) per Share ("Special Dividend") for FY2020, which are both subject to the approval of the Shareholders at the forthcoming AGM to be held on 11 June 2021.

Subject to the approval of the Shareholders at the AGM, it is expected that the Final Dividend and the Special Dividend will be paid on or around 27 August 2021, to the Shareholders whose names appear in the register of members of the Company on 18 June 2021.

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 234.

RESULTS AND APPROPRIATIONS

The results of the Group for FY2020 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 127 and 128, respectively.

RESERVES

Movements in reserves of the Group during FY2020 are set out in the consolidated statement of changes in equity on page 131.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company's reserves available for distribution, computed in accordance with the Companies Act 1981 of Bermuda (as amended) were approximately HK$2,075,287,000 (31 December 2019: Nil). However, the Company's share premium account in the amount of approximately HK$5,564,286,000 (31 December 2019: HK$5,564,286,000) may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During FY2020, the Group made charitable contributions totalling approximately HK$10,235,000.

PROPERTY AND EQUIPMENT

Movements in property and equipment of the Group during FY2020 are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Movements in investment properties of the Group during FY2020 are set out in note 14 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is in force as at the date of this annual report and was in force throughout FY2020.

INVENTORIES

As at 31 December 2020, inventories consisted of properties under development and completed properties held for sale. Details of inventories of the Group during FY2020 are set out in notes 20 and 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during FY2020 are set out in note 34 to the consolidated financial statements.

BORROWINGS

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

INTEREST CAPITALISED

Interest capitalised by the Group during FY2020 amounted to approximately HK$420,051,000 (FY2019: HK$316,382,000), details of which are set out in note 6 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEME

The Group contributes to defined contribution retirement schemes which are available to all its employees. With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules of the scheme. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the schemes. During FY2020, total contribution of approximately HK$8,429,000 (FY2019: HK$6,853,000) was made by the Group in respect of the above-mentioned schemes, which are both defined contribution schemes. No forfeited contribution under these schemes is available to reduce the contribution payable in future years.

EQUITY-LINKED AGREEMENT

2019 Senior Notes and 2019 Warrants

The conditional note purchase agreement ("2019 Note Purchase Agreement") dated 22 September 2019 was entered into among (a) the Company as the issuer; (b) Rong De as the controlling shareholder of the Company, which is owned as to 34.06% by Mr. Chu Hing Tsung, as to 36.00% by Mr. Liao Tengjia and as to 29.94% by Mr. Chu Muk Chi; (c) Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi (collectively as the "Ultimate Shareholders") as personal guarantors; and (d) Blooming Rose Enterprises Corp. ("Blooming Rose"), Heroic Day Limited ("Heroic Day"), CCB International Overseas Limited ("CCB") and China Cinda (HK) Asset Management Co., Limited ("Cinda", together with Blooming Rose, Heroic Day and CCB, collectively as "Investors") as investors, pursuant to which (aa) the Company shall conditionally issue to the Investors the senior secured guaranteed notes at the interest rate of 11% per annum ("2019 Senior Notes") of an aggregate principal amount of US$410,000,000 (equivalent to approximately HK$3,198,000,000); and (bb) in consideration of the agreement to subscribe for the 2019 Senior Notes by the Investors and entering into other transactions contemplated under the relevant transaction documents, the Company shall issue warrants ("2019 Warrants") to the Investors pursuant to a warrant instrument dated 27 November 2019 executed by the Company, representing an aggregate amount of the exercise moneys of US$61,500,000 (equivalent to approximately HK$479,700,000), under the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 21 November 2019, further details of which are set out in the announcements of the Company dated 22 September 2019 and 21 November 2019, and the circular of the Company dated 5 November 2019.

Pursuant to the 2019 Note Purchase Agreement, Rong De was required to create a charge ("2019 Share Charge") over 3,361,112,000 Shares that it held in the Company in favour of The Bank of New York Mellon, Hong Kong Branch ("BNY HK") and each of the Ultimate Shareholders has entered into a personal guarantee (collectively, the "2019 Guarantees") in favour of BNY HK in relation to the 2019 Senior Notes. The 2019 Share Charge, which subsisted during FY2020 and as at the date of this annual report, is discloseable pursuant to Rule 13.17 of the Listing Rules. The 2019 Guarantees subsisted during FY2020 and as at the date of this annual report.

The conditions of the 2019 Senior Notes, which subsisted during FY2020 and as at the date of this annual report, also contain certain conditions imposing specific performance obligations on Rong De (the controlling Shareholder) and the Ultimate Shareholders, which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

It is an event of default under the conditions of the 2019 Senior Notes, if amongst others:

(i) Rong De ceases to beneficially own at least 3,670,000,000 Shares;

(ii) Rong De ceases to (a) control the Company, or (b) beneficially own at least 51% of the total issued share capital of the Company on a fully-diluted basis;

(iii) the Ultimate Shareholders cease to (a) control the Company, or (b) effectively and beneficially own in aggregate at least 51% of the total issued share capital of the Company on a fully-diluted basis;

(iv) the Ultimate Shareholders cease to (a) control Rong De, or (b) legally and beneficially own in aggregate at least 76.03% of the total issued share capital of Rong De on a fully-diluted basis; and

(v) any of the Ultimate Shareholders ceases to be a Director.

Upon the occurrence of an event of default, the 2019 Senior Notes shall become immediately due and repayable in accordance with the conditions of the 2019 Senior Notes.

The 2019 Senior Notes constituted direct, unconditional, secured, guaranteed, unsubordinated and general obligations of the Company and ranked equally and without any preference amongst themselves, and the payment obligations of the Company under the 2019 Senior Notes would (subject to any obligations preferred by mandatory provision of applicable laws and regulations) rank at least pari passu with all other present and future direct, unconditional, unsecured, unsubordinated and general obligations issued, created or assumed by the Company. On 22 September 2019, the Company issued the 2019 Senior Notes in the aggregate principal amount of US$410,000,000 (equivalent to approximately HK$3,198,000,000) due on 21 September 2022.

During FY2020, the Company redeemed an aggregate principal amount of US$82,000,000 (equivalent to approximately HK$639,600,000) of the 2019 Senior Notes. As at 31 December 2020, an aggregate principal amount of US$328,000,000 (equivalent to approximately HK$2,558,400,000) of the 2019 Senior Notes remained outstanding.

On 27 November 2019, the 2019 Warrants representing aggregate exercise moneys of US$61,500,000 were issued to the Investors.

If the subscription rights attached to the 2019 Warrants are exercised in full at the initial strike price of HK$1.6148, the 2019 Warrants will entitle the holders thereof ("2019 Warrantholders") to subscribe for up to 297,064,651 Shares ("Warrant Shares", each a "Warrant Share") (of an aggregate nominal value of HK$29,706,465.1). The initial strike price of HK$1.6148 per Warrant Share represents a premium of approximately 46.8% over the closing price per Share of HK$1.1 as quoted on the Stock Exchange on 20 September 2019, being the last trading day immediately before the entering into of the 2019 Note Purchase Agreement. The Warrant Shares to be allotted and issued upon the exercise of the subscription rights attached to the 2019 Warrants, when allotted and issued, will rank pari passu with the existing issued Shares as at the date of allotment, and they will be allotted and issued pursuant to the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 21 November 2019. The subscription rights attached to the 2019 Warrants will expire on the date falling 36 months from the issue date of the 2019 Warrants. Further details of the 2019 Warrants are set out in the announcements of the Company dated 22 September 2019 and 21 November 2019, and the circular of the Company dated 5 November 2019.

The subscription money payable by a 2019 Warrantholder upon the exercise of the subscription rights, may be satisfied in the following manner at such 2019 Warrantholder's election:

(1) by setting off an amount of the exercise moneys equal to the aggregate strike price against the outstanding principal amount of any 2019 Senior Notes held by such 2019 Warrantholder ("Set-off");

(2) by payment in cash to such bank account as designated by the Company as notified in writing to the 2019 Warrantholder three business days in advance;

(3) by a combination of payment in cash and by way of Set-off as set forth in the foregoing (1) and (2); or

(4) by such other method of payment as the Company and such 2019 Warrantholder may reasonably agree.

Assuming the 2019 Warrants with an aggregate amount of exercise moneys of US$61,500,000 are issued and all exercise moneys of the subscription rights attached to the 2019 Warrants will be settled by the 2019 Warrantholders with the Company in cash, the Company will receive gross proceeds of approximately HK$479.7 million, and the net proceeds of approximately HK$478 million in this regard. The Company currently intends to use the net proceeds from the issue of the 2019 Warrants to repay the 2019 Senior Notes. Assuming the full exercise of the subscription rights attached to the 2019 Warrants, the net price to the Company of each Warrant Share, which is calculated by dividing the aggregate net proceeds from the issue of the Warrant Shares and the exercise of the subscription rights by the 2019 Warrantholders by the total number of the Warrant Shares, is approximately HK$1.6091. None of these 2019 Warrants have been exercised as at 31 December 2020.

The Board considered that the issue of the 2019 Senior Notes and the 2019 Warrants represented an opportunity to raise funds for the Company to repay the 2016 Indebtedness (as defined below).

As intended, the Company has used the entire amount of the proceeds received from the issue of the 2019 Senior Notes, to repay the principal amount of the loan (to the extent such principal amount has not been set-off or settled as contemplated under the 2019 Note Purchase Agreement) payable to the 2016 Creditors (as defined below) in relation to the 2016 Indebtedness.

For the purpose of this paragraph headed "EQUITY-LINKED AGREEMENT", the defined terms used therein shall have the following meanings:

"2016 Creditors" means all creditors who are entitled to any payment under the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants, including the 2016 Noteholders;

"2016 Indebtedness" means all outstanding indebtedness incurred by the 2016 Obligors under the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants (including the 2016 Note Indebtedness but excluding the 2016 Warrants Indebtedness) as at 22 September 2019;

"2016 Noteholders" means all registered holders of the outstanding 2016 Senior Notes as at 22 September 2019;

"2016 Note Indebtedness"	means all outstanding indebtedness incurred by the 2016 Obligors under the 2016 Senior Notes as at 22 September 2019;
"2016 Obligors"	means the parties to the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants, other than the 2016 Noteholders, BNY HK, the other 2016 Creditors and ABCI Securities Company Limited;
"2016 Senior Notes"	the senior secured guaranteed notes in the aggregate principal amount of up to US$500,000,000 due 2019 issued by the Company as constituted by the note certificates and the terms and conditions in relation thereto (as amended and supplemented from time to time), further details of which are set out in the announcements of the Company dated 3 August 2016, 23 September 2016, 11 October 2016 and 2 August 2019, and the circular of the Company dated 23 September 2016;
"2016 Warrant Instrument"	the warrant instrument dated 14 October 2016 executed by way of a deed poll by the Company in relation to the 2016 Warrants;
"2016 Warrants"	the warrants with an aggregate amount of exercise moneys of up to US$75,000,000 of the Company which entitle holders thereof to subscribe for Shares at the initial strike price of HK$1.9995 (as adjusted from time to time in accordance with the 2016 Warrant Instrument) with the current adjusted strike price of HK$1.79, as constituted by the 2016 Warrant Instrument and warrant certificates issued to all registered holders of the outstanding 2016 Warrants as at 22 September 2019, further details of which are set out in the announcements of the Company dated 3 August 2016, 22 August 2016, 23 September 2016, 11 October 2016, 14 November 2016 and 9 January 2019 and the circular of the Company dated 23 September 2016; and
"2016 Warrants Indebtedness"	all amounts payable to all registered holders of the outstanding 2016 Warrants as at 22 September 2019 under the 2016 Warrant Instrument as at 22 September 2019.

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during FY2020 or subsisted at the end of FY2020.

REDEMPTION OF 2017 SENIOR NOTES

The conditional note purchase agreement dated 30 November 2017 ("2017 Note Purchase Agreement") (as amended and supplemented by a consent letter dated 22 January 2020 entered into among the Company, Rong De, China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") and the Ultimate Shareholders) was entered into among (a) the Company as the issuer; (b) Rong De as the controlling Shareholder; (c) China Huarong Macau as first tranche investor; and (d) the Ultimate Shareholders as personal guarantors, pursuant to which the Company shall conditionally agree to issue to China Huarong Macau (as the first tranche investor) and any other person(s) (including if agreed by China Huarong Macau) being persons not connected persons of the Company who shall purchase the second tranche of the 2017 Senior Notes (as defined below) at the closing of the issue and purchase of the second tranche of the 2017 Senior Notes (as the second tranche investor), in two tranches, the senior secured guaranteed notes ("2017 Senior Notes") of an aggregate principal amount of up to US$80,000,000 (equivalent to approximately HK$624,000,000) at the interest rate of 8% per annum, further details of which are set out in the announcements of the Company dated 30 November 2017 and 22 January 2020.

Pursuant to the 2017 Note Purchase Agreement, Rong De was required to execute a share charge in favour of China Huarong Macau in respect of 100,000,000 Shares beneficially held by Rong De ("2017 Share Charge"), and each of the Ultimate Shareholders was required to enter into a personal guarantee in favour of China Huarong Macau in relation to the 2017 Senior Notes (collectively, the "2017 Guarantees").

During FY2020, the Company fully redeemed the 2017 Senior Notes after having repaid the outstanding principal amount of the 2017 Senior Notes of US$42,000,000 (equivalent to approximately HK$327,600,000) which was funded by the internal resources of the Group. The 2017 Senior Notes were cancelled after their full redemption by the Company during FY2020. As at 31 December 2020, none of the 2017 Senior Notes remained outstanding and the 2017 Share Charge and the 2017 Guarantees created to secure the payment obligations under the 2017 Senior Notes had been released.

CCBIS MARGIN LOAN

On 25 October 2018, Splendid Reach Limited ("Splendid"), a wholly-owned subsidiary of the Company, as borrower, and CCB International Securities Limited (建銀國際證券有限公司) ("CCBIS"), as lender, entered into a margin loan confirmation ("CCBIS Margin Loan Confirmation") (as amended and supplemented by an amendment and restatement deed dated 24 April 2019 entered into between Splendid and CCBIS, a second amendment and restatement deed dated 1 November 2019 entered into between Splendid and CCBIS and a third amendment and restatement deed dated 30 October 2020 entered into between Splendid and CCBIS), under which CCBIS agreed to make available to Splendid a margin loan ("CCBIS Margin Loan") over the term ("Term") commencing from (and including) the first drawdown date of the CCBIS Margin Loan ("First Drawdown Date") and maturing on 30 October 2021 (provided that if such date does not fall on a business day, then the next business day) ("Maturity Date"), in the principal amount of up to HK$750,000,000 (for the first five business days of the Term), HK$550,000,000 (from and including the sixth (6th) business day of the Term to 29 April 2019), HK$510,000,000 (from and including 30 April 2019 to 30 May 2019), HK$490,000,000 (from and including 31 May 2019 to 30 July 2019), HK$450,000,000 (from and including 31 July 2019 to 30 October 2019), HK$430,000,000 (from and including 31 October 2019 to 30 January 2020), HK$400,000,000 (from and including 31 January 2020 to 29 April 2020), HK$360,000,000 (from and including 30 April 2020 to 29 October 2020), HK$330,000,000 (from and including 30 October 2020 to 29 April 2021) and HK$290,000,000 (from and including 30 April 2021 to the Maturity Date). The interest of the CCBIS Margin Loan which is payable quarterly, shall accrue (i) from and including the First Drawdown Date to 31 March 2019 at a simple interest rate of 7.75% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (ii) from and including 1 April 2019 to 30 October 2019 at a simple interest rate of 9% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (iii) from and including 31 October 2019 up to and including 30 October 2020 at a simple interest rate of 10% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; and (iv) from and including 31 October 2020 up to and including the date of full principal repayment at a simple interest rate of 3-month HIBOR + 9% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan. Further details of the CCBIS Margin Loan are set out in the announcements of the Company dated 25 October 2018, 1 November 2019 and 30 October 2020. As at 31 December 2020, the amount of HK$330,000,000 was outstanding under the CCBIS Margin Loan.

Pursuant to the CCBIS Margin Loan Confirmation, (a) Rong De (the controlling Shareholder, which is owned as to 34.06% by Mr. Chu Hing Tsung, as to 36.00% by Mr. Liao Tengjia and as to 29.94% by Mr. Chu Muk Chi) was required to enter into a charge dated 25 October 2018 ("SL Rong De Charge"), in favour of CCBIS, over a margin securities trading account opened by Rong De with CCBIS ("SL Rong De Account"), into which Rong De shall deposit, among other assets, no less than 100,000,000 Shares held by Rong De before the First Drawdown Date ("SL Rong De Charged Shares First Batch") and no less than 150,000,000 Shares held by Rong De on or before the 60th day of the Term ("SL Rong De Charged Shares Second Batch", together with the SL Rong De Charged Shares First Batch, collectively as the "Aggregate SL Rong De Charged Shares"); and (b) the Company, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi were required to enter into a continuing guarantee dated 25 October 2018 ("CCBIS Continuing Guarantee"), in favour of CCBIS, to guarantee the settlement of all liabilities and obligations of Splendid under the CCBIS Margin Loan. The SL Rong De Charge, which subsisted during FY2020 and as at the date of this annual report, is disclosable pursuant to Rule 13.17 of the Listing Rules. As at 31 December 2020, out of the Shares deposited by Rong De into the SL Rong De Account, 445,000,000 Shares were in relation to the CCBIS Margin Loan. The CCBIS Continuing Guarantee subsisted during FY2020 and as at the date of this annual report.

The conditions of the CCBIS Margin Loan which subsisted during FY2020 and as at the date of this annual report, also contain certain specific performance obligations on Rong De (the controlling Shareholder), which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

Under the CCBIS Margin Loan Confirmation, Splendid shall procure Rong De to:

(i) deposit the SL Rong De Charged Shares First Batch into the SL Rong De Account prior to the First Drawdown Date;

(ii) deliver the SL Rong De Charge prior to the First Drawdown Date;

(iii) deposit the SL Rong De Charged Shares Second Batch into the SL Rong De Account on or before the 60th day of the Term;

(iv) maintain its deposit of the Aggregate SL Rong De Charged Shares in the SL Rong De Account, and shall procure Rong De not to charge, mortgage, pledge, or otherwise permit any encumbrance to be created over the Aggregate SL Rong De Charged Shares (other than the encumbrance created pursuant to the SL Rong De Charge or otherwise agreed by CCBIS);

(v) not to apply for registration as a non-Hong Kong company pursuant to Part 16 of the Companies Ordinance without having obtained the prior written consent of CCBIS;

(vi) in the event that Rong De has obtained the prior written consent to apply for registration as a non-Hong Kong Company as set out in (v) above, Rong De shall procure that the prescribed particular of the SL Rong De Account together with the SL Rong De Charge be delivered to the Companies Registry of Hong Kong for the registration of the SL Rong De Charge and promptly deliver the certificate of such registration of the SL Rong De Charge to CCBIS;

(vii) promptly after execution of the SL Rong De Charge, instruct its registered agent to enter particulars as required by the BVI Business Companies Act 2004 of the British Virgin Islands ("BVI Act"), as amended, of the security created pursuant to the SL Rong De Charge in the Rong De's Register of Charges ("Rong De Register of Charges");

(viii) enter particulars as required by the BVI Act of the security created pursuant to the SL Rong De Charge in the Rong De Register of Charges and, immediately after entry of such particulars have been made, provide CCBIS with a certified true copy of the updated Rong De Register of Charges;

(ix) effect registration, or assist CCBIS in effecting registration, of the SL Rong De Charge with the Registrar of Corporate Affairs pursuant to the BVI Act; and

(x) immediately on receipt, deliver or procure to be delivered to CCBIS, the certificate of registration of charge issued by the Registrar of Corporate Affairs evidencing that the requirements of Part VIII of the BVI Act as to registration have been complied with and the filed stamped copy of the application containing the relevant particulars of charge.

A breach of any of the above acts by Rong De shall constitute an event of default, which shall cause the CCBIS Margin Loan to become immediately due and repayable in accordance with the conditions of the CCBIS Margin Loan.

MAJOR CUSTOMERS AND SUPPLIERS

For FY2020, the Group's revenue attributable to the Group's largest and five largest customers was approximately 32% and 63%, respectively. For FY2020, purchases from the Group's five largest suppliers accounted for less than 30% of total purchases of the Group.

Save as disclosed in note 43 to the consolidated financial statements, none of the Directors and their close associates or any Shareholder (who, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had interest in the above customers and suppliers at any time during FY2020.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment for its employees and emphasises the personal development of its employees. The Group organises various social and recreational activities, including annual dinner and birthday parties, to strengthen the bonding among its employees and promote their sense of belonging. During FY2020, there was no material non-compliance with relevant laws and regulations that had a significant impact on the Group relating to the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare with respect to its employees.

The Group understands that it is important to maintain good relationships with its customers and provide its products in a way that satisfies the needs and requirements of its customers. The Group enhances its customer relationships by continuous interaction with its customers to gain an insight on the changing market demand so that the Group can respond proactively. The Group has also established procedures for handling customers' complaints to ensure complaints from customers are dealt with in a prompt and timely manner. Because of its business nature, the Group does not rely on any major customers and no credit terms are granted to them.

The Group is also dedicated to developing good relationships with its suppliers and contractors as long-term business partners to ensure stability of its business. The Group reinforces business partnerships with its suppliers and contractors by ongoing communication with them in a proactive and effective manner so as to ensure the quality and timely delivery of their products and services.

DIRECTORS

During FY2020 and as at the date of this annual report, the Board comprised six executive Directors, namely Mr. Chu Hing Tsung, who was also the Chairman, Mr. Liu Jie, who was also the Chief Executive Director, Mr. Liao Tengjia, who was also a Deputy Chairman, Mr. Huang Jiajue, who was also a Deputy Chairman, Mr. Chu Muk Chi and Ms. Ye Lixia, and three independent non-executive Directors, namely Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke.

Mr. Chu Hing Tsung, Mr. Huang Jiajue and Mr. Wong Chi Keung will retire from office by rotation at the forthcoming annual general meeting in accordance with Bye-Law No. 87 of the Bye-Laws and, being eligible, will offer themselves for re-election.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there were changes in the information required to be disclosed in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in the course of the Directors' term of office.

Dr. Feng Ke, an independent non-executive Director, ceased to act as an independent director of Shenzhen Success Electronics Co., Ltd.* (深圳市宇順電子股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002289) with effect from 15 October 2020.

Mr. Wong Chi Keung, an independent non-executive Director, has been appointed as an independent non-executive director of Asia Standard Hotel Group Limited (a company the shares of which are listed on the Main Board of the Stock Exchange with stock code: 0292) with effect from 15 January 2021.

Save as aforesaid, the Company has not been advised by the Directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to the Shareholders.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or subsisted during FY2020.

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DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a letter of appointment with no fixed term of service with the Company. Such letter of appointment can be terminated by either party giving three months' written notice.

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

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and those of the five highest paid individuals of the Group for FY2020 are set out in notes 8 and 9 to the consolidated financial statements respectively.

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

(a) As at 31 December 2020, the interests and short positions of each Director 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 SFO) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (ii) were required, pursuant to the Code, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director/ chief executive of the Company	Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 2)
Chu Hing Tsung (alias Zhu Qing Yi)	Interest of a controlled corporation (Note 1)	4,825,791,289	67.08%
Liao Tengjia	Interest of a controlled corporation (Note 1)	4,825,791,289	67.08%
Huang Jiajue	Beneficial ownership	13,330,000	0.19%

Notes:

1. 4,825,791,289 Shares were held by Rong De, which was owned as to 34.06% by Mr. Chu Hing Tsung and as to 36.00% by Mr. Liao Tengjia. Mr. Chu Hing Tsung and Mr. Liao Tengjia were deemed to be interested in the Shares held by Rong De under the SFO. To the best knowledge of the Directors, out of the aforesaid 4,825,791,289 Shares, 445,000,000 Shares and 3,361,112,000 Shares have been pledged by Rong De to CCBIS and BNY HK respectively. Mr. Liao Tengjia is a director of Rong De.

2. The total number of the issued Shares as at 31 December 2020 (i.e. 7,194,417,247 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

Interest in shares of the Company's associated corporations

Name of Director/ chief executive of the Company	Name of the associated corporation	Capacity	Number of ordinary shares of the associated corporation	Approximate percentage of total issued share capital of the associated corporation
Chu Hing Tsung (alias Zhu Qing Yi)	Rong De	Beneficial owner	68,120	34.06%
Chu Muk Chi (alias Zhu La Yi)	Rong De	Beneficial owner	59,888	29.94%
Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%
Huang Jiajue	Silver Grant	Beneficial owner	5,690,000	0.25%

(b) Save as disclosed in this annual report, as at 31 December 2020, none of the Directors or the chief executive of the Company had any interest and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (ii) were required, pursuant to the Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

(a) On 17 December 2014, 廣州愉捷貿易有限公司 (Guangzhou Yujie Trading Company Limited*), a wholly-owned subsidiary of the Company as purchaser, conditionally entered into 50 preliminary sale and purchase agreements ("SP Agreements") with 廣州黃沙鐵路房地產開發有限公司 (Guangzhou Huangsha Railway Real Property Development Company Limited*), an independent third party, as vendor ("Vendor"), in relation to the acquisition of 50 properties ("Acquired Properties") in Guangzhou, the PRC, jointly developed by 廣州珠光投資有限公司 (Guangzhou Zhuguang Investment Company Limited*) ("GZ Investment"), a related party of the Group and an independent third party, at the consideration of RMB1,106,820,000 (equivalent to approximately HK$1,403,881,000) which shall be settled by cash ("Project"). GZ Investment is entitled to 75% of the distributable interests ("Right") under the Project and the income derived therefrom. In November 2014, Mr. Chu Hing Tsung, the Chairman and an executive Director, has acquired from GZ Investment, at the consideration of RMB760,000,000 (equivalent to approximately HK$963,978,000), part of the Right ("Acquired Right"), pursuant to which he is entitled to request the Vendor to transfer three of the buildings ("Phase I Buildings") in relation to phase I of the Project to him, or alternatively he is entitled to the sale proceeds of the Phase I Buildings if he requests the Vendor to sell the Phase I Buildings for him. The Acquired Properties are part of the underlying interest in the Acquired Right. The SP Agreements subsisted during FY2020. For details of the SP Agreements, please refer to the circular of the Company dated 5 March 2015.

(b) On 29 October 2018, the Company issued perpetual capital securities ("Perpetual Securities") in the aggregate principal of HK$800,000,000 at a distribution rate of 6% per annum to Rong De (the controlling shareholder of the Company), which is beneficially owned as to 36.00% by Mr. Liao Tengjia, 34.06% by Mr. Chu Hing Tsung and 29.94% by Mr. Chu Muk Chi, each being an executive Director. The Perpetual Securities have no fixed redemption date and are redeemable at the option of the Company at any time and from time to time, whether in whole or in part, at any time after its issue. While distribution is payable by the Company every six months, the Company may, at its sole discretion, elect to defer, in whole or in part, any distribution (including any arrears of distribution) to the next distribution payment date. The proceeds from the issue of the Perpetual Securities were used for financing the corporate funding requirement of the Group. The Perpetual Securities subsisted during FY2020.

Save as disclosed above and under the paragraphs headed "EQUITY-LINKED AGREEMENT", "CCBIS MARGIN LOAN" and "CONTINUING CONNECTED TRANSACTIONS" in this directors' report and in note 43 to the consolidated financial statements, no other transactions, arrangements and contracts of significance in which a Director or any entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of FY2020 or at any time during FY2020.

No arrangements to which the Company or any of its subsidiaries or its holding company was a party and whose objects are, or one of whose objects is, to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, subsisted at the end of FY2020 or at any time during FY2020.

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COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, during FY2020 and as at 31 December 2020, Mr. Liao Tengjia, being an executive Director, was interested as a consultant in companies that were engaged in the businesses of property development, investment and property rental in the PRC ("Competing Businesses"). As such, he was regarded as being interested in such Competing Businesses, which competed or might compete with the Group. However, as the above Director cannot control the Board, and a Director who has material interest in a subject matter to be resolved will abstain from voting in the Board meeting concerned, the interests of the above Director in the Competing Businesses will not prejudice his capacity as Director nor compromise the interests of the Group and the Shareholders.

Other than as disclosed above, none of the Directors or any of their respective associates of the Company was interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the Company's business.

SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(a) As at 31 December 2020, so far as it is known to the Directors or the chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO:

Interests of substantial Shareholder

Name of Shareholder	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of total issued share capital of the Company** (Note 9)
Rong De (Note 1)	Beneficial owner	4,825,791,289 (L)	67.08%

Interests of other persons

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 9)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 9)
CCBIS (Note 1)	Security interest	445,000,000 (L)	6.19%	–	–
Central Huijin Investment Limited ("Central Huijin") (Notes 2 and 3)	Interest of controlled corporations	–	–	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	–	–
Agricultural Bank of China Limited ("ABCL") (Note 2)	Interest of controlled corporations	–	–	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	–	–
Ministry of Finance of the People's Republic of China ("MOF") (Note 2)	Interest of controlled corporations	–	–	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	–	–
China Construction Bank Corporation ("CCB") (Note 3)	Interest of controlled corporations	–	–	19,608,938 (L)	0.27%
	Security interest	3,361,112,000 (L)	46.72%	–	–

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 9)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 9)
The Bank of New York Mellon Corporation ("BNY") (Note 4)	Interest of a controlled corporation	3,361,788,000 (L)	46.73%	–	–
China Orient Asset Management Co., Ltd. ("COAM") (Note 5)	Interest of controlled corporations	3,361,112,000 (L)	46.72%	144,909,586 (S)	2.01%
Cheung Fong Wing (Note 6)	Interest of a controlled corporation	418,500,000 (L)	5.82%	8,622,119 (L)	0.12%
	Security interest	3,361,112,000 (L)	46.72%	–	–
Quan Xing (Note 6)	Beneficial owner	418,500,000 (L)	5.82%	8,622,119 (L)	0.12%
	Security interest	3,361,112,000 (L)	46.72%	–	–
中國華融資產管理股份有限公司 ("CHAMCL") (Note 7)	Interest of controlled corporations	220,216,000 (L)	3.06%	–	–
	Security interest	1,586,000,000 (L)	22.04%	–	–
China Cinda Asset Management Co., Ltd. ("CCAM") (Note 8)	Interest of controlled corporations	3,361,112,000(L)	46.72%	86,221,203 (L)	1.20%

(L) Long position
(S) Short position

Notes:

1. The Shares comprised the 4,825,791,289 Shares beneficially owned by Rong De as stated under "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures — Long position in the Shares". To the best knowledge of the Directors, out of the aforesaid 4,825,791,289 Shares, 445,000,000 Shares and 3,361,112,000 Shares have been pledged by Rong De to CCBIS and BNY HK respectively. Mr. Liao Tengjia is a director of Rong De.

2. According to the disclosure of interest notices filed by ABCL and Heroic Day on 15 October 2019, Heroic Day held direct interest in 3,361,112,000 Shares and 50,718,355 underlying Shares. Heroic Day is a wholly-owned subsidiary of ABCI Investment Management Limited ("ABCIIM"). ABCIIM is a wholly-owned subsidiary of ABC International Holdings Limited ("ABCIH"). ABCIH is a wholly-owned subsidiary of ABCL. According to the disclosure of interest notice filed by Central Huijin on 16 October 2019 and MOF on 15 October 2019, ABCL is in turn owned as to 40.03% by Central Huijin and as to 35.29% by MOF. Accordingly, ABCIIM, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in the Shares and the underlying Shares held by Heroic Day by virtue of the provisions of the SFO.

3. According to the disclosure of interest notice filed by CCB on 27 September 2019, CCB International Overseas Limited ("CCBIO") held direct interest in 3,361,112,000 Shares and 19,608,938 underlying Shares, and is a wholly-owned subsidiary of CCB International (Holdings) Limited ("CCBIH"). CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited ("CCBFH"). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited ("CCBIG"). CCBIG is a wholly-owned subsidiary of CCB. According to the disclosure of interest notice filed by Central Huijin on 16 October 2019, CCB is owned as to 57.11% by Central Huijin. Accordingly, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in the Shares and the underlying Shares held by CCBIO by virtue of the provisions of the SFO.

4. According to the disclosure of interest notice filed by BNY on 24 September 2019, the Bank of New York Mellon held direct interest in 3,361,788,000 Shares and a lending pool of 588,000 Shares, and is wholly-owned by BNY. Accordingly, BNY is deemed to be interested in the Shares held by the Bank of New York Mellon by virtue of the provisions of the SFO.

5. According to the disclosure of interest notice filed by COAM on 28 November 2019, Blooming Rose held direct interest in 3,361,112,000 Shares and short positions in 144,909,586 underlying Shares, and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAM International"). COAM International is held as to 50% by Wise Leader Assets Ltd ("Wise Leader") and as to 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the Shares and the underlying Shares held by Blooming Rose by virtue of the provisions of the SFO.

6. According to the disclosure of interest notice filed by Quan Xing on 5 January 2021, Quan Xing, which is wholly-owned by Mr. Cheung Fong Wing, held direct interest in 3,779,612,000 Shares and 8,622,119 underlying Shares. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the Shares and the underlying Shares held by Quan Xing by virtue of the provisions of the SFO.

7. According to the disclosure of interest notice filed by CHAMCL on 13 May 2020 ("CHAMCL Notice"), Beyond Steady Limited ("Beyond Steady"), a wholly-owned subsidiary of Linewear Assets Limited ("Linewear"), held direct interest in 220,216,000 Shares. Linewear is a wholly-owned subsidiary of Huarong International Financial Holdings Limited ("Huarong International"). Huarong International is held as to 51% by Camellia Pacific Investment Holding Limited ("Camellia Pacific"), which in turn is a wholly-owned subsidiary of China Huarong International Holdings Limited ("CHIH"). CHIH is held as to 1.8% by Huarong Zhiyuan Investment & Management Co., Ltd. ("HZY"), 13.36% by 華融實業投資管理有限公司 (Huarong Industry Investment Management Co., Ltd.*) ("HIIM") and 84.84% by CHAMCL. Each of HZY and HIIM is a wholly-owned subsidiary of CHAMCL. Accordingly, Linewear, Huarong International, Camellia Pacific, CHIH, HZY, HIIM and CHAMCL are deemed to be interested in the Shares held by Beyond Steady by virtue of the provisions of the SFO. According to the CHAMCL Notice, 中國華融資產管理股份有限公司(廣東省分公司)(China Huarong Asset Management Company Limited, (Guangdong Branch)*) ("CHAMCLGDBR") held direct interest in 1,586,000,000 Shares and is a wholly-owned subsidiary of CHAMCL. Accordingly, CHAMCL is deemed to be interested in the Shares held by CHAMCLGDBR by virtue of the provisions of the SFO.

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8. According to the disclosure of interest notice filed by CCAM on 29 November 2019, Cinda held direct interest in 3,361,112,000 Shares and 86,221,203 underlying Shares, and is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited ("CCHK"), which is in turn wholly-owned by CCAM. Accordingly, CCHK and CCAM are deemed to be interested in the Shares and the underlying Shares held by Cinda by virtue of the provisions of the SFO.

9. The total number of issued Shares as at 31 December 2020 (i.e. 7,194,417,247 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

(b) Save as disclosed above, the Directors and the chief executive officer of the Company are not aware of any other persons (not being Directors or chief executive of the Company) as at 31 December 2020, who had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONTINUING CONNECTED TRANSACTIONS

On 23 January 2020, the Group entered into eight pre-delivery management agreements ("Pre-delivery Management Agreements") and eleven post-delivery management agreements ("Post-delivery Management Agreements", together with the Pre-delivery Management Agreements, collectively, the "Management Agreements") with 廣州珠光物業管理有限公司 (Guangzhou Zhuguang Property Management Company Limited*) ("Management Company") for a term from 23 January 2020 to 31 December 2022 (both dates inclusive), pursuant to which the Management Company agreed to provide various pre-delivery management services (such as advising on project planning and design, sales assistance services and property delivery services) ("Pre-delivery Management Services") and post-delivery management services (such as repair, operation and management of common facilities and equipment, public utilities and ancillary buildings, greening and landscape maintenance and collecting fees from property owners and users) ("Post-delivery Management Services") in respect of eleven property projects in the PRC ("Projects") to the Group. For the Pre-delivery Management Services provided by the Management Company, the Group shall pay fees in cash and in arrears on a monthly basis, which consist of the total costs and expenses (including human resources costs) incurred by the Management Company in rendering the Pre-delivery Management Services as agreed in advance by the Group and the Management Company, and 10% thereof. With respect to the Post-delivery Management Services provided by the Management Company, the Group shall pay fees in cash and in arrears on a monthly basis, comprising of (i) property management fees of the unsold units in the relevant Projects, ranging from RMB1.2 per sqm to RMB45 per sqm (subject to the property type) based on the GFA of the relevant unsold units and subject to adjustments (a) approved by the relevant Price Bureaus (物價局) in the PRC from time to time; and (b) mutually approved in writing by the parties to the relevant Post-delivery Management Agreements; and (ii) utilities expenses (i.e. water and electricity expenses) incurred by the unsold units in the relevant Projects, based on (a) the rates of the water and electricity expenses charged by the relevant government departments; and (b) the amounts of water and electricity used as indicated by the water and electricity meters of the unsold units in the relevant Projects.

** English name is translated for identification purpose only*

As at the date of the Management Agreements, 90% of the equity interest of the Management Company was owned by Ms. Zhu Ziyu* (朱梓瑜) ("Ms. Zhu"). Given that Ms. Zhu is (i) a daughter of Mr. Chu Hing Tsung, an executive Director, the Chairman and a 34.06% shareholder of Rong De (a controlling Shareholder); and (ii) a niece of Mr. Chu Muk Chi, an executive Director and a 29.94% shareholder of Rong De (a controlling Shareholder), Ms. Zhu is an associate of Mr. Chu Hing Tsung and a deemed connected person of Mr. Chu Muk Chi, making the Management Company a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Management Agreements ("CCTs") constituted continuing connected transactions of the Company under the Listing Rules. The CCTs are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details of the Management Agreements and the CCTs are set out in the announcement of the Company dated 23 January 2020.

The aggregate amount of the fees paid/payable by the Group to the Management Company for the Pre-delivery Management Services and the Post-delivery Management Services provided to the Group for FY2020 amounted to RMB15,779,000 (equivalent to approximately HK$17,768,000). The CCTs subsisted as at the date of this annual report.

The independent non-executive Directors have reviewed the CCTs and confirmed that the CCTs were entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged its auditor to report on the CCTs and the Company's auditor has provided a letter to the Board to confirm that, for FY2020, nothing has come to the attention of the Company's auditor that causes the Company's auditor to believe that:

(a) the CCTs have not been approved by the Board;

(b) the CCTs were not entered into, in all material respects, in accordance with the relevant agreements governing the CCTs; and

(c) the aggregate transaction amounts of the CCTs under the Management Agreements have exceeded the relevant annual caps set by the Company.

Save for the continuing connected transactions disclosed above, the execution of guarantees by certain Directors and the execution of share charges by Rong De as mentioned in the paragraphs headed "EQUITY-LINKED AGREEMENT" and "CCBIS MARGIN LOAN" in this directors' report, none of the related party transactions as set out in note 43 to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules. The Company confirms that it complied with the disclosure requirements (if any) in accordance with Chapter 14A of the Listing Rules during FY2020.

** English name is translated for identification purpose only*

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws or the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

A management discussion and analysis of the Group's annual results is shown on pages 8 to 26.

CORPORATE GOVERNANCE REPORT

A corporate governance report of the Group is shown on pages 78 to 97.

AUDIT COMMITTEE

During FY2020 and as at the date of this annual report, the Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Company's audited results for FY2020, and discussed with the management regarding audit, internal control and financial reporting matters.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules during FY2020 and up to the date of this annual report.

AUDITOR

PricewaterhouseCoopers has resigned as the auditor of the Company with effect from 23 November 2018. At the special general meeting of the Company held on 21 December 2018, Ernst & Young was appointed as the auditor of the Company.

Ernst & Young will retire, and being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of Ernst & Young as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board
Chu Hing Tsung
Chairman

Hong Kong, 30 March 2021

EY 安永

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhuguang Holdings Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 127 to 233, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

To the shareholders of Zhuguang Holdings Group Company Limited

(Incorporated in Bermuda with limited liability)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on receivables for urban redevelopment projects	
As at 31 December 2020, the Group had receivables for urban redevelopment projects with the carrying amount of approximately HK$15,022 million, representing 40.7% of the Group's total assets. The accumulated expected credit loss for the above receivables was approximately HK$521 million. Management judgements and estimates were made in assessing the recoverability of the Group's receivables for urban redevelopment projects. Considerations include, but not limited to, assessment of the creditworthiness of the counterparties, majority of which are related companies of the Group. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. Management has engaged an independent specialist to determine the calculation of expected credit losses. We identified this as a key audit matter due to the materiality of the balance of the receivables to the Group's consolidated financial statements, and there was critical judgement involved in determining the assumptions and estimates used in the impairment assessment and provision for any expected credit losses. Related disclosures are included in notes 2.4, 3 and 22 to the consolidated financial statements.	We understood and evaluated management's process in their assessment on recoverability and estimates of any expected credit losses on receivables for urban redevelopment projects by performing the following procedures: • we obtained and examined the relevant supporting documents, including but not limited to the agreements, bank remittance advices, bank statements, financial position of the counterparties and the relevant documentation of internal meetings, if applicable; • we performed background check of these counterparties and performed site visits on the urban redevelopment projects; • we reviewed the profitability analysis prepared by management for these projects to assess the recoverability of the receivables; • we evaluated the objectivity, independence and competence of the external specialist engaged by management of the Group; • we assessed the accuracy of data used as inputs for the assessment and involved our internal specialists to assess the provision for expected credit losses on the receivables; and • we assessed the adequacy of the disclosures regarding the provision for expected credit losses in the consolidated financial statements.

To the shareholders of Zhuguang Holdings Group Company Limited

(Incorporated in Bermuda with limited liability)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Fair value measurement of other receivables at fair value through profit or loss</td></tr>
<tr><td>As at 31 December 2020, the Group had other receivables of approximately HK$3,886 million (the "Other Receivables"), representing 10.5% of the Group's total assets, in respect of the funds provided for property development project in the People's Republic of China. Fair value gain of other receivables at fair value through profit or loss amounting to approximately HK$368 million was recognised in profit or loss in current year.

Pursuant to the relevant project management service agreements, the Group agreed to provide funds and management services to certain property development projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funds provided and a variable return which is determined with reference to the financial performance of the projects.

The Group has measured the Other Receivables at fair value through profit or loss under Hong Kong Financial Reporting Standard 9 Financial Instruments ("HKFRS 9"). Management has engaged an independent specialist to determine the fair value of the Other Receivables. Significant estimates were required by management in relation to the fair value measurement of the Other Receivables.

We identified this as a key audit matter due to the materiality of the balance of the Other Receivables to the Group's consolidated financial statements, and significant estimations were involved in determining the fair values of the Other Receivables.

Related disclosures are included in notes 2.4, 3 and 24 to the consolidated financial statements.</td><td>We understood and evaluated management's process in their assessment on fair value measurement of the Other Receivables by performing the following procedures:

• we discussed with management to understand the nature and background of the projects involved;

• we obtained and examined the relevant supporting documents, including but not limited to the agreements, bank remittance advices, bank statements, financial position of the counterparties and the relevant documentation for funds and services provided by the Group, if applicable;

• we examined the title documents of land and other project development documents of the underlying projects. We conducted site visits to the underlying property development projects to confirm the existence and development status of the projects;

• we obtained profitability assessment of the relevant projects and evaluated the underlying assumptions, methodologies and inputs used in the assessment;

• we evaluated the objectivity, independence and competence of the external specialist engaged by the management of the Group; and

• we assessed the accuracy of data used as inputs for the valuation and we also involved our internal valuation specialists to evaluate the valuation models, assumptions and parameters adopted in the valuation.</td></tr>
</table>

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 December 2020, the Group held investment properties with an aggregate carrying amount of approximately HK$3,774 million. The carrying amount of the investment properties represented 10.2% of the Group's total assets. Fair value loss on investment properties amounting to approximately HK$97 million was recognised in profit or loss in current year. The Group engaged an external specialist to determine the fair value of the investment properties at the end of the reporting period. We identified this as a key audit matter due to the materiality of the balance of investment properties to the Group's consolidated financial statements, and significant judgements and estimations were involved in determining the valuation models and fair value of the investment properties. Related disclosures are included in notes 2.4, 3 and 14 to the consolidated financial statements.	Our procedures in relation to assessing the fair value measurement of the investment properties include: • we evaluated the objectivity, independence and competency of the external specialist engaged by management; • we involved our internal valuation specialists to evaluate the valuation models, assumptions, methodologies and parameters adopted in the valuation, on a sample basis. Our internal valuation specialists re-performed the valuation based on the market price, market rents, term yields and reversion yields of similar properties located in the adjacent locations. We compared the valuations performed by the external specialist to the range of valuations provided by our internal valuation specialists; and • we further assessed the accuracy of the data used as inputs for the valuation.

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

To the shareholders of Zhuguang Holdings Group Company Limited

(Incorporated in Bermuda with limited liability)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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.

To the shareholders of Zhuguang Holdings Group Company Limited
(Incorporated in Bermuda with limited liability)

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

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

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

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

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 CHIU, Caroline Su Yuen.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	**6,624,798**	4,074,814
Cost of sales		**(3,400,858)**	(1,987,553)
Gross profit		**3,223,940**	2,087,261
Fair value (loss)/gain on investment properties, net	14	**(97,233)**	384,868
Other income and gains	5	**1,144,136**	435,979
Gain on disposal of a subsidiary		**2,037,683**	—
Selling and marketing expenses		**(69,901)**	(90,882)
Administrative expenses		**(391,433)**	(302,536)
Changes in fair value of financial assets at fair value through profit or loss		**367,802**	662,507
Impairment losses on financial assets, net		**(440,689)**	(200,296)
Other expenses		**(763,495)**	(272,977)
Finance costs	6	**(1,517,356)**	(1,503,924)
Share of (loss)/profit of an associate		**(134,691)**	144,797
Share of loss of a joint venture		**(21,206)**	—
PROFIT BEFORE TAX	7	**3,337,557**	1,344,797
Income tax expense	10	**(1,112,361)**	(625,300)
PROFIT FOR THE YEAR		**2,225,196**	719,497
Attributable to:			
Equity holders of the parent		**2,242,404**	747,225
Non-controlling interests		**(17,208)**	(27,728)
		2,225,196	719,497
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	12	**30.50**	9.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
PROFIT FOR THE YEAR	**2,225,196**	719,497
OTHER COMPREHENSIVE LOSS FOR THE YEAR		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(428,722)**	38,512
Share of other comprehensive income/(loss) of an associate	**81,730**	(40,244)
Release of exchange fluctuation reserve upon disposal of a subsidiary	**(46,802)**	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(393,794)**	(1,732)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**(3,671)**	(1,978)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(397,465)**	(3,710)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,827,731**	715,787
Attributable to:		
Equity holders of the parent	**1,853,075**	743,070
Non-controlling interests	**(25,344)**	(27,283)
	1,827,731	715,787

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property and equipment	13	**366,393**	348,513
Investment properties	14	**3,774,285**	4,709,808
Intangible assets	15	**10,673**	11,583
Goodwill	17	**87,081**	207,571
Investment in joint ventures	18	**1,657,569**	2,739
Investment in an associate	19	**1,586,396**	2,182,785
Trade receivables	22	**8,352,626**	7,884,171
Financial assets at fair value through profit or loss	24	**1,585,462**	1,654,097
Deferred tax assets	33	**18,177**	82,736
Total non-current assets		**17,438,662**	17,084,003
CURRENT ASSETS			
Properties under development	20	**918,433**	1,704,873
Completed properties held for sale	21	**3,617,252**	5,011,693
Trade receivables	22	**6,231,006**	3,051,110
Prepayments, other receivables and other assets	23	**3,676,303**	2,616,554
Prepaid income tax		**163,779**	200,644
Financial assets at fair value through profit or loss	24	**2,372,579**	2,284,993
Restricted cash	25	**1,353,143**	994,217
Term deposits with initial terms of over three months	26	**1,103,808**	2,541,890
Cash and cash equivalents	27	**55,229**	353,708
Total current assets		**19,491,532**	18,759,682
CURRENT LIABILITIES			
Contract liabilities	28	**1,482,331**	2,573,047
Trade and other payables	29	**3,858,256**	3,744,454
Interest-bearing bank and other borrowings	31	**7,956,461**	4,037,192
Income tax payables	32	**3,454,683**	2,125,764
Derivative financial instruments	30	**19,645**	40,134
Total current liabilities		**16,771,376**	12,520,591
NET CURRENT ASSETS		**2,720,156**	6,239,091
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,158,818**	23,323,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Other payables	29	**353,223**	33,239
Interest-bearing bank and other borrowings	31	**9,084,558**	14,168,825
Deferred tax liabilities	33	**1,302,085**	1,556,936
Total non-current liabilities		**10,739,866**	15,759,000
Net assets		**9,418,952**	7,564,094
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	34	**719,442**	719,442
Perpetual capital securities	36	**904,416**	856,416
Reserves	35	**7,694,791**	5,889,716
		9,318,649	7,465,574
Non-controlling interests		**100,303**	98,520
Total equity		**9,418,952**	7,564,094

Chu Hing Tsung
Director

Ye Lixia
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to equity holders of the parent													
	Share capital HK$'000 (note 34)	Share premium HK$'000	Merger reserve HK$'000 (note 35(i))	Exchange fluctuation reserve HK$'000	Contributed surplus HK$'000 (note 35(ii))	Statutory reserve HK$'000 (note 35(iii))	Capital reserve HK$'000 (note 35(iv))	Asset revaluation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Perpetual capital securities HK$'000 (note 36)	Subscription monies received HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	642,441	4,640,287	(101,922)	(617,528)	239,404	6,668	(25,738)	5,649	132,243	800,000	1,001,000	6,722,504	125,803	6,848,307
Profit for the year	–	–	–	–	–	–	–	–	747,225	–	–	747,225	(27,728)	719,497
Other comprehensive income/(loss) for the year:														
Exchange differences on translation of foreign operations	–	–	–	38,067	–	–	–	–	–	–	–	38,067	445	38,512
Share of other comprehensive loss of an associate	–	–	–	(40,244)	–	–	–	(1,978)	–	–	–	(42,222)	–	(42,222)
Total comprehensive income/(loss) for the year	–	–	–	(2,177)	–	–	–	(1,978)	747,225	–	–	743,070	(27,283)	715,787
Issuance of shares	77,001	923,999	–	–	–	–	–	–	–	–	(1,001,000)	–	–	–
Distribution to holders of perpetual capital securities	–	–	–	–	–	–	–	–	(56,416)	56,416	–	–	–	–
At 31 December 2019 and 1 January 2020	**719,442**	**5,564,286***	**(101,922)***	**(619,705)***	**239,404***	**6,668***	**(25,738)***	**3,671***	**823,052***	**856,416**	**–**	**7,465,574**	**98,520**	**7,564,094**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,242,404**	**–**	**–**	**2,242,404**	**(17,208)**	**2,225,196**
Other comprehensive income/(loss) for the year:														
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(420,586)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(420,586)**	**(8,136)**	**(428,722)**
Share of other comprehensive income/(loss) of an associate	**–**	**–**	**–**	**81,730**	**–**	**–**	**–**	**(3,671)**	**–**	**–**	**–**	**78,059**	**–**	**78,059**
Release of exchange fluctuation reserve upon disposal of a subsidiary	**–**	**–**	**–**	**(46,802)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(46,802)**	**–**	**(46,802)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(385,658)**	**–**	**–**	**–**	**(3,671)**	**2,242,404**	**–**	**–**	**1,853,075**	**(25,344)**	**1,827,731**
Capital contribution from non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,554**	**29,554**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,427)**	**(2,427)**
Distribution to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(48,000)**	**48,000**	**–**	**–**	**–**	**–**
At 31 December 2020	**719,442**	**5,564,286***	**(101,922) ***	**(1,005,363) ***	**239,404***	**6,668***	**(25,738) ***	**–***	**3,017,456***	**904,416**	**–**	**9,318,649**	**100,303**	**9,418,952**

* These reserve accounts comprise the consolidated reserves of HK$7,694,791,000 (2019: HK$5,889,716,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,337,557**	1,344,797
Adjustments for:			
Finance costs	6	**1,517,356**	1,503,924
Share of loss/(profit) of an associate		**134,691**	(144,797)
Share of loss of a joint venture		**21,206**	—
Interest income	5	**(162,934)**	(351,264)
Depreciation of property and equipment	7	**2,208**	2,569
Depreciation of right-of-use assets	7	**8,446**	2,069
Amortisation	7	**1,569**	1,629
Fair value gain on derivative financial instruments, net	7	**(20,489)**	(29,137)
Fair value loss/(gain) on investment properties, net	14	**97,233**	(384,868)
Changes in fair value of financial assets at fair value through profit or loss		**(367,802)**	(662,507)
Gain on disposal of a subsidiary		**(2,037,683)**	—
Gain on disposal of investment properties	5	**(8,240)**	—
Impairment of goodwill	7	**126,876**	—
Impairment on completed properties held for sale	7	**53,707**	—
Impairment on investment in an associate	7	**539,757**	—
Impairment of financial assets	7	**440,689**	200,296
Write-off of trade receivables	7	**11,832**	—
Write-off of other receivables	7	**19,059**	—
Exchange loss on intercompany loans		**26,008**	—
		3,741,046	1,482,711
Decrease in properties under development and completed properties held for sale		**2,127,174**	505,005
Increase in trade receivables		**(6,284,411)**	(1,370,492)
Decrease/(increase) in prepayments, other receivables and other assets		**198,308**	(52,542)
Decrease in contract liabilities		**(1,090,716)**	(205,051)
(Decrease)/increase in trade and other payables		**(99,604)**	527
Decrease/(increase) in restricted cash		**155,452**	(22,865)
Cash (used in)/from operations		**(1,252,751)**	337,293
Interest paid		**(1,404,679)**	(1,494,970)
Corporate income tax paid		**(109,564)**	(138,522)
Net cash flows used in operating activities		**(2,766,994)**	(1,296,199)

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	37	**(1,157,814)**	–
Disposal of a subsidiary	38	**1,725,028**	–
Proceeds from disposal of investment properties		**1,101,319**	–
Deposits paid for acquisition of equity interests in property development projects		**–**	(5,079,048)
Refund of deposits for acquisition of equity interests in property development projects		**112,608**	2,510,838
Repayment from related parties		**948,898**	160,781
Interest received		**161,719**	407,281
Acquisition of non-controlling interests		**(2,427)**	–
Investment in a joint venture		**(14,860)**	–
Purchases of items of property and equipment		**(10,366)**	(58,346)
Additions of investment properties	14	**–**	(244,287)
Additions of intangible assets	15	**–**	(11,722)
Decrease in financial assets at fair value through profit or loss		**621,942**	966,374
Decrease in term deposits with initial terms of over three months		**1,438,082**	2,982,127
Increase in restricted cash		**(514,378)**	(148,746)
Net cash flows from investing activities		**4,409,751**	1,485,252
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank and other borrowings		**6,302,616**	4,456,370
Repayment of bank and other borrowings		**(8,435,470)**	(4,967,699)
Principal portion of lease payments		**(6,392)**	(772)
Advance from/(repayment to) related parties		**12,249**	(177,448)
(Decrease)/increase in amount due to the ultimate holding company		**(7,118)**	327,520
Increase in amount due to a joint venture		**150,173**	–
Capital contribution from non-controlling interests		**29,554**	–
Net cash flows used in financing activities		**(1,954,388)**	(362,029)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(311,631)**	(172,976)
Cash and cash equivalents at beginning of year		**353,708**	544,610
Effect of foreign exchange rate changes, net		**13,152**	(17,926)
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	**55,229**	353,708

1.1 CORPORATE AND GROUP INFORMATION

Zhuguang Holdings Group Company Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 1996.

During the year, the Company's principal activity was investment holding and the Company and its subsidiaries (collectively the "Group") were principally engaged in property development, property investment, property management and other property development related services in the mainland of the People's Republic of China (the "PRC" or "Mainland China").

In the opinion of the Company's directors (the "Directors"), the holding company and the ultimate holding company of the Company is Rong De Investment Limited ("Rong De"), which is incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company names	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Nam Fong International Group Limited	British Virgin Islands/ Hong Kong	US$10,000	100%	–	Investment holding
Zhuguang Group Limited (珠光集團有限公司)	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
South Trend Holdings Limited (南興控股有限公司)	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Splendid Reach Limited (熙達有限公司)	British Virgin Islands/ Hong Kong	US$138,000	100%	–	Investment holding
Perfect Master Enterprises Limited (佳儒企業有限公司)	British Virgin Islands/ Hong Kong	US$1,000	–	100%	Project management

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Company names	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Equity interest attributable to the Company Direct	Equity interest attributable to the Company Indirect	Principal activities
Graceful Link Limited (愉興有限公司)	Hong Kong	HK$2	–	100%	Property investment
Diamond Crown Limited (毅冠有限公司)	Hong Kong	HK$2	–	100%	Property investment
Speedy Full Limited (速溢有限公司)	Hong Kong	HK$2	–	100%	Property investment
Xianghe County Yijing Property Development Company Limited @ (note (a)) (香河縣逸景房地產開發有限公司)	PRC/ Mainland China	RMB148,410,100	–	100%	Property development
Guangzhou City Runfa Property Company Limited @ (note (a)) (廣州市潤發房地產有限公司)	PRC/ Mainland China	RMB132,880,000	–	100%	Property development
Guangdong Hailian Building Company Limited * (note (a)) (廣東海聯大廈有限公司)	PRC/ Mainland China	US$99,000,000	–	80%	Property development and property investment

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Company names	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Equity interest attributable to the Company Direct	Equity interest attributable to the Company Indirect	Principal activities
Guangzhou Dong Gang He Zhong Property Company Limited @ (note (a)) (廣州東港合眾房地產有限公司)	PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Guangzhou Zhuguang Industrial Group Company Limited ("Zhuguang Industrial")* (note (a)) (廣州珠光實業集團有限公司)	PRC/ Mainland China	RMB160,000,000	–	100%	Property development and property investment
Guangzhou City Runqi Property Company Limited @ (note (a)) (廣州市潤啟房地產有限公司)	PRC/ Mainland China	RMB99,652,457	–	100%	Property development
Feng Shun Jia Rong Trading Company Limited # ("Jia Rong") (note (a) and (b)) (豐順佳榮貿易有限公司)	PRC/ Mainland China	RMB1,000,000	–	100%	Investment holding
Guangdong Xilong Industrial Investment Company Limited # ("Guangdong Xilong") (notes (a) and (b)) (廣東喜龍實業投資有限公司)	PRC/ Mainland China	RMB120,000,000	–	100%	Property development and property investment
Fengshun Yujing Property Company Limited @ (note (a)) (豐順御景房地產有限公司)	PRC/ Mainland China	RMB200,000,000	–	100%	Property development
Meizhou Yujing Property Company Limited @ (note (a)) (梅州御景房地產有限公司)	PRC/ Mainland China	RMB50,000,000	–	100%	Property development

1.1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Company names	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Equity interest attributable to the Company Direct	Indirect	Principal activities
Zhongshan Zhuguang Property Company Limited @ (note (a)) (中山市珠光房地產有限公司)	PRC/ Mainland China	RMB50,000,000	–	50%	Property development
Guangzhou Zhenchao Property Development Company Limited @ (note (a)) (廣州振超房地產開發有限公司)	PRC/ Mainland China	RMB50,000,000	–	100%	Property development
Guangzhou Zhuguang Urban Renewal Group Company Limited @ (notes (a)) (廣州珠光城市更新集團有限公司)	PRC/ Mainland China	RMB30,000,000	–	100%	Investment holding
Guangzhou Shunji Industry Company Limited @ (note (a)) (廣州舜吉實業有限公司)	PRC/ Mainland China	RMB12,500,000	–	100%	Property development

\# Registered as domestic limited liability companies under PRC law

@ Registered as wholly-foreign-owned enterprises under PRC law

* Registered as Sino-foreign equity entities under PRC law

Notes:

(a) The English names of these companies represent the best effort made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

(b) The Directors are of the opinion that, notwithstanding the lack of equity ownership, in substance, based on certain contractual agreements, the Group has control over Jia Rong and Guangdong Xilong so as to obtain benefits from their activities. Accordingly, Jia Rong and Guangdong Xilong are accounted for as the Company's indirect wholly-owned subsidiaries for accounting purposes.

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

1.2 BASIS OF PRESENTATION

As at 31 December 2020, the Group had cash and cash equivalents and term deposits (with initial terms of over three months) with an aggregate carrying amount of approximately HK$1,159 million, the majority of which are kept by the Group's subsidiaries in Mainland China. As at the same date, the Group had outstanding interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$7,956 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of approximately HK$1,897 million and onshore borrowings in Mainland China of approximately HK$6,059 million.

In preparing the financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that as at 31 December 2020, the Group had interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$7,956 million which are due to be repaid within one year from the end of the reporting period. Furthermore, the Group had capital commitments contracted but not provided for in the consolidated financial statements of approximately HK$1,790 million as set out in note 42 to the financial statements.

Nevertheless, the financial statements were prepared on the basis that the Group can continue to operate as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2020, after taking into consideration of the following:

(i) the available credit facilities of the Group;

(ii) the refinancing plan for the bank and other loans of the Group; and

(iii) the estimated cash flows of the Group for the next twelve months from the end of the reporting period, in particular, with (a) the consideration of the upcoming plan for realisation of assets, sales of its completed properties held for sale and pre-sale of its properties under development; and (b) the Group's plan to obtain alternative funding.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

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

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

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

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material of omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statement. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 No mandatory effective date yet determined but available for adoption
6 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
7 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of a 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.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates 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 and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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

Business combinations and goodwill

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and financial assets at fair value through profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property 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 and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Motor vehicles	5 years
Furniture, fittings and office equipment	3 to 5 years

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

Properties under development

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

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

Completed properties held for sale

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the period of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the statement of profit or loss.

For a transfer from inventories to investment properties, any difference between the fair value of the property at the date of change in use and its then carrying amount is recognised in the statement of profit or loss.

Leases

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

Group as a lessee

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(a) Right-of-use assets

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

Land use rights	36 years
Office properties	over the lease terms
Motor vehicles	over the lease terms

The Group's right-of-use assets are included in property and equipment. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

(b) Lease liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(b) Lease liabilities *(continued)*

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

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

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

(a) Financial assets at amortised cost (debt instruments)

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

(b) Financial assets at fair value through profit or loss

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

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

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, amounts due to the ultimate holding company and derivative financial instruments.

Subsequent measurement

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

(a) Financial liabilities 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 profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement (continued)

(b) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss. This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income.

(c) Senior notes

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

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

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

(d) Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 profit or loss.

Cash and cash equivalents

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

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

Perpetual capital securities

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

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

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

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

- when the deferred tax liability arises from goodwill or 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 taxable temporary differences associated with interests in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Government grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

Sale of properties

Revenue from sales of properties is recognised over time when the Group's performance under the sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue from sales of property is recognised at a point in time.

For a property sales contract for which the control of the property is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation which is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of reporting period as a percentage of the total estimated construction costs for each contract.

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

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Finance component of income from urban redevelopment projects is recognised over time by usage on the total funds provided.

Other income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract assets

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

Contract liabilities

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

Contract costs

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

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

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

Cost of obtaining contracts

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g., commission to sales agents. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Borrowing costs

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

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in HK$ which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Property lease classification — Group as lessor

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES
(continued)

Judgements *(continued)*

Classification between investment properties and owner-occupied properties

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

Classification between investment properties and properties held for sale

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

Allocation of construction cost on properties under development

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

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.

Impairment assessment on receivables for urban redevelopment projects

The Group uses a probability of default approach to calculate ECLs for receivables for urban redevelopment projects. Impairment losses on receivables for urban redevelopment projects were measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The probability of default approach was the estimation of the likelihood of default over a given time horizon. It is defined as the probability of default of a counterparty over a one-year period or over the remaining time to maturity depending on either 12-month expected credit losses or lifetime expected credit losses. Probability of default is initially estimated based on the credit rating of the borrower provided by external ratings agencies. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the counterparties. The Group will adjust the historical credit loss experience with an economic adjustment. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's deposits for acquisition of receivables for urban redevelopment projects is disclosed in note 22 to the financial statements.

Fair value of financial assets at fair value through profit or loss

The Group had other receivables in respect of the funds provided for property development projects in the PRC which are classified as financial assets at fair value through profit or loss. Pursuant to the relevant project management service agreements, the Group agreed to provide funds and management services to certain property development projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funding provided and a variable bonus which is determined with reference to the operating performance of the projects. The fair values of these other receivables are determined based on the discounted cash flow projections which require the Group to make an estimate of the expected future cash flows from the property development projects and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the other receivables stated at fair value through profit or loss at 31 December 2020 was HK$3,885,718,000 (2019: HK$3,870,580,000). Further details are included in note 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties

Investment properties were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date. The valuations of investment properties under construction were based on the residual approach, and have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group's latest development plan. The carrying amount of investment properties at 31 December 2020 was HK$3,774,285,000 (2019: HK$4,709,808,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Impairment assessment on deposits for acquisition of equity interests in property development projects

The Group uses a probability of default approach to calculate ECLs for deposits for acquisition of equity interests in property development projects. Impairment losses on deposits for acquisition of equity interests in property development projects were measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The probability of default approach was the estimation of the likelihood of default over a given time horizon. It is defined as the probability of default of a counterparty over a one-year period or over the remaining time to maturity depending on either 12-month expected credit losses or lifetime expected credit losses. Probability of default is initially estimated based on the credit rating of the borrower provided by external ratings agencies. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the counterparties. The Group will adjust the historical credit loss experience with an economic adjustment. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's deposits for acquisition of equity interests in property development projects is disclosed in note 23 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

Estimation uncertainty *(continued)*

Estimation of net realisable value of properties under development and completed properties held for sale

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

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

PRC corporate income tax ("CIT")

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

PRC land appreciation tax ("LAT")

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

Deferred tax assets

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was HK$87,081,000 (2019: HK$207,571,000). Further details are given in note 17 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) the property development segment engages in the development and sale of properties;

(b) the project management services segment engages in the provision of project management services to property development projects and urban redevelopment projects; and

(c) the property investment segment invests in properties for their rental income potential and/or for capital appreciation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that the change in fair value of derivative financial instruments, share of profit/loss of joint ventures, share of profit/loss of an associate, finance costs (other than interest on lease liabilities) and income tax expenses as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures and an associate, deferred tax assets, unlisted investments classified as financial assets at fair value through profit or loss, restricted cash, term deposits with initial terms of over three months and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings (other than lease liabilities), current income tax payables, deferred tax liabilities and derivative financial instruments as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2020

	Property development HK$'000	Project management services HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	4,384,023	2,063,545	177,230	6,624,798
Segment results	568,220	2,915,145	20,112	3,503,477
Reconciliation:				
Fair value gain on derivative financial instruments, net				20,489
Gain on disposal of a subsidiary				2,037,683
Share of loss of an associate				(134,691)
Share of loss of joint venture				(21,206)
Corporate and other unallocated expenses				(12,670)
Finance costs (other than interest on lease liabilities)				(1,515,768)
Impairment on investment in an associate included in other expenses				(539,757)
Profit before tax				3,337,557
Income tax expense				(1,112,361)
Profit for the year				2,225,196
Segment assets	8,457,684	18,386,408	4,152,512	30,996,604
Reconciliation:				
Corporate and other unallocated assets				5,933,590
Total assets				36,930,194
Segment liabilities	5,448,601	–	258,791	5,707,392
Reconciliation:				
Corporate and other unallocated liabilities				21,803,850
Total liabilities				27,511,242
Other segment information:				
Depreciation	10,654	–	–	10,654
Amortisation	1,569	–	–	1,569
Capital expenditure*	894	–	9,472	10,366
Fair value loss on investment properties, net	–	–	97,233	97,233
Impairment of financial assets	–	440,689	–	440,689
Impairment of goodwill	126,876	–	–	126,876
Impairment of completed properties held for sale	53,707	–	–	53,707
Write-off of trade receivables	–	–	11,832	11,832
Write-off of other receivables	19,059	–	–	19,059

* Capital expenditure consists of additions to property and equipment, investment properties and intangible assets.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2019

	Property development HK$'000	Project management services HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	2,540,074	1,370,492	164,248	4,074,814
Segment results	540,247	1,608,304	526,236	2,674,787
Reconciliation:				
Fair value gain on derivative financial instruments, net				29,137
Share of profit of an associate				144,797
Finance costs (other than interest on lease liabilities)				(1,503,924)
Profit before tax				1,344,797
Income tax expense				(625,300)
Profit for the year				719,497
Segment assets	10,105,468	14,752,633	4,758,999	29,617,100
Reconciliation:				
Corporate and other unallocated assets				6,226,585
Total assets				35,843,685
Segment liabilities	6,182,561	—	188,421	6,370,982
Reconciliation:				
Corporate and other unallocated liabilities				21,908,609
Total liabilities				28,279,591
Other segment information:				
Depreciation	4,638	—	—	4,638
Amortisation	1,629	—	—	1,629
Capital expenditure*	91,082	—	244,287	335,369
Fair value gain on investment properties, net	—	—	384,868	384,868
Impairment of financial assets	28,650	171,646	—	200,296

* Capital expenditure consists of additions to property and equipment, investment properties and intangible assets.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

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

Information about major customers

For the year ended 31 December 2020, revenue of approximately HK$1,612,413,000 (2019: HK$1,045,058,000) was derived from a single customer, which is a related party, and was attributable to the project management services segment.

For the year ended 31 December 2020, revenue of approximately HK$2,098,941,000 was derived from a single customer, which was attributable to the property development segment.

5. REVENUE, OTHER INCOME AND GAINS

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

	2020 **HK$'000**	2019 HK$'000
Revenue from contracts with customers		
Sale of properties	**4,384,023**	2,540,074
Revenue from other sources		
Rental income from investment property operating leases:		
— fixed lease payments	**177,230**	164,248
Finance component of income from urban redevelopment projects	**2,063,545**	1,370,492
	6,624,798	4,074,814

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

Segments — Property development	**2020** **HK$'000**	2019 HK$'000
Type of goods or services		
Sale of properties	**4,384,023**	2,540,074
Timing of revenue recognition		
Goods transferred at a point in time	**4,270,783**	2,472,889
Goods transferred over time	**113,240**	67,185
Total revenue from contracts with customers	**4,384,023**	2,540,074

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

	2020 **HK$'000**	2019 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**1,525,675**	2,381,552

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

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

Sale of properties

For a property sales contract for which the control of the property is transferred over time, the performance obligation is satisfied over time by reference to the construction costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract. For a property sales contract for which the control of the property is transferred at a point in time, the performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

The contracted sales amounts allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties as at the end of the year was HK$86,831,000 (2019: HK$96,461,000), of which the performance obligations are to be satisfied within two years. All other contracted sales amounts allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The Group applies the practical expedient on the exemption to disclose the information on the remaining performance obligations that have original expected durations of one year or less. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Other income and gains

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

	2020 HK$'000	2019 HK$'000
Interest income	162,934	351,264
Management service income	85,949	53,555
Fair value gain on derivative financial instruments	20,489	29,137
Gain on disposal of investment properties	8,240	—
Foreign exchange differences, net	865,753	—
Others	771	2,023
	1,144,136	435,979

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK$'000	2019 HK$'000
Interest on bank and other borrowings and senior notes	1,852,028	1,743,840
Interest expense arising from revenue contracts	83,791	76,466
Interest on lease liabilities	1,588	—
Total interest expense	1,937,407	1,820,306
Less: interest capitalised	(420,051)	(316,382)
	1,517,356	1,503,924

7. PROFIT BEFORE TAX

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

	Notes	2020 HK$'000	2019 HK$'000
Cost of properties sold		**3,400,858**	1,987,553
Depreciation of property and equipment	13	**2,208**	2,569
Depreciation of right-of-use assets	13	**8,446**	2,069
Amortisation*	15	**1,569**	1,629
Fair value gain on derivative financial instruments, net		**(20,489)**	(29,137)
Lease payments not included in the measurement of lease liabilities		**2,898**	7,902
Auditor's remuneration		**4,500**	4,700
Foreign exchange differences, net**		**(865,753)**	254,697
Employee benefit expense (including directors' remuneration (note 8))			
Wages and salaries		**174,817**	147,785
Retirement benefit scheme contributions		**8,429**	6,853
		183,246	154,638
Impairment of financial assets			
Impairment of trade receivables, net	22	**407,927**	171,646
Impairment of deposits and other receivables	23	**32,762**	28,650
		440,689	200,296
Impairment of completed properties held for sale**		**53,707**	—
Impairment of goodwill**	17	**126,876**	—
Impairment on investment in an associate**	19	**539,757**	—
Write-off of trade receivables**		**11,832**	—
Write-off of other receivables**		**19,059**	—
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**48,053**	33,065

* The amortisation is included in "Administrative expenses" in the consolidated statement of profit or loss.

** These items are included in "Other income and gains"/"Other expenses" in the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION

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

	2020 HK$'000	2019 HK$'000
Fees	1,440	1,440
Other emoluments:		
Salaries, allowances and benefits in kind	20,762	20,831
Pension scheme contributions	76	192
	20,838	21,023
	22,278	22,463

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2020				
Executive directors:				
Mr. Chu Hing Tsung	–	3,000	18	3,018
Mr. Liao Tengjia	–	5,804	18	5,822
Mr. Huang Jiajue	–	600	–	600
Mr. Liu Jie*	–	7,336	22	7,358
Mr. Chu Muk Chi	–	960	18	978
Ms. Ye Lixia	–	3,062	–	3,062
	–	20,762	76	20,838
Independent non-executive directors:				
Mr. Leung Wo Ping	480	–	–	480
Mr. Wong Chi Keung	480	–	–	480
Dr. Feng Ke	480	–	–	480
	1,440	–	–	1,440
	1,440	20,762	76	22,278

8. DIRECTORS' REMUNERATION *(continued)*

The remuneration of each of the Directors is set out below: *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2019				
Executive directors:				
Mr. Chu Hing Tsung	—	3,000	18	3,018
Mr. Liao Tengjia	—	4,553	56	4,609
Mr. Huang Jiajue	—	1,894	43	1,937
Mr. Liu Jie*	—	7,658	57	7,715
Mr. Chu Muk Chi	—	960	18	978
Ms. Ye Lixia	—	2,766	—	2,766
	—	20,831	192	21,023
Independent non-executive directors:				
Mr. Leung Wo Ping	480	—	—	480
Mr. Wong Chi Keung	480	—	—	480
Dr. Feng Ke	480	—	—	480
	1,440	—	—	1,440
	1,440	20,831	192	22,463

* Mr. Liu Jie is also the chief executive officer of the Company.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the current and prior years were all directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

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

	2020	2019
	HK$'000	HK$'000
Current:		
PRC corporate income tax	**845,743**	233,985
PRC land appreciation tax	**522,156**	153,149
	1,367,899	387,134
Deferred (note 33)	**(255,538)**	238,166
Total tax charge for the year	**1,112,361**	625,300

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate for the year, are as follows:

	2020		2019	
	HK$'000	**%**	HK$'000	%
Profit before tax	**3,337,557**		1,344,797	
Tax charge at the statutory income tax rate	**834,389**	**25.0**	336,200	25.0
Lower tax rate for specific provinces or enacted by local authority	**(603,292)**	**(18.0)**	(119,974)	(8.9)
Profits and losses attributable to joint ventures and an associate	**25,723**	**0.8**	(23,892)	(1.8)
Adjustment in respect of deferred tax of previous periods	**41,643**	**1.2**	156,871	11.7
Income not subject to tax	**(142,849)**	**(4.3)**	—	—
Expenses not deductible for tax	**181,087**	**5.4**	68,776	5.1
Tax losses utilised from previous periods	**(1,676)**	**(0.1)**	(35,026)	(2.6)
Tax losses not recognised	**142,766**	**4.3**	127,483	9.5
PRC LAT	**522,156**	**15.6**	153,149	11.4
Tax effect on PRC LAT	**(130,539)**	**(3.9)**	(38,287)	(2.8)
Effect of withholding tax at 10% on disposal the Group's PRC subsidiary	**242,953**	**7.3**	—	—
Tax charge at the Group's effective rate	**1,112,361**	**33.3**	625,300	46.5

The share of tax credit attributable to an associate amounting to HK$1,005,000 (2019: tax expense of HK$39,278,000) was included in "Share of (loss)/profit of an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

A final dividend and a special dividend in respect of the year ended 31 December 2020 of HK1 cent per share and HK9 cents per share respectively, amounting to a total dividend of HK$719,442,000, are to be proposed at the forthcoming annual general meeting. These consolidated financial statements do not reflect these dividends payable.

No dividend in respect of the year ended 31 December 2019 was proposed by the board of directors of the Company.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 7,194,417,247 (2019: 7,192,307,411) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the warrants had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2020	2019
Profit attributable to equity holders of the parent (HK$'000)	**2,242,404**	747,225
Distribution related to perpetual capital securities (HK$'000)	**(48,000)**	(48,000)
Profit used in the basic and diluted earnings per share calculations (HK$'000)	**2,194,404**	699,225
Weighted average number of ordinary shares in issue during the year (thousand shares)	**7,194,417**	7,192,307

13. PROPERTY AND EQUIPMENT

	Right-of-use assets				Owned assets				
	Land use rights HK$'000	Office properties HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Assets under construction HK$'000	Motor vehicles HK$'000	Furniture, fittings and equipment HK$'000	Sub-total HK$'000	Total HK$'000
31 December 2020									
At 1 January 2020:									
Cost	52,211	20,420	594	73,225	272,664	15,598	8,496	296,758	369,983
Accumulated depreciation	(2,566)	(284)	(59)	(2,909)	–	(11,054)	(7,507)	(18,561)	(21,470)
Net carrying amount	49,645	20,136	535	70,316	272,664	4,544	989	278,197	348,513
At 1 January 2020, net of accumulated depreciation	49,645	20,136	535	70,316	272,664	4,544	989	278,197	348,513
Additions	–	–	–	–	9,472	–	894	10,366	10,366
Depreciation provided during the year	(1,520)	(6,807)	(119)	(8,446)	–	(1,636)	(572)	(2,208)	(10,654)
Exchange realignment	620	–	–	620	17,316	164	68	17,548	18,168
At 31 December 2020, net of accumulated depreciation	48,745	13,329	416	62,490	299,452	3,072	1,379	303,903	366,393
At 31 December 2020:									
Cost	52,211	20,420	594	73,225	299,452	16,302	9,788	325,542	398,767
Accumulated depreciation	(3,466)	(7,091)	(178)	(10,735)	–	(13,230)	(8,409)	(21,639)	(32,374)
Net carrying amount	48,745	13,329	416	62,490	299,452	3,072	1,379	303,903	366,393

13. PROPERTY AND EQUIPMENT *(continued)*

	Right-of-use assets				Owned assets				
	Land use rights HK$'000	Office properties HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Assets under construction HK$'000	Motor vehicles HK$'000	Furniture, fittings and equipment HK$'000	Sub-total HK$'000	Total HK$'000
31 December 2019									
At 1 January 2019	52,211	–	–	52,211	219,697	16,886	7,915	244,498	296,709
Accumulated depreciation	–	–	–	–	–	(10,308)	(6,902)	(17,210)	(17,210)
Net carrying amount	52,211	–	–	52,211	219,697	6,578	1,013	227,288	279,499
At 1 January 2019	52,211	–	–	52,211	219,697	6,578	1,013	227,288	279,499
Additions	–	20,420	594	21,014	57,692	–	654	58,346	79,360
Depreciation provided during the year	(1,726)	(284)	(59)	(2,069)	–	(1,953)	(616)	(2,569)	(4,638)
Exchange realignment	(840)	–	–	(840)	(4,725)	(81)	(62)	(4,868)	(5,708)
At 31 December 2019, net of accumulated depreciation	49,645	20,136	535	70,316	272,664	4,544	989	278,197	348,513
At 31 December 2019:									
Cost	52,211	20,420	594	73,225	272,664	15,598	8,496	296,758	369,983
Accumulated depreciation	(2,566)	(284)	(59)	(2,909)	–	(11,054)	(7,507)	(18,561)	(21,470)
Net carrying amount	49,645	20,136	535	70,316	272,664	4,544	989	278,197	348,513

At 31 December 2020, the Group's property and equipment with an aggregate carrying amount of HK$348,197,000 (2019: HK$322,309,000) were pledged to banks to secure certain of the bank and other borrowings granted to the Group (note 31(a)(i)).

14. INVESTMENT PROPERTIES

	Completed HK$'000	Under construction HK$'000	Total HK$'000
Carrying amount at 1 January 2019	2,988,388	1,022,596	4,010,984
Additions	—	244,287	244,287
Transfer upon completion	1,266,883	(1,266,883)	—
Transfer from completed properties held for sale	171,784	—	171,784
Net gains from fair value adjustments	384,868	—	384,868
Exchange realignment	(102,115)	—	(102,115)
Carrying amount at 31 December 2019 and 1 January 2020	**4,709,808**	**—**	**4,709,808**
Disposal	**(1,093,079)**	**—**	**(1,093,079)**
Transfer from completed properties held for sale	**16,537**	**—**	**16,537**
Net loss from fair value adjustments	**(97,233)**	**—**	**(97,233)**
Exchange realignment	**238,252**	**—**	**238,252**
Carrying amount at 31 December 2020	**3,774,285**	**—**	**3,774,285**

The Group's investment properties were revalued on 31 December 2020 and 2019 based on valuations performed by Greater China Appraisal Limited, an independent professionally qualified valuer.

At 31 December 2020, certain of the Group's investment properties with an aggregate carrying amount of HK$2,736,059,000 (2019: HK$3,304,217,000) were pledged to banks to secure certain of the bank and other borrowings granted to the Group (note 31(a)(ii)).

The Group's completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 16.

Fair value hierarchy

At 31 December 2020 and 2019, the fair value measurement of all of the Group's investment properties used significant unobservable inputs (Level 3) as defined in HKFRS 13.

During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3 (2019: Nil).

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between management and the valuer at least once every six months, in line with the Group's reporting dates.

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

At each financial year end, the finance department:

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

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

	Valuation technique	Significant unobservable inputs	Range or weighted average 2020	2019
Completed				
Office	Term and reversionary method	Term yields	**3.5%-4.0%**	3.5%-4.0%
		Reversion yields	**4.0%-4.5%**	4.0%-4.5%
		Market rents (RMB/sq m/month)	**130-160**	135-165
	Direct comparison method	Market price (RMB/sq m)	**N/A**	50,000
Retail	Term and reversionary method	Term yields	**2.9%-5.0%**	2.6%-5.0%
		Reversion yields	**3.5%-6.0%**	3.5%-6.0%
		Market rents (RMB/sq m/month)	**40-475**	40-490
	Direct comparison method	Market price (RMB/sq m)	**10,300-91,000**	10,500-75,000
Hotel	Direct comparison method	Market price (RMB/sq m)	**10,100-31,300**	10,600-32,000

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

15. INTANGIBLE ASSETS

	Computer software HK$'000
31 December 2020	
Cost at 31 December 2019 and 1 January 2020, net of accumulated amortisation	**11,583**
Amortisation during the year	**(1,569)**
Exchange realignment	**659**
At 31 December 2020	**10,673**
At 31 December 2020:	
Cost	**26,505**
Accumulated amortisation	**(15,832)**
Net carrying amount	**10,673**
31 December 2019	
Cost at 1 January 2019, net of accumulated amortisation	2,214
Additions	11,722
Amortisation during the year	(1,629)
Exchange realignment	(724)
At 31 December 2019	11,583
At 31 December 2019:	
Cost	26,505
Accumulated amortisation	(14,922)
Net carrying amount	11,583

16. LEASES

The Group as a lessee

The Group has lease contracts for land, office properties and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 36 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties and motor vehicles generally have lease terms of 3 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are disclosed in note 13 to the financial statements.

(b) Lease liabilities

The carrying amount of lease liabilities (included under bank and other borrowings) and the movements during the year are as follows:

	Lease liabilities	
	2020 **HK$'000**	2019 HK$'000
Carrying amount at 1 January	**20,242**	—
New leases	**—**	21,014
Accretion of interest recognised during the year	**1,588**	—
Payments	**(7,980)**	(772)
Carrying amount at 31 December	**13,850**	20,242
Analysed into:		
Current portion	**7,000**	6,392
Non-current portion	**6,850**	13,850

The maturity analysis of lease liabilities is disclosed in note 31 to the financial statements.

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities	**1,588**	—
Depreciation charge of right-of-use assets	**8,446**	2,069
Expense relating to short-term lease and other lease with remaining lease term ended on or before 31 December 2019	**2,898**	7,902
Total amount recognised in profit or loss	**12,932**	9,971

(d) The total cash outflow for leases is disclosed in note 39(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$177,230,000 (2019: HK$164,248,000) (note 5).

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**180,612**	168,418
After one year but within two years	**165,857**	202,463
After two years but within three years	**114,762**	150,035
After three years but within four years	**56,556**	168,128
After four years but within five years	**41,100**	36,027
After five years	**263,186**	118,166
	822,073	843,237

17. GOODWILL

	2020 HK$'000	2019 HK$'000
At beginning of year	207,571	212,218
Impairment during the year	(126,876)	—
Exchange realignment	6,386	(4,647)
At end of year	87,081	207,571
Cost	241,965	228,726
Accumulated impairment	(154,884)	(21,155)
Net carrying amount	87,081	207,571

Impairment testing of goodwill

The Group's goodwill acquired through a business combination was allocated to cash-generating units for the property development segment, which were principally engaged in the property development in the PRC, for impairment testing. The recoverable amounts of the cash-generating units of the property development segment were determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management and no perpetual growth rate was applied in the calculation of value-in-use. The discount rates applied to the cash flow projections ranged from 11.0% to 13.0% (2019: ranged from 9.5% to 12.96%). During the current year, impairment of HK$126,876,000 was recognised due to certain properties within the property development segment were sold which has led to a drop in the recoverable amounts to HK$70 million on the cash-generating unit.

Assumptions were used in the value-in-use calculation of the above-mentioned property development segment's cash-generating units for 31 December 2020 and 2019. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Business environment — There was no major change in the existing political, legal and economic conditions in the PRC in which the cash-generating unit carried on its business.

18. INVESTMENT IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Share of net assets	**1,657,569**	2,739

Notes:

(a) Particulars of the Group's joint ventures are as follows:

Company name	Registered and paid-up capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Guangzhou Kezhu Real Estate Investment Company Limited @ (廣州科珠置業投資有限公司)	RMB18,000,000	PRC/ Mainland China	40%	40%	40%	Property investment
Guangzhou Yutai Real Estate Co., Ltd @ (廣州御泰房地產有限公司)	RMB102,040,800	PRC/ Mainland China	50%	50%	50%	Property investment
Guangzhou Development Automobile City Co., Ltd. ("AEC") @ # (廣州發展汽車城有限公司)	RMB901,960,800	PRC/ Mainland China	51%	51%	51%	Property development

@ Registered as a domestic limited liability company under PRC law

During the year ended 31 December 2020, the Group entered into an equity transfer agreement for the acquisition of 100% equity interest of All Flourish Investments Limited ("All Flourish") which indirectly holds 51% equity interest in AEC. Further details are set out in note 37 to the financial statements.

The English name of the entities represents the best effort made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

All the above joint ventures are indirectly held by the Company.

18. INVESTMENT IN JOINT VENTURES *(continued)*

Notes: (continued)

(b) Upon completion of the acquisition in March 2020, AEC is considered a material joint venture of the Group and is accounted for using the equity method. The following table illustrates the summarised financial information in respect of AEC adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2020 **HK$'000**
Cash and cash equivalents	**5,113**
Other current assets	**8,656,468**
Current assets	**8,661,581**
Non-current assets	**417**
Current liabilities, excluding trade and other payables	**265,595**
Other current liabilities	**1,730,855**
Current liabilities	**1,996,450**
Non-current liabilities	**3,449,923**
Net assets	**3,215,625**
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	**51%**
Carrying amount of the investment	**1,639,969**
Since acquisition:	
Loss for the period	**(41,580)**
Other comprehensive loss for the period	**(16,959)**
Total comprehensive loss for the period	**(58,539)**

18. INVESTMENT IN JOINT VENTURES *(continued)*

Notes: (continued)

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

	2020 HK$'000	2019 HK$'000
Aggregate carrying amount of the Group's investments in the joint ventures	**17,600**	2,739

19. INVESTMENT IN AN ASSOCIATE

	2020 HK$'000	2019 HK$'000
Share of net assets, listed in Hong Kong	**2,126,153**	2,182,785
Provision for impairment	**(539,757)**	—
	1,586,396	2,182,785

Particulars of the Group's associate are as follows:

Company name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest	Principal activities
Silver Grant International Holdings Group Limited ("Silver Grant")	Ordinary shares	Hong Kong	29.56%	Investment holding and property leasing

The Group's shareholding in the associate comprises equity shares held by a wholly-owned subsidiary of the Company.

At 31 December 2020, the Group's investment in an associate with an aggregate carrying amount of HK$1,586,396,000 (2019: HK$2,182,785,000) was pledged to secure certain of the bank and other borrowings granted to the Group (note 31(a)(vi)).

19. INVESTMENT IN AN ASSOCIATE *(continued)*

In July 2019, Silver Grant and its subsidiaries (collectively the "Silver Grant Group") completed the restructuring of its petrochemical business, pursuant to which Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited (中海油氣泰州石化有限公司) ("ZHYQ") (a former 33%-owned associate of the Silver Grant Group) was absorbed and merged with an indirect non-wholly-owned subsidiary of Silver Grant and an independent third party, and became the surviving entity after the merger, and thereafter became a 51%-owned joint venture of the Silver Grant Group. In the prior year, the gain on bargain purchase arising from the acquisition of additional interest in ZHYQ in connection with the merger recorded by the Silver Grant Group was determined on a provisional basis as the Silver Grant Group was in the process of completing the independent valuations to assess the fair value of the identifiable assets and liabilities of ZHYQ. In the current year, the valuation on the fair values of the identifiable assets and liabilities of ZHYQ at the completion date of the acquisition has been finalised and purchase accounting adjustment with a decrease of HK$78.4 million to the gain on bargain purchase was made on the Silver Grant Group accounts. The directors of the Company consider the adjustment, after equity accounted for, which is HK$15.8 million, is not significant to the consolidated statement of financial position, and as such, did not retrospectively apply the adjustment to restate the balance as at 31 December 2019.

Impairment testing of investment in an associate

As at 31 December 2020, the market value of the shares of Silver Grant held by the Group was HK$619,928,000, whereas its carrying amount was HK$2,126,153,000. Accordingly, the Group carried out impairment assessment to determine whether the Group's interest in the associate was impaired.

The recoverable amount of the investment has been determined based on the value-in-use. The recoverable amount was determined based on financial budgets covering a five-year period approved by senior management and adopted a terminal growth rate of 3% beyond the fifth year. The pre-tax discount rate applied to cash flow projections is 11.2%.

Key assumptions on which management has based its cash flow projections to undertake impairment testing includes: (i) sales growth rates and budgeted gross margins on the petrochemical business which is based on expected market development and management experience in the industry; and (ii) pre-tax discount rate which reflects specific risks relating to the underlying business.

Based on the impairment assessment, an impairment loss of HK$539,757,000 (2019: Nil) has been provided.

19. INVESTMENT IN AN ASSOCIATE *(continued)*

Financial information of Silver Grant group

Silver Grant group is considered a material associate of the Group and is accounted for using the equity method. The following table illustrates the summarised financial information in respect of the Silver Grant Group adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 **HK$'000**	2019 HK$'000
Current assets	**3,985,879**	2,938,593
Non-current assets, excluding goodwill	**6,899,911**	7,152,094
Goodwill on acquisition of an associate	**267,672**	267,672
Current liabilities	**(764,741)**	(669,925)
Non-current liabilities	**(3,095,524)**	(2,100,734)
Net assets	**7,293,197**	7,587,700
Non-controlling interests	**(738,377)**	(841,298)
Total equity	**6,554,820**	6,746,402
Total equity, excluding goodwill	**6,287,148**	6,478,730
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**29.56%**	29.56%
Group's share of net assets of the associate, excluding goodwill	**1,858,481**	1,915,113
Goodwill on acquisition	**267,672**	267,672
Impairment	**(539,757)**	—
Carrying amount of the investment	**1,586,396**	2,182,785
Revenue	**89,128**	395,949
(Loss)/profit for the year	**(455,653)**	489,841
Other comprehensive income/(loss) for the year	**264,070**	(142,835)
Total comprehensive (loss)/income for the year	**(191,583)**	347,006
Market value of the Group's investment as at 31 December	**619,928**	858,362

20. PROPERTIES UNDER DEVELOPMENT

	2020 HK$'000	2019 HK$'000
Properties under development expected to be completed within normal operating cycle and classified as current assets are expected to be recoverable:		
Within one year	**573,325**	1,426,046
After one year	**345,108**	278,827
	918,433	1,704,873

At 31 December 2020, certain of the Group's properties under development with an aggregate carrying amount of HK$623,265,000 (2019: HK$1,054,227,000) were pledged to secure certain of the bank and other borrowings granted to the Group (note 31(a)(iii)).

21. COMPLETED PROPERTIES HELD FOR SALE

At 31 December 2020, certain of the Group's completed properties held for sale with an aggregate carrying amount of HK$3,281,195,000 (2019: HK$1,746,219,000) were pledged to secure certain of the bank and other borrowings granted to the Group (note 31(a)(iv)).

22. TRADE RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Receivables from sales of properties and rentals			
Related parties		**—**	8,981
Third parties		**82,942**	53,228
	(a)	**82,942**	62,209
Receivables for urban redevelopment projects			
Related parties	43(c)	**14,842,398**	8,011,938
Third parties		**179,132**	3,096,005
		15,021,530	11,107,943
Less: Impairment allowance		**(520,840)**	(234,871)
Net receivables for urban redevelopment projects	(b)	**14,500,690**	10,873,072
Total		**14,583,632**	10,935,281
Portion classified as non-current assets		**(8,352,626)**	(7,884,171)
Current portion		**6,231,006**	3,051,110

22. TRADE RECEIVABLES *(continued)*

Notes:

(a) An ageing analysis of the trade receivables for receivables from sales of properties and rentals as at the end of the reporting period, based on the revenue recognition date or invoice date and net of loss allowance, is as follows:

	2020 HK$'000	2019 HK$'000
Current to 180 days	**75,272**	38,617
181 to 365 days	**7,477**	9,642
Over 365 days	**193**	13,950
	82,942	62,209

For the year ended 31 December 2020, receivables from rentals of HK$11,832,000 has been written off as uncollectible. Other than the above-mentioned, there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

The terms of trade receivables with related parties were similar to those offered to other customers of the Group.

(b) The Group has entered into project management agreements with related parties and third parties for urban redevelopment projects. According to the project management agreements, the Group agreed to provide funds and project management services to the urban redevelopment projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funds provided and a variable income for certain projects which is determined with reference to the performance of the underlying projects subject to constraint.

An ageing analysis of the receivables for urban redevelopment as at the end of the reporting period, based on the incurred date, is as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**7,073,389**	5,977,802
1 to 2 years	**3,612,492**	4,390,328
Over 2 years	**4,335,649**	739,813
	15,021,530	11,107,943

22. TRADE RECEIVABLES *(continued)*

Notes: *(continued)*

(b) *(continued)*

The movements in the loss allowance for impairment of receivables for urban redevelopment projects are as follows:

	2020 **HK$'000**	2019 HK$'000
At beginning of year	**234,871**	67,806
Impairment losses (note 7)		
New receivables	**208,961**	99,599
Changes in risk parameters	**210,277**	72,047
Receivables settled during the year	**(11,311)**	—
	407,927	171,646
Disposal of a subsidiary	**(150,022)**	—
Exchange realignment	**28,064**	(4,581)
At end of year	**520,840**	234,871

Impairment analysis is performed on the Group's receivables at each reporting date by considering the probability of default of the counterparties or comparable companies with published credit ratings. As at 31 December 2020, the probability of default applied was 8.1% (2019: from 2.7% to 8.6%) and the loss given default was estimated as 62.3% (2019: from 61.4% to 62.3%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2020 HK$'000	2019 HK$'000
Deposits to related parties for acquisition of equity interests in property development projects	(a), 43(c)	**712,896**	781,445
Prepaid construction costs and others		**239,816**	199,047
Prepaid business taxes and other levies		**104,315**	94,484
Project deposits to a contractor	(b)	**192,526**	348,089
Consideration receivable	(c)	**788,938**	—
Cost of obtaining contracts		**17,628**	28,226
Other receivables			
A joint venture	43(c)	**23,760**	—
Related parties	(d), 43(c)	**14,869**	978,258
Third parties		**1,668,389**	236,059
		1,707,018	1,214,317
		3,763,137	2,665,608
Impairment allowance	(e)	**(86,834)**	(49,054)
		3,676,303	2,616,554

Notes:

(a) As at 31 December 2020, deposits of HK$712,896,000 (2019: HK$781,445,000) were paid to Guangdong Zhuguang Group Company Limited and its subsidiaries (related parties of the Group), as authorised agents of the Group for the proposed acquisitions of equity interests of certain entities which own certain land use rights or property development projects in the PRC.

(b) Project deposits to a contractor of the Group was unsecured, with an interest rate of 12% per annum and repayable on demand.

(c) The receivable relates to certain properties to be developed with a saleable area of approximately 38,179 sq.m. that will be transferred to the Group upon completion of the urban redevelopment project and formed part of the total consideration on the disposal of 100% equity interest in Guangzhou Yuhong Investment Company Limited (a company engaged in the property redevelopment project in the PRC). Details on the disposal are set out in the Company's announcement and the circular dated 22 April 2020 and 24 June 2020, respectively.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

Notes: (continued)

(d) As at 31 December 2019, other receivables of HK$948,898,000 represented funds provided to certain related parties for property development projects in the PRC of which the project management service agreement was terminated during the year ended 31 December 2019 and was reclassified to other receivables stated at amortised cost. The balance was settled in 2020.

(e) The movements in the loss allowance for impairment of financial assets included in prepayments, other receivables and other assets are as follows:

	2020 **HK$'000**	2019 HK$'000
At beginning of year	**49,054**	24,110
Impairment losses (note 7)		
New receivables	**51,448**	27,627
Receivables settled during the year	**(26,333)**	(6,392)
Changes in risk parameters	**7,647**	7,415
	32,762	28,650
Amount written off as uncollectible	**–**	(2,274)
Exchange realignment	**5,018**	(1,432)
At end of year	**86,834**	49,054

Impairment analysis is performed on the Group's prepayments, other receivables and other assets at each reporting date by considering the probability of default of the counterparties or comparable companies with published credit ratings. As at 31 December 2020, the probability of default applied ranged from 1.2% to 8.1% (2019: from 0% to 8.6%) and the loss given default was estimated from 62.3% to 62.9% (2019: from 55.4% to 62.8%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2020 HK$'000	2019 HK$'000
Other receivables, at fair value	(a)	**3,885,718**	3,870,580
Other unlisted investments, at fair value	(b)	**72,323**	68,510
		3,958,041	3,939,090
Portion classified as current assets		**(2,372,579)**	(2,284,993)
Non-current portion		**1,585,462**	1,654,097

Notes:

(a) As at 31 December 2020, the other receivables of HK$3,885,718,000 (2019: HK$3,870,580,000) at fair value represented funds deployed in property development projects in the PRC with certain related parties which are classified as financial assets at fair value through profit or loss. Pursuant to the relevant project management service agreements as the ordinary course of business of the Group, the Group agreed to provide funds and management services to certain property development projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funds provided and a variable bonus which is determined with reference to the operating performance of the projects. The fair value of the other receivables is determined based on the discounted cash flow projections based on the expected future cash flows from the property development projects estimated by management. The discount rate applied to the cash flow projections ranged from 17.1% to 17.3% (2019: ranged from 12.7% to 12.9%). During the year ended 31 December 2019, one of the project management service agreements was terminated and other receivables at fair value of HK$948,898,000 were reclassified to other receivables stated at amortised cost.

(b) At 31 December 2020, the Group subscribed for certain unlisted PRC investment funds for an aggregate amount of HK$72,323,000 (2019: HK$68,510,000). The investment funds are managed with expected return equal to one-year prevailing savings interest rate quoted by the People's Bank of China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25. RESTRICTED CASH

	2020 HK$'000	2019 HK$'000
Guarantee deposits for construction projects	**74,065**	229,517
Term deposits pledged for bank borrowings granted to the Group (note 31(a)(v))	**1,041,446**	764,700
Term deposits pledged for bank borrowings granted to independent third parties	**237,632**	—
	1,353,143	994,217

Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place at designated bank accounts certain amounts of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fees for the relevant property projects. The deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is earlier. As at 31 December 2020, such guarantee deposits amounted to HK$74,065,000 (2019: HK$229,517,000).

At 31 December 2020, certain of the Group's term deposits with initial terms of over three months with an aggregate carrying amount of HK$237,632,000 (2019: Nil) were pledged to secure bank loans amounting to HK$594,080,000 granted to independent third parties which are business associates of the Group. The related loans will mature in October and December 2021.

26. TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 31 December 2020 is 2.23% per annum (2019: 1.96% per annum).

27. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash and bank balances:		
Denominated in RMB	**49,984**	312,063
Denominated in HK$	**4,971**	41,560
Denominated in US$	**274**	85
	55,229	353,708

Notes:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

(b) 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.

28. CONTRACT LIABILITIES

Contract liabilities represent sales proceeds received from buyers in connection with the Group's pre-sales of properties.

The decrease in the balance of contract liabilities was mainly due to the sales recognised and partially offset by the pre-sales of properties during the year.

As at 1 January 2019, contract liabilities amounted to HK$2,845,669,000.

29. TRADE AND OTHER PAYABLES

	Notes	2020 HK$'000	2019 HK$'000
Trade and bills payables	(a)	**2,207,549**	2,107,060
Amounts due to related parties	43(c)	**218,724**	205,800
Amounts due to a joint venture	43(c)	**158,452**	—
Amounts due to the ultimate holding company	43(c)	**344,432**	351,550
Other payables and accruals		**558,922**	629,580
Other taxes payables		**723,400**	483,703
		4,211,479	3,777,693
Portion classified as current liabilities		**(3,858,256)**	(3,744,454)
Non-current portion		**353,223**	33,239

Note:

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

	2020 HK$'000	2019 HK$'000
Within 1 year	**2,131,531**	2,077,350
Over 1 year	**76,018**	29,710
	2,207,549	2,107,060

The trade payables are non-interest-bearing and unsecured.

As at 31 December 2020, trade payables amounting to HK$17,768,000 (2019: Nil) were payable to Guangzhou Zhuguang Property Management Company Limited, a related company of the Company, for the provision of property management services (note 43(c)).

30. DERIVATIVE FINANCIAL INSTRUMENTS

The 2019 Warrants (as defined note 31(c)) were measured at their fair values on 31 December 2020 and 2019. The fair values (categorised as level 3 measurement under HKFRS 13) of the warrants were based on a valuation, using trinomial tree method, carried out by an independent qualified professional valuer and approved by the Directors. The significant unobservable inputs used in the fair value measurement are expected volatility and effective interest rate.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Lease liabilities (note 16(b))		**2021**	**7,000**		2020	6,392
Bank borrowings — secured	**1.36%-13.33%**	**2021**	**2,145,761**	2.97%-13.33%	2020	1,401,733
Bank borrowings — unsecured	**5.27%**	**2021**	**236,849**	—	—	—
Other borrowings — secured	**3.09%-13.10%**	**2021**	**4,883,795**	6.19%-13.10%	2020	1,816,786
Other borrowings — unsecured	**12.00%**	**2021**	**100,000**	12.00%	2020	220,000
2017 Senior Notes	**–**	**–**	**–**	10.40%	2020	320,892
2019 Senior Notes	**12.71%-14.71%**	**2021**	**583,056**	12.71%-14.71%	2020	271,389
			7,956,461			4,037,192
Non-current						
Lease liabilities (note 16(b))		**2022**	**6,850**		2021-2022	13,850
Bank borrowings — secured	**6.86%-13.33%**	**2022-2025**	**3,525,390**	4.15%-10.08%	2021-2022	3,736,273
Other borrowings — secured	**10.44%-12.16%**	**2022-2035**	**3,696,466**	6.19%-13.10%	2021-2026	7,629,948
2019 Senior Notes	**12.71%-14.71%**	**2022**	**1,855,852**	12.71%-14.71%	2021-2022	2,788,754
			9,084,558			14,168,825
			17,041,019			18,206,017

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2020 HK$'000	2019 HK$'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	**2,382,610**	1,401,733
In the second year	**610,778**	3,735,156
In the third to fifth years, inclusive	**596,645**	1,117
Over five years	**2,317,967**	—
	5,908,000	5,138,006
Other borrowings repayable:		
Within one year or on demand	**4,983,795**	2,036,786
In the second year	**2,351,667**	4,428,068
In the third to fifth years, inclusive	**595,711**	2,634,683
Over five years	**749,088**	567,197
	8,680,261	9,666,734
Senior notes:		
Within one year or on demand	**583,056**	592,281
In the second year	**1,855,852**	239,361
In the third to fifth years, inclusive	**—**	2,549,393
	2,438,908	3,381,035
Lease liabilities repayable:		
Within one year or on demand	**7,000**	6,392
In the second year	**6,850**	7,000
In the third to fifth years, inclusive	**—**	6,850
	13,850	20,242
	17,041,019	18,206,017

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) Certain of the Group's bank and other borrowings are secured or guaranteed by:

(i) pledges over the Group's property and equipment with an aggregate carrying amount at the end of the reporting period of approximately HK$348,197,000 (2019: HK$322,309,000) (note 13);

(ii) pledges over the Group's investment properties with an aggregate carrying amount at the end of the reporting period of approximately HK$2,736,059,000 (2019: HK$3,304,217,000) (note 14);

(iii) pledges over the Group's properties under development with an aggregate carrying amount at the end of the reporting period of approximately HK$623,265,000 (2019: HK$1,054,227,000) (note 20);

(iv) pledges over the Group's completed properties held for sale with an aggregate carrying amount at the end of the reporting period of approximately HK$3,281,195,000 (2019: HK$1,746,219,000) (note 21);

(v) pledges over the Group's term deposits with initial terms of over three months with an aggregate carrying amount at the end of the reporting period of approximately HK$1,041,446,000 (2019: HK$764,700,000) (note 25);

(vi) pledges over the Group's investment in an associate with an aggregate carrying amount at the end of the reporting period of approximately HK$1,586,396,000 (2019: HK$2,182,785,000) (note 19);

(vii) pledges over the Company's equity interest executed by the Company's ultimate holding company for borrowings of the Group amounting to HK$332,320,000 (2019: HK$433,691,000) as at the end of the reporting period;

(viii) pledges over the equity interests of certain subsidiaries of the Company for borrowings of the Group amounting to HK$6,285,640,000 (2019: HK$6,869,061,000) as at the end of the reporting period;

(ix) corporate guarantees executed or security provided by the Company's ultimate holding company for the senior notes of the Group amounting to HK$2,438,908,000 (2019: HK$3,381,035,000) as at the end of the reporting period;

(x) corporate guarantees executed by the Company for borrowings of the Group amounting to HK$8,284,102,000 (2019: HK$10,338,600,000) as at the end of the reporting period;

(xi) personal guarantee executed by certain Directors for borrowings of the Group amounting to HK$8,532,182,000 (2019: HK$10,520,403,000) as at the end of the reporting period; and

(xii) pledges and guarantees provided by GD Zhuguang Group (as defined in note 43) for borrowings of the Group amounting to HK$8,258,792,000 (2019: HK$10,203,971,000) as at the end of the reporting period.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(b) On 13 December 2017, the Company issued 2-year secured and guaranteed senior notes ("2017 Senior Notes"), with an aggregate principal amount of US$50,000,000. The net proceeds, after deducting the issuance costs, amounted to US$48,474,000 (equivalent to approximately HK$378,412,000). The 2017 Senior Notes were denominated in US$, due on 12 December 2019, and with an interest rate at 8% per annum. The maturity date of the outstanding 2017 Senior Notes with an aggregate principal amount of US$42,000,000 was extended to 12 December 2020 pursuant to a consent letter signed on 22 January 2020. During the current year, the 2017 Senior Notes were fully repaid.

(c) On 22 September 2019, the Company issued 3-year secured and guaranteed senior notes (the "2019 Senior Notes") with an aggregate principal amount of US$410,000,000 for settlement of the 2016 Senior Notes. The Company, at its option, can redeem all or a portion of the 2019 Senior Notes at any time after twelve months from the issue date and from time to time prior to the maturity date at the redemption price plus accrued and unpaid interest up to the redemption date. The Company shall, on the date falling twelve months after the issue date, redeem 10% of the then outstanding principal amount, and shall, on the date falling twenty four months after the issue date, redeem 10% of the then outstanding principal amount. The remaining outstanding principal amount of the 2019 Senior Notes is due on 21 September 2022. The 2019 Senior Notes are denominated in US$ with an interest rate at 11% per annum. During the current year, 20% of the aggregate principal amount amounting to US$82,000,000 was repaid.

Concurrent with the issuance of the 2019 Senior Notes, nil-paid warrants (the "2019 Warrants") representing a total amount of exercise moneys of US$61,500,000 (the exchange rate to be used for the purchase of HK$ with US$ shall be HK$7.8 per US$1.0) were granted by the Company to these investors to subscribe for 297,064,651 ordinary shares of the Company at an initial exercise price of HK$1.6148 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. The 2019 Warrants are exercisable at any time up to 36 months from the issue date of such warrants. During the year, no warrants were exercised by the holders.

Rong De has provided pledges and guarantees for the Group's senior notes of HK$2,438,908,000 (2019: HK$3,381,035,000) and warrants of HK$19,645,000 (2019: HK$40,134,000) at 31 December 2020.

(d) The Group's bank and other borrowings with carrying amounts of HK$1,037,773,000 (2019: HK$1,270,974,000), HK$13,281,930,000 (2019: HK$13,467,953,000) and HK$2,721,316,000 (2019: HK$3,467,090,000) are denominated in HK$, RMB and US$, respectively.

(e) The Group's bank and other borrowings with carrying amounts of HK$3,451,454,000 (2019: HK$133,588,000) and HK$13,589,565,000 (2019: HK$18,072,429,000) are carried at floating interest rates and fixed interest rates, respectively.

32. INCOME TAX PAYABLES

	2020 **HK$'000**	2019 HK$'000
PRC corporate income tax payable	**2,113,544**	1,237,946
PRC land appreciation tax payable	**1,341,139**	887,818
	3,454,683	2,125,764

33. DEFERRED TAX

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	2020 HK$'000	2019 HK$'000
Deferred tax assets recognised in the consolidated statement of financial position	**18,177**	82,736
Deferred tax liabilities recognised in the consolidated statement of financial position	**(1,302,085)**	(1,556,936)
	(1,283,908)	(1,474,200)

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

Deferred tax assets

	Impairment of receivables and deposits HK$'000	Temporary difference on LAT HK$'000	Total HK$'000
At 1 January 2019	11,973	54,115	66,088
Credited/(charged) to profit or loss during the year (note 10)	30,517	(12,044)	18,473
Exchange realignment	(1,125)	(700)	(1,825)
At 31 December 2019 and 1 January 2020	**41,365**	**41,371**	**82,736**
Charged to profit or loss during the year (note 10)	**(24,419)**	**(41,643)**	**(66,062)**
Exchange realignment	**1,231**	**272**	**1,503**
At 31 December 2020	**18,177**	**–**	**18,177**

33. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Fair value adjustments of financial assets at fair value through profit or loss HK$'000	Temporary difference on revaluation gains of investment properties HK$'000	Fair value adjustments on business combinations HK$'000	Undistributed profits of PRC subsidiaries HK$'000	Temporary difference on LAT HK$'000	Total HK$'000
At 1 January 2019	219,042	522,534	573,598	9,451	803	1,325,428
Charged/(credited) to profit or loss during the year (note 10)	108,688	218,666	(70,715)	–	–	256,639
Exchange realignment	(6,627)	(15,183)	(3,096)	(207)	(18)	(25,131)
At 31 December 2019 and 1 January 2020	**321,103**	**726,017**	**499,787**	**9,244**	**785**	**1,556,936**
Charged/(credited) to profit or loss during the year (note 10)	**27,808**	**(46,271)**	**(356,604)**	**53,467**	**–**	**(321,600)**
Exchange realignment	**21,829**	**43,610**	**662**	**596**	**52**	**66,749**
At 31 December 2020	**370,740**	**723,356**	**143,845**	**63,307**	**837**	**1,302,085**

The Group had unutilised tax losses of approximately HK$1,784,828,000 as at 31 December 2020 (2019: HK$1,383,055,000) for offsetting against future taxable profits of the tax entity in which the losses arose. Deferred tax assets have not been recognised for these tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2020, deferred tax amounted to HK$63,307,000 has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, other than the above-mentioned, it is not probable that other subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$272,167,000 at 31 December 2020 (2019: HK$309,529,000).

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

34. SHARE CAPITAL

	2020 HK$'000	2019 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
Issued and fully paid:		
7,194,417,247 ordinary shares of HK$0.1 each	**719,442**	719,442

On 2 January 2019, an aggregate of 770,000,000 ordinary shares were issued to Rong De at the subscription price of HK$1.30 per share for a cash consideration of HK$1,001 million, which was received and recorded by the Group as subscription monies received as at 31 December 2018, before deducting share issue expenses of approximately HK$1 million.

35. RESERVES

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.

(i) Merger reserve

The merger reserve was set up upon the share swap for the Company to acquire its subsidiaries.

(ii) Contributed surplus

The contributed surplus was credited from the share premium cancellation in prior years. The application of the contributed surplus is governed by the Companies Act of Bermuda.

(iii) Statutory reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in the PRC, and were approved by the respective boards of directors.

(iv) Capital reserve

Gain or loss arising from the acquisition of non-controlling interests and from disposal of partial interests of the Group's subsidiaries without loss of control was recognised as capital reserve.

36. PERPETUAL CAPITAL SECURITIES

On 29 October 2018, the Company issued perpetual capital securities with a principal amount of HK$800,000,000.

The securities confer the holders a right to receive distributions at the applicable distribution rate of 6% per annum from and including 29 October 2018, payable semi-annually on 20 June and 20 December of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the Directors, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments of the Company.

37. ACQUISITION OF A SUBSIDIARY

In December 2019, the Group entered into an equity transfer agreement with an independent third party for the acquisition of 100% equity interest in All Flourish at an aggregate consideration of approximately RMB1.05 billion (equivalent to HK$1.16 billion). Up to the date of the acquisition, All Flourish directly holds 100% equity interest in a dormant company, which indirectly holds 51% equity interest in AEC with investment cost amounting to HK$1,669,824,000. AEC did not carry on significant business transaction except for holding land parcels in Guangzhou and was classified as a joint venture of All Flourish. Accordingly, the transaction is not accounted for as a business combination but an acquisition of an asset. The acquisition was completed in March 2020 and All Flourish and AEC have, respectively, become a wholly-owned subsidiary and a joint venture of the Group. The consideration was fully settled during the year.

38. DISPOSAL OF A SUBSIDIARY

	Note	2020 HK$'000
Net assets disposed of:		
Trade receivables		3,493,917
Cash and cash equivalents		18
Other payables		(3,056,458)
		437,477
Gain on disposal of the subsidiary		2,037,683
Withholding tax arising from gain on disposal	10	(242,953)
		2,232,207
Satisfied by:		
Cash		1,725,046
Prepayment, deposits and other receivables		750,114
Tax payable		(242,953)
		2,232,207

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020 HK$'000
Cash and cash equivalents disposed of	(18)
Cash consideration received	1,725,046
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	1,725,028

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2019, the Group issued the 2019 Senior Notes with an aggregate principal amount of US$410,000,000 for settlement of the 2016 Senior Notes for the same principal amount (note 31(c)) and had non-cash additions to right-of-use assets and lease liabilities of HK$21,014,000, in respect of lease arrangements for office properties and motor vehicles.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings HK$'000	Derivative financial instruments HK$'000	Amounts due to a joint venture included in trade and other payables HK$'000	Amounts due to the ultimate holding company included in trade and other payables HK$'000	Amounts due to related parties included in trade and other payables HK$'000
At 1 January 2019	19,145,155	17,964	–	24,030	390,686
Changes from financing cash flows	(512,101)	–	–	327,520	(177,448)
New issue of warrants	(51,307)	51,307	–	–	–
New leases	21,014	–	–	–	–
Foreign exchange movement	(396,744)	–	–	–	(7,438)
Net change in fair value	–	(29,137)	–	–	–
At 31 December 2019 and 1 January 2020	**18,206,017**	**40,134**	**–**	**351,550**	**205,800**
Changes from operating cash flow	**(1,588)**	**–**	**–**	**–**	**–**
Changes from financing cash flows	**(2,131,487)**	**–**	**150,173**	**(7,118)**	**13,196**
Foreign exchange movement	**968,077**	**–**	**8,279**	**–**	**(272)**
Net change in fair value	**–**	**(20,489)**	**–**	**–**	**–**
At 31 December 2020	**17,041,019**	**19,645**	**158,452**	**344,432**	**218,724**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 HK$'000	2019 HK$'000
Within operating activities	**4,486**	7,902
Within financing activities	**6,392**	772
	10,878	8,674

40. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties	**3,643,803**	3,671,035

As at 31 December 2020, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees at initial recognition and the expected credit loss allowance are not significant as the Directors consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties.

41. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in note 31 to the financial statements.

42. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Contracted, but not provided for:		
Properties under development	**720,169**	734,768
Acquisition of land use right	**—**	1,172,168
Acquisition of a subsidiary	**1,069,344**	—
	1,789,513	1,906,936

In addition, the Group's share of the joint ventures own capital commitments, which are not included in the above, is as follows:

	2020 HK$'000	2019 HK$'000
Contracted, but not provided for:		
Properties under development	**539,133**	—

43. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Name	Relationship
Rong De	Ultimate holding company of the Company
Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi)	Major shareholder of Rong De, the chairman of the Company's board of directors (the "Board"), the Company's executive director, and a member of key management personnel of the Company
Mr. Liao Tengjia	Major shareholder of Rong De, deputy chairman of the Board, the Company's executive director and a member of key management personnel of the Company
Mr. Huang Jiajue	Deputy chairman of the Board, the Company's executive director, and a member of key management personnel of the Company
Guangzhou Zhuguang Property Management Company Limited ("Guangzhou Zhuguang Property Management")	Controlled by a close family member of Mr. Chu Hing Tsung
Guangdong Zhuguang Group Company Limited ("GD Zhuguang Group")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Investment Company Limited ("GZ Zhuguang Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Conghua Zhuguang Investment Company Limited ("GZ Conghua Zhuguang Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Property Development Company Limited ("GZ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influencein this company
Shenzhen Zhuguang Property Company Limited ("SZ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Beijing Zhuguang Property Development Company Limited ("BJ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Yifa Industrial Development Co., Ltd ("Yifa Industrial")	Mr. Liao Tengjia is considered to have significant influence in this company
Qingyuan Qingxin District Huilihao Real Estate Company Limited ("Qingyuan Huilihao")	Mr. Liao Tengjia is considered to have significant influence in this company
Sanya Lantian Investment Co., Ltd ("Sanya Lantian Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Beijing Quan Ying Property Development Company Limited ("BJ Quan Ying")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangdong Deer Lake Spa Holiday Hotel Company Limited ("GD Deer Lake Hotel")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Royal Star Apartment Company Limited ("Royal Star Apartment")	Mr. Liao Tengjia is considered to have significant influence in this company
Xianghe Zhuguang Real Estate Company Limited ("XH Zhuguang Real Estate")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Development Automobile City Co., Ltd. ("AEC")	Joint venture of the Group

43. RELATED PARTY TRANSACTIONS *(continued)*

(a) Names and relationships with related parties *(continued)*

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2020 HK$'000	2019 HK$'000
Finance component of income from GD Zhuguang Group and its subsidiaries	(i)	**1,612,413**	1,045,058
Interest income from GD Zhuguang Group	(ii)	**94,882**	96,528
Service income received from GD Zhuguang Group and its subsidiaries	(iii)	**57,623**	34,643
Service income received from AEC	(iii)	**28,326**	—
Property management service fees to Guangzhou Zhuguang Property Management	(iii)	**17,768**	—

Notes:

(i) The finance component of income was derived from the receivables related to urban redevelopment projects in accordance with the terms of the underlying agreements.

(ii) The interest income was derived from the deposit for acquisition of equity interests in a property development project at a mutually agreed rate.

(iii) The above transactions were conducted in accordance with the terms of the underlying agreements.

(iv) GD Zhuguang Group has provided pledges and guarantees for the Group's bank and other borrowings of HK$8,258,792,000 at 31 December 2020 (2019: HK$10,203,971,000).

(v) Rong De has provided pledges and guarantees for the Group's senior notes of HK$2,438,908,000 (2019: HK$3,381,035,000) and warrants of HK$19,645,000 (2019: HK$40,134,000) at 31 December 2020.

(vi) During the years ended 31 December 2020 and 2019, the Group's principal place of business in the PRC was provided by GD Zhuguang Group for which no charge was made.

(vii) In the opinion of the Directors, the related party transactions were conducted in the ordinary course of business of the Group.

43. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of key management personnel of the Group

In the opinion of the Directors, the directors and the chief executive officer of the Company represented the key management personnel of the Group and details of the compensation of the key management personnel are set out in note 8 to the financial statements.

(c) Outstanding balances with related parties:

As at 31 December 2020 and 2019, the Group had the following material balances with related parties:

	Notes	**2020 HK$'000**	2019 HK$'000
Amounts due from related parties relating to receivables from sales of properties and rentals included in trade receivables:			
— Qingyuan Huilihao	(i)	**–**	8,981
Amounts due from related parties relating to receivables for urban redevelopment projects included in trade receivables			
— GD Zhuguang Group	22(b)	**3,468,456**	1,356,292
— GZ Zhuguang Property	22(b)	**7,437,244**	3,701,072
— GZ Conghua Zhuguang Investment	22(b)	**2,700,626**	2,571,663
— SZ Zhuguang Property	22(b)	**527,367**	382,911
— GD Zhuguang Investment	22(b)	**708,705**	—
		14,842,398	8,011,938
Amounts due from related parties included in prepayments, other receivables and other assets			
— GZ Conghua Zhuguang Investment	(ii)	**–**	948,898
— BJ Quan Ying	(iii)	**4,176**	7,442
— Yifa Industrial	(iii)	**–**	17,452
— GD Deer Lake Hotel	(iii)	**–**	1,786
— Royal Star Apartment	(iii)	**–**	2,680
— XH Zhuguang Real Estate	(iii)	**3,564**	—
— Sanya Lantian Investment	(iii)	**7,129**	—
		14,869	978,258
Amounts due from a joint venture included in prepayments, other receivables and other assets	(iii)	**23,760**	—

43. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties: *(continued)*

	Notes	2020 HK$'000	2019 HK$'000
Amounts due from related parties included in prepayments, other receivables and other assets			
— GD Zhuguang Group	23	**712,896**	781,445
Amounts due from related parties included in financial assets at fair value through profit or loss			
— BJ Zhuguang Property	24(a)	**1,930,169**	1,985,333
— Yifa Industrial	24(a)	**1,955,549**	1,885,247
		3,885,718	3,870,580
Amounts due to Guangzhou Zhuguang Property Management included in trade and other payables	(iv)	**17,768**	—
Amount due to AEC included in trade and other payables	(v)	**158,452**	—
Amounts due to related parties included in trade and other payables			
— GD Zhuguang Group	(v)	**197,159**	205,543
— GZ Conghua Zhuguang Investment	(v)	**273**	257
— GZ Zhuguang Property Management	(v)	**2,222**	—
— GZ Zhuguang Real Estate Management	(v)	**19,070**	—
		218,724	205,800
Amounts due to the ultimate holding company (Rong De) included in trade and other payables	(vi)	**344,432**	351,550

43. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties: *(continued)*

Notes:

(i) An amount due from Qingyuan Huilihao included in trade receivables was derived from the provision of project management services, which was settled during the year in accordance with mutually agreed terms.

(ii) Amounts due from GZ Conghua Zhuguang Investment included in prepayments, other receivables and other assets are unsecured, interest-free and repayable on demand.

(iii) Amounts due from related parties and a joint venture included in prepayments, other receivables and other assets were derived from the provision of management services, which would be settled in accordance with mutually agreed terms.

(iv) An amount due to Guangzhou Zhuguang Property Management included in trade and other payables are derived from the provision of property management services, which would settled in accordance with mutually agreed terms.

(v) Amounts due to related parties and a joint venture included in trade and other payables are unsecured, interest-free and repayable on demand.

(vi) Amounts due to the ultimate holding company included in other payables are unsecured, interest-free and repayable on demand.

44. FINANCIAL INSTRUMENTS BY CATEGORY

Other than unlisted PRC investment funds and financial assets at fair value through profit or loss and derivative financial instruments as disclosed in note 24 and note 30 to the financial statements, respectively, all financial assets and financial liabilities of the Group as at 31 December 2020 and 2019 were financial assets at amortised cost and financial liabilities at amortised cost, respectively.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments as at 31 December 2020 and 2019 approximated to their fair values.

Management has assessed that the fair values of trade receivables, deposits, restricted cash, cash and cash equivalents, term deposits, trade and other payables and the current portion of bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The following methods and assumptions were used to estimate the fair values:

The carrying amounts of the non-current portion of bank and other borrowings approximate to their fair values. The fair values of the non-current portion of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes of fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2020 and 2019 were assessed to be insignificant.

The Group has estimated the fair value of unlisted PRC investment funds by using a discounted cash flow valuation model based on the market interest rate of instruments with similar terms and risks.

Derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of derivative financial instruments are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets				
Financial assets at fair value through profit or loss	–	–	3,958,041	3,958,041
Financial liabilities				
Derivative financial instruments	–	–	19,645	19,645

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss	—	—	3,939,090	3,939,090
Financial liabilities				
Derivative financial instruments	—	—	40,134	40,134

The movements in fair value measurements of financial assets within Level 3 are as follows:

	2020 HK$'000	2019 HK$'000
Financial assets at fair value through profit or loss:		
At 1 January	**3,939,090**	5,320,075
Change in fair value during the year	**367,802**	662,507
Disposal during the year	**(621,942)**	(966,374)
Transfer to financial assets at amortised cost	**—**	(948,898)
Exchange realignment	**273,091**	(128,220)
At 31 December	**3,958,041**	3,939,090
Derivative financial instruments:		
At 1 January	**40,134**	17,964
Change in fair value during the year	**(20,489)**	(29,137)
Addition during the year	**—**	51,307
At 31 December	**19,645**	40,134

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The details of the valuation technique and the inputs used in the fair value measurement of financial assets at fair value through profit or loss and derivative financial instruments have been disclosed in note 24 and note 30 to the financial statements, respectively.

Save as disclosed above, during the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, amounts due from/to related parties, and cash and term deposits with initial terms of over three months. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market risk

The Group's assets are predominantly in the form of investment properties, properties under development and completed properties held for sale in the PRC. In the event of a severe downturn in the property market in the PRC, these assets may not be readily realised.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than term deposits held at banks and receivables from urban redevelopment projects, the Group does not have significant interest-bearing assets. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Interest rate risk *(continued)*

	Increase/ (decrease) in basis points	Increase/ (decrease) on profit before tax HK$'000
2020		
RMB	**0.5%**	**(16,047)**
RMB	**(0.5%)**	**16,047**
HK$	**0.5%**	**(230)**
HK$	**(0.5%)**	**230**
USD	**0.5%**	**(981)**
USD	**(0.5%)**	**981**
2019		
RMB	0.5%	(3,058)
RMB	(0.5%)	3,058
HK$	0.5%	(247)
HK$	(0.5%)	247

Foreign currency risk

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of China to pay capital account items, such as the repayment of bank and other borrowings denominated in foreign currencies.

The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries' ability to obtain required foreign currency through debt or equity financing, including by means of borrowings or capital contributions from the shareholders.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Foreign currency risk *(continued)*

All the revenue-generating operations of the Group are transacted in RMB. The majority of the Group's assets and liabilities are denominated in RMB except for the Company and certain investment holding companies within the Group operating in Hong Kong, in which bank and other borrowings were denominated either in HK$ or US$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ exchange rate against RMB and US$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	Increase/ (decrease) on profit before tax HK$'000
2020		
If HK$ weakens against RMB	**5%**	**730,132**
If HK$ strengthens against RMB	**(5%)**	**(730,132)**
If HK$ weakens against US$	**5%**	**(138,689)**
If HK$ strengthens against US$	**(5%)**	**138,689**
2019		
If HK$ weakens against RMB	5%	451,981
If HK$ strengthens against RMB	(5%)	(451,981)
If HK$ weakens against US$	5%	(191,866)
If HK$ strengthens against US$	(5%)	191,866

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 40.

The Group was exposed to concentration of credit risk through its term deposits with initial terms of over three months, receivables from related parties and deposits for acquisition of equity interests in property development projects.

The credit risk of the Group's other financial assets, which mainly comprise term deposits with initial terms of over three months, receivables, deposits for acquisition of equity interests in property development projects and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Credit risk *(continued)*

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Simplified approach HK$'000**	**Total HK$'000**
Financial assets included in prepayments, other receivables and other assets*	**2,612,440**	**—**	**—**	**—**	**2,612,440**
Trade receivables*	**15,021,530**	**—**	**—**	**82,942**	**15,104,472**
Term deposits with initial terms of over three months	**1,103,808**	**—**	**—**	**—**	**1,103,808**
Restricted cash	**1,353,143**	**—**	**—**	**—**	**1,353,143**
Cash and cash equivalents	**55,229**	**—**	**—**	**—**	**55,229**
Financial guarantees issued	**3,643,803**	**—**	**—**	**—**	**3,643,803**
	23,789,953	**—**	**—**	**82,942**	**23,872,895**

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	**Stage 2** HK$'000	**Stage 3** HK$'000	**Simplified approach** HK$'000	**Total** HK$'000
Financial assets included in prepayments, other receivables and other assets*	2,343,851	—	—	—	2,343,851
Trade receivables*	11,107,943	—	—	62,209	11,170,152
Term deposits with initial terms of over three months	2,541,890	—	—	—	2,541,890
Restricted cash	994,217	—	—	—	994,217
Cash and cash equivalents	353,708	—	—	—	353,708
Financial guarantees issued	3,671,035	—	—	—	3,671,035
	21,012,644	—	—	62,209	21,074,853

* The credit quality of receivables for urban redevelopment projects and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from the pre-sale of properties, committed credit facilities, and short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining an adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing. The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, and accelerating sales with more flexible pricing. The Group will pursue such strategies based on its assessment of relevant future costs and benefits.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Over five years HK$'000	Total HK$'000
2020					
Interest-bearing bank and other borrowings (excluding lease liabilities)	9,572,172	5,757,853	1,900,645	4,905,595	22,136,265
Lease liabilities	8,268	7,452	–	–	15,720
Trade and other payables	3,858,256	353,223	–	–	4,211,479
Derivative financial instruments	19,645	–	–	–	19,645
	13,458,341	6,118,528	1,900,645	4,905,595	26,383,109
Financial guarantees issued: Maximum amount guaranteed	3,643,803	–	–	–	3,643,803

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Liquidity risk *(continued)*

	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Over five years HK$'000	Total HK$'000
2019					
Interest-bearing bank and other borrowings (excluding lease liabilities)	5,603,838	9,504,461	5,827,984	639,503	21,575,786
Lease liabilities	8,243	8,268	7,452	–	23,963
Trade and other payables	3,744,454	33,239	–	–	3,777,693
Derivative financial instruments	40,134	–	–	–	40,134
	9,396,669	9,545,968	5,835,436	639,503	25,417,576
Financial guarantees issued: Maximum amount guaranteed	3,671,035	–	–	–	3,671,035

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. Net debt includes total bank and other borrowings less cash and cash equivalents, restricted cash and term deposits with initial terms of over three months. Total capital comprises total equity plus net debt. The Group aims to maintain a healthy and stable gearing ratio.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

Capital management *(continued)*

The gearing ratios as at the end of the reporting periods were as follows:

	2020 **HK$'000**	2019 HK$'000
Interest-bearing bank and other borrowings	**17,041,019**	18,206,017
Less: Cash and cash equivalents	**(55,229)**	(353,708)
Term deposits with initial terms of over three months	**(1,103,808)**	(2,541,890)
Restricted cash	**(1,353,143)**	(994,217)
Net debt	**14,528,839**	14,316,202
Total equity	**9,418,952**	7,564,094
Total capital	**23,947,791**	21,880,296
Gearing ratio	**61%**	65%

47. EVENT AFTER THE REPORTING PERIOD

In December 2020, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement to acquire the remaining 49% of equity interest in AEC at the consideration of RMB900 million (approximately HK$1,038 million). The acquisition was completed in March 2021 and AEC became a wholly-owned subsidiary of the Company. Further details of the acquisition are set out in the Company's announcement and circular dated 7 December 2020 and 23 December 2020, respectively.

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 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Property and equipment	**13,345**	20,155
Investments in subsidiaries	**580,897**	580,881
Trade receivables	**28,488**	5,582
Deferred tax assets	**—**	1,040
Total non-current assets	**622,730**	607,658
CURRENT ASSETS		
Amounts due from subsidiaries	**20,952,519**	15,665,679
Deposits and other receivables	**4,316**	417,476
Cash and cash equivalents	**3,281**	40,444
Total current assets	**20,960,116**	16,123,599
CURRENT LIABILITIES		
Amounts due to subsidiaries	**7,679,272**	5,720,630
Other payables and accruals	**141,094**	506,401
Interest-bearing bank and other borrowings	**1,563,855**	935,872
Income tax payables	**3,492**	32,903
Derivative financial instruments	**19,645**	40,134
Total current liabilities	**9,407,358**	7,235,940
NET CURRENT ASSETS	**11,552,758**	8,887,659
TOTAL ASSETS LESS CURRENT LIABILITIES	**12,175,488**	9,495,317
NON-CURRENT LIABILITIES		
Other payables	**332,201**	33,239
Interest-bearing bank and other borrowings	**1,862,647**	3,348,031
Total non-current liabilities	**2,194,848**	3,381,270
Net assets	**9,980,640**	6,114,047
EQUITY		
Share capital	**719,442**	719,442
Perpetual capital securities	**904,416**	856,416
Reserves (note)	**8,356,782**	4,538,189
Total equity	**9,980,640**	6,114,047

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Contributed surplus HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
At 1 January 2019	4,640,287	717,209	(2,598,069)	2,759,427
Profit and total comprehensive income for the year	—	—	854,763	854,763
Issuance of shares	923,999	—	—	923,999
At 31 December 2019 and 1 January 2020	5,564,286	717,209	(1,743,306)	4,538,189
Profit and total comprehensive income for the year	**—**	**—**	**3,818,593**	**3,818,593**
At 31 December 2020	**5,564,286**	**717,209**	**2,075,287**	**8,356,782**

As at 31 December 2020, the contributed surplus of the Company includes (i) approximately HK$477,805,000 (2019: HK$477,805,000) that arose when the Company issued shares in exchange for the shares of companies being acquired, and represented the difference between the nominal value of the Company's shares issued and the value of the shares acquired; and (ii) approximately HK$239,404,000 (2019: HK$239,404,000) which was credited from the share premium cancellation in the prior years. The application of the contributed surplus is governed by the Companies Act of Bermuda.

49. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss, consolidated statement of financial position and consolidated statement of cash flows have been re-presented and have been reclassified and restated to conform with the current year's presentation.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2021.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is as follows:

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**6,624,798**	4,074,814	2,704,796	2,766,510	1,908,153
Gross profit	**3,223,940**	2,087,261	1,087,787	1,018,289	669,658
Profit before tax	**3,337,557**	1,344,797	523,151	383,151	246,764
Income tax	**(1,112,361)**	(625,300)	(445,299)	(237,713)	(426,196)
Profit/(loss) for the year	**2,225,196**	719,497	77,852	145,438	(179,432)
Attributable to:					
Equity holders of the parent	**2,242,404**	747,225	4,717	174,401	(175,645)
Non-controlling interests	**(17,208)**	(27,728)	73,135	(28,963)	(3,787)
	2,225,196	719,497	77,852	145,438	(179,432)

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**36,930,194**	35,843,685	35,808,435	24,152,944	18,746,947
Total liabilities	**(27,511,242)**	(28,279,591)	(28,960,128)	(18,970,371)	(13,940,856)
Net assets	**9,418,952**	7,564,094	6,848,307	5,182,573	4,806,091
Equity attributable to:					
Equity holders of the parent	**9,318,649**	7,465,574	6,722,504	4,858,131	4,472,288
Non-controlling interests	**100,303**	98,520	125,803	324,442	333,803
Total equity	**9,418,952**	7,564,094	6,848,307	5,182,573	4,806,091

Investment properties		Attributable beneficial interest to the Group	Total Saleable GFA m^2	Existing use	Lease term
1.	Levels 31-33, 35-39, 40-43 and 45 Royal Mediterranean Hotel No. 518 Tianhe Road Tianhe District Guangzhou Guangdong Province The PRC	100%	18,184	H	Medium lease
2.	Various floors Zhukong International Lot A2-1 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	80%	43,918	C/O	Medium lease
3.	Block 7 and various units of Block 9 Yujing Scenic Garden Provincial Highway G105 line Jiulibu District Jiangpu Town Conghua Guangzhou Guangdong Province The PRC	100%	3,652	C	Medium lease
4.	Various units Central Park Lot H3-3 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	2,746	C/O	Medium lease

Investment properties	Attributable beneficial interest to the Group	Total Saleable GFA m²	Existing use	Lease term
5. Various floors Hua Cheng Yujing Garden No. 770 Hua Cheng Da Dao Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	14,832	C/O	Medium lease
6. G235 Yangguang Section Fengshun New Area Fengshun County Meizhou City Guangdong Province The PRC	100%	10,084	C/H	Medium lease
7. Various retail units Tianhu Yujing Shui Di Village Jiulibu District Wenquan Town Conghua Guangzhou Guangdong Province The PRC	100%	2,001	C	Medium lease
8. Meizhou Yujing Hotel Chaotang Village Chengdong Town Meixian District Meizhou City Guangdong Province The PRC	100%	7,389	H	Medium lease

Detail of property development projects		Attributable beneficial interest to the Group	Site area m²	Total GFA m²	Total Saleable GFA m²	Completed and sold properties m²	Completed properties held for sale m²	Under development m²	Completed properties held as investment properties m²	Existing use	Estimated/ actual date of completion
9.	Zhukong International Lot A2-1, Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	80%	10,449	133,297	109,738	43,949	21,871	–	43,918	C/CP/O	2015
10.	Pearl Yunling Lake Provincial Highway S355 line Jiekou Street Conghua Guangzhou Guangdong Province The PRC	100%	200,083	126,827	95,130	36,970	31,116	27,044	–	R/H/V	2017-2021
11.	Yujing Scenic Garden Provincial Highway G105 line Jiulibu District Jiangpu Town Conghua Guangzhou Guangdong Province The PRC	100%	294,684	886,270	758,606	682,825	70,380	1,749	3,652	R/C/CP/S	2014-2021
12.	Tianhu Yujing Shui Di Village Jiulibu District Wenquan Town Conghua Guangzhou Guangdong Province The PRC	100%	55,031	241,556	186,895	138,218	46,676	–	2,001	R/C/CP	2016
13.	Central Park Lot H3-3 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	3,430	36,489	28,909	23,631	2,532	–	2,746	S/C/CP	2015
14.	Pearl Yijing No.168 Xin Kai Street West Section Xianghe County Langfang City Hebei Province The PRC	100%	45,310	192,441	164,628	143,922	20,706	–	–	R/C/CP	2017-2020
15.	Xincheng Yujing Zhong Su Shang Wei Sunshine Village Tang Nan Town Fengshun County Meizhou City Guangdong Province The PRC	100%	280,836	355,352	310,532	156,048	51,547	92,853	10,084	R/V	2018-2022
16.	Nansha Scenic Jinzhou Main Street Nansha District Guangzhou The PRC	100%	28,319	103,266	92,544	92,532	12	–	–	R/C/CP	2012-2013

Detail of property development projects		Attributable beneficial interest to the Group	Site area m²	Total GFA m²	Total Saleable GFA m²	Completed and sold properties m²	Completed properties held for sale m²	Under development m²	Completed properties held as investment properties m²	Existing use	Estimated/ actual date of completion
17.	Project Tianying Junyuan Jiang Pu Street Conghua Guangzhou The PRC	100%	22,742	74,502	59,679	48,443	11,236	–	–	R/C	2019
18.	Hua Cheng Yujing Garden No. 770 Hua Cheng Da Dao Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	60,237	144,123	108,675	85,294	8,549	–	14,832	R/C/CP/O	2017-2019
19.	Meizhou Chaotang Project Chaotang Village Chengdong Town Meixian District Meizhou City The PRC	100%	46,793	34,234	34,202	–	–	26,813	7,389	H/V	2021
20.	Yujing Yayuan Guoji Fuyong Nanqu Zhongshan City The PRC	50%	15,745	50,471	38,005	4,385	33,620	–	–	R/C/CP	2020
21.	Zhuguang Financial Town One Huangpu Road East Tianhe District Guangzhou Guangzhou Province The PRC	51%	63,637	360,655	352,158	–	–	352,158	–	R/C/O	2022-2025

R-Residential C-Commercial CP-Car park H-Hotel O-Office V-Villa S-Service Apartment