SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 00755

Annual Report
2020

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BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Wang Letian *(Chairman)*
Mr. Huang Yuhui
Mr. He Haiyang
Ms. Li Zhen

Non-executive Directors

Ms. Wang Zheng
Mr. Ma Yun
Mr. Wu Junao

Independent non-executive Directors

Dr. Guan Huanfei
Mr. Chu Chi Wen
Mr. Chen Shuang, *JP*
Mr. Cao Hailiang
Dr. Lin Xinzhu

COMMITTEES

Audit Committee

Mr. Chu Chi Wen *(Chairman)*
Dr. Guan Huanfei
Mr. Chen Shuang, *JP*
Mr. Cao Hailiang
Dr. Lin Xinzhu

Remuneration Committee

Mr. Chen Shuang, *JP (Chairman)*
Mr. Wang Letian
Ms. Li Zhen
Mr. Chu Chi Wen
Mr. Cao Hailiang

Nomination Committee

Mr. Wang Letian *(Chairman)*
Ms. Li Zhen
Dr. Guan Huanfei
Mr. Chen Shuang, *JP*
Mr. Cao Hailiang

CORPORATE INFORMATION

PRINCIPAL BANKERS

Bank of China
China Citic Bank International Limited
Bank of Communication
China Bohai Bank
Agricultural Bank of China
Bank of Beijing
China Mingsheng Bank
Bank of Dalian
Industrial and Commercial Bank of China

SOLICITORS

Hong Kong

Slaughter and May
47th Floor
Jardine House
One Connaught Place
Central
Hong Kong

Stevenson, Wong & Co.
39/F
Gloucester Tower
The Landmark
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Hong Kong

Bermuda

Appleby
2206-19
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1 Connaught Place
Central
Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6508, 65/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

COMPANY SECRETARY

Mr. Wong Ngan Hung
(Ceased on 1 May 2021)
Mr. Lau Yin Fung Terence
(Appointed on 1 May 2021)

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
Level 54
Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The board of directors (the "**Directors**") of Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") hereby announces the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 (the "**year**" or "**year under review**").

During the year under review, the Group recorded a turnover of approximately HK$4,598,703,000, representing a significant increase of HK$3,250,111,000 as compared with approximately HK$1,348,592,000 for 2019. During the year, despite the certain impact of the outbreak of new coronavirus disease on the overall business, however, as the key projects of the Group, being the third phase office building of the "Nanjing Himalayas Center" project and the second phase project Riverside Mansion (濱江閱公館) of "Riverside Thumb Plaza" in Nanjing, began to be delivered to buyers in the second half of the year, the turnover still recorded a significant increase. The turnover of the Group for the year was mainly attributed to:

- revenue recognition of the third phase office building of the "Nanjing Himalayas Center" project
- revenue recognition of the second phase project Riverside Mansion (濱江閱公館) of "Riverside Thumb Plaza" in Nanjing
- hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the "**Shareholders**") was approximately HK$1,150,773,000 as compared to the loss of approximately HK$1,058,026,000 for the year ended 31 December 2019. Basic loss per share of the Company (the "**Share**") was HK$7.73 cents (basic loss per Share for 2019: HK$7.11 cents). The Group recorded an increase in loss after taxation as compared with the same period of last year, which was primarily due to a substantial increase in income tax and land appreciation tax provided for the year in accordance with the increase in delivery of properties.

BUSINESS REVIEW

During the year under review, with the development and operation for multiple types of properties including residential, office buildings, art hotels and complexes, Shanghai Zendai has risen as a comprehensive urban developer. Relying on its complete construction, operation and management capabilities and independent teams responsible for planning and development, investment promotion programming, operation and property management, Shanghai Zendai has developed its domestic business presence with Shanghai and Nanjing as the centre and radiating outwards into major cities nationwide.

During the year, driven by the beginning of the delivery of the third phase office building of the "Nanjing Himalayas Center" project and the second phase project Riverside Mansion (濱江閱公館) of "Riverside Thumb Plaza", the Group's turnover has increased significantly.

The Group is actively seeking to optimize the layout of projects and to improve the efficiency of operation for the assets of the Group, so as to pursue new development opportunities. Meanwhile, the Group shall focus on exploiting the potential development of core cities in the Yangtze River Delta, and continually deploying and planning the residential and commercial property projects with a quality and industry benchmark. Details are set out below.

Commercial Property Projects in China

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza (the "**Plaza**") is an integrated commercial complex in a prime location adjacent to Shanghai's Century Park and the Lujiazui financial district. As at 31 December 2020, the Group still owns 40,333 square metres of commercial space and 430 underground car parking spaces in the Plaza. As at 31 December 2020, more than 92% of the commercial space in the Plaza has been leased. Rental received during the year was approximately RMB57,987,000 (equivalent to approximately HK$62,608,000).

Grand Mercure Shanghai Century Park

The Group's five-star Grand Mercure Shanghai Century Park is located in the Plaza. The 18-storey hotel, which is managed under the "Grand Mercure" brand by HUAZHU Hotel Group, boasts a gross floor area of 31,530 square metres and 361 guest rooms, a four storey ancillary building and one level of basement. During the year under review, the average occupancy rate of the hotel was 49%, and total income amounted to approximately RMB33,907,000 (equivalent to approximately HK$38,128,000).

Shanghai Himalayas Center

The Group's 45%-owned Shanghai Himalayas Center is located in the heart of Pudong, Shanghai. Designed by Arata Isozaki, an internationally acclaimed architect, it is a landmark within the Pudong New District. The Shanghai Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, shopping mall and other auxiliary facilities (comprising the DaGuan Theatre and the Himalayas Art Museum). The project occupies a site area of 28,893 square metres with a total gross floor area of approximately 162,207 square metres (including underground car-parking space of 26,287 square metres).

The Jumeirah Himalayas Hotel Shanghai, a luxury five-star hotel managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a gross floor area of 60,452 square metres, providing 393 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with Metro Line 7 and is within walking distance to the maglev station. The average occupancy rate of the hotel during the year under review was 41%, with a total revenue of approximately RMB94,321,000 (equivalent to approximately HK$106,062,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In recent years, the hotel was successively awarded "Best Business Hotel of 2019" by Meituan Hotel, Expedia group – Best Customer Engagement and Tripadvisor – Certificate of Excellence 2019. Shang-High Cuisine Restaurant was awarded as Ctrip Gourmet List Selected Restaurant in 2019 by Ctrip and as an one-star restaurant by Michelin Guide Shanghai. During the year under review, an average of approximately 47% of the commercial space of the shopping centre in Shanghai Himalayas Center with a leasable area of 28,499 square metres was leased, with a rental income of approximately RMB38,889,000 (equivalent to approximately HK$43,730,000).

Nanjing

Nanjing Himalayas Center

The Group is developing the G15 land parcel in a prime location around Nanjing South Train Station into Nanjing Himalayas Center with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 619,462 square metres. The project is being developed in three phases.

The first phase of the project has a gross floor area of approximately 182,658 square metres with a total saleable area of 132,380 square metres, including 20,164 square metres of service apartments, 3,437 square metres of commercial space, 70,283 square metres of office building, 13,964 square metres of car-parking space and 24,532 square metres of hotel. As at 31 December 2020, the majority of the first phase of the project had been sold. Cumulative areas of 20,164 square metres, 3,317 square metres, 68,000 square metres, 3,733 square metres and 24,532 square metres of service apartments, commercial space, office building, car-parking space and hotel had been sold respectively, generating a total contract value of RMB340,574,000 (equivalent to approximately HK$382,969,000), RMB129,031,000 (equivalent to approximately HK$145,093,000), RMB1,209,258,000 (equivalent to approximately HK$1,359,786,000), RMB27,808,000 (equivalent to approximately HK$31,270,000) and RMB364,640,000 (equivalent to approximately HK$410,030,000) respectively. During the year, a total amount of RMB18,794,000 (equivalent to approximately HK$21,133,000) was recognised as turnover.

The second phase of the project covers a gross floor area of approximately 208,488 square metres, with a total saleable area of 144,846 square metres, including 52,677 square metres of service apartments, 16,648 square metres of commercial space, 50,199 square metres of office building and 25,323 square metres of underground car-parking space. During the year under review, total contracted areas of underground car-parking space amounting to 1,004 square metres were sold, generating a total contract value of RMB8,394,000 (equivalent to approximately HK$9,439,000). During the year, the delivered areas of service apartments, commercial space and car-parking space were 161 square metres, 173 square metres and 3,656 square metres respectively, with a total contract value of RMB2,926,000 (equivalent to approximately HK$3,290,000), RMB4,301,000 (equivalent to approximately HK$4,836,000) and RMB31,597,000 (equivalent to approximately HK$35,530,000) respectively. During the year, a total amount of RMB53,744,000 (equivalent to approximately HK$60,434,000) was recognised as turnover. As at 31 December 2020, the majority of the second phase of the project had been sold. The cumulative areas of 52,583 square metres, 16,557 square metres, 50,199 square metres and 3,656 square metres of service apartments, commercial space, office building and underground car parking space had been sold respectively, generating a total contract value of RMB1,004,258,000 (equivalent to approximately HK$1,129,268,000), RMB615,754,000 (equivalent to approximately HK$692,403,000), RMB885,366,000 (equivalent to approximately HK$995,576,000) and RMB31,597,000 (equivalent to approximately HK$35,530,000) respectively.

The third phase of the project, covering a gross floor area of approximately 228,316 square metres, is intended to be developed into service apartments, a commercial complex and office buildings, including 15,843 square metres of service apartments, 82,886 square metres of commercial space, 57,962 square metres of office building and 71,625 square metres of underground car-parking space. The third phase of the project commenced pre-sale in the first half of 2018, with a total saleable area of 69,441 square metres, including 14,922 square metres of service apartments and 54,519 square metres of office building. During the year under review, total contracted areas of office building of 15,974 square metres were sold, generating a total contract value of RMB294,032,000 (equivalent to approximately HK$330,633,000). During the year, the delivered areas of office building and apartments was 38,958 square metres and 12,839 square metres respectively, with a contract value of RMB853,793,000 (equivalent to approximately HK$960,073,000) and RMB343,143,000 (equivalent to approximately HK$385,857,000). During the year, a total amount of RMB1,020,923,000 (equivalent to approximately HK$1,148,007,000) was recognised as turnover. As at 31 December 2020, the cumulative areas of 14,081 square metres and 51,707 square metres of service apartments and office building had been sold respectively, generating a total contract value of RMB347,101,000 (equivalent to approximately HK$390,308,000) and RMB982,061,000 (equivalent to approximately HK$1,104,308,000) respectively.

The First Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns a parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province, with a site area of approximately 13,220 square metres. The land has a total saleable area of 85,487 square metres, comprising 77,374 square metres of apartments, 3,786 square metres of commercial space and 4,327 square metres of underground car-parking space. As at 31 December 2020, the majority of the project had been sold, cumulative areas of 77,374 square metres, 3,507 square metres and 3,231 square metres of apartments, commercial space and underground car-parking space had been sold respectively, generating a total contract value of RMB1,926,989,000 (equivalent to approximately HK$2,166,860,000), RMB144,893,000 (equivalent to approximately HK$162,929,000) and RMB51,046,000 (equivalent to approximately HK$57,400,000) respectively. During the year, a total amount of RMB12,624,000 (equivalent to approximately HK14,195,000) was recognised as turnover.

The Second Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province, with a site area of approximately 26,318 square metres. The land has a total saleable areas of 166,395 square metres, including 132,969 square metres of apartments, 6,745 square metres of commercial space, 20,597 square metres of office building and 6,084 square metres of underground car-parking space. During the year under review, the total contracted areas of apartments, commercial space, office building and underground car-parking space of 80 square metres, 1,916 square metres, 1,949 square metres and 965 square metres were sold respectively, generating a total contract value of RMB1,280,000 (equivalent to approximately HK$1,440,000), RMB39,237,000 (equivalent to approximately HK$44,121,000), RMB31,505,000 (equivalent to approximately HK$35,427,000) and RMB18,560,000 (equivalent to approximately HK$20,870,000). As at 31 December 2020, cumulative areas of 132,969 square metres, 5,792 square metres, 20,136 square metres and 4,691 square metres of apartments, commercial space, office building and underground car-parking space had been sold respectively, generating a total contract value of RMB4,211,186,000 (equivalent to approximately HK$4,735,394,000), RMB254,343,000 (equivalent to approximately HK$286,004,000), RMB373,941,000 (equivalent to approximately HK$420,489,000) and RMB84,854,000 (equivalent to approximately HK$95,417,000) respectively. During the year, the delivered areas of apartments, commercial space, office building and underground car-parking space were 37,396 square metres, 1,494 square metres, 16,276 square metres and 2,361 square metres, with a total contract value of RMB2,229,355,000 (equivalent to approximately HK$2,506,865,000), RMB90,298,000 (equivalent to approximately HK$101,538,000), RMB346,020,000 (equivalent to approximately HK$389,093,000) and RMB50,136,000 (equivalent to approximately HK$56,377,000) respectively. During the year, a total amount of RMB2,496,649,000 (equivalent to approximately HK$2,807,432,000) was recognised as turnover.

The Third Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the east of Jiangbian Road and the north of Jianning Road, Gulou District, Nanjing, Jiangsu Province with a site area of approximately 15,566 square metres. The land with a gross floor area of approximately 126,995 square metres is planned to be developed into an integrated complex comprising office building, commercial space and apartments, including 77,390 square metres of office building, 6,419 square metres of commercial space and 43,186 square metres of apartments. Construction of the project commenced in June 2018 and the pre-sale started in October 2019. During the year under review, the total contracted areas of apartments and commercial space of 8,508 square metres and 552 square metres were sold respectively, generating a total contract value of RMB312,822,000 (equivalent to approximately HK$351,762,000) and RMB27,035,000 (equivalent to approximately HK$30,400,000) respectively. As at 31 December 2020, cumulative areas of 42,973 square metres and 522 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB1,606,676,000 (equivalent to approximately HK$1,806,675,000) and RMB27,035,000 (equivalent to approximately HK$30,400,000) respectively. The project is expected to commence delivery in the first quarter of 2022.

The Fourth Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 15,234 square metres is planned to be developed into office building and commercial space with a gross floor area of approximately 102,549 square metres, including 79,455 square metres of office building and 23,094 square metres of commercial space. Construction of the project commenced in January 2019 and the pre-sale is expected to commence in the fourth quarter of 2021.

Other Cities

Qingdao Zendai Thumb Plaza

Qingdao Zendai Thumb Plaza is located in the central area of business district on Haier Road in Qingdao City, Shandong Province, the PRC. The project has a site area of approximately 38,092 square metres and a total gross floor area of approximately 213,059 square metres. It includes retail shops (68,129 square metres), a hotel (29,593 square metres), service apartments (70,066 square metres) and car-parking space (45,271 square metres).

As at 31 December 2020, a cumulative area of 63,203 square metres had been sold, generating a contract value of RMB926,948,000 (equivalent to approximately HK$1,042,335,000).

As at 31 December 2020, around 89% of the commercial space (with a leasable area of 46,465 square metres) was leased, with a rental income of RMB29,471,000 (equivalent to approximately HK$33,140,000) during the year.

Himalayas Qingdao Hotel, located in the Qingdao Zendai Thumb Plaza, is managed by the Group's own hotel management company under the Group's "Himalayas" brand. The average occupancy rate of the hotel during the year was 53%, with a total income of RMB28,121,000 (equivalent to approximately HK$31,622,000).

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza has a total site area of 281,912 square metres. Due to its prime location, the project has been included in the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a total gross floor area of approximately 279,076 square metres (including car-parking space and ancillary facilities of 77,143 square metres). Construction of the project is divided into three phases.

The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres, of which 91% had been leased as at 31 December 2020, with a rental income of RMB6,310,000 (equivalent to approximately HK$7,095,000) during the year.

The second phase is an ancillary residential project with commercial space with a total gross floor area of approximately 74,528 square metres, the majority of which has been sold. As at 31 December 2020, a total cumulative contracted area of 71,585 square metres (including 41,065 square metres of multi-storey apartments, 27,909 square metres of townhouses, 2,237 square metres of detached villas and 374 square metres of commercial space) was sold, generating a total cumulative contract value of RMB848,855,000 (equivalent to approximately HK$954,520,000). During the year under review, an area of 940 squares metres (including 235 squares metres of multi-storey apartments, 451 squares metres of detached villas and 254 squares metres of detached villas) was delivered with a total contract value of RMB17,960,000 (equivalent to approximately HK$20,196,000). During the year, a total amount of RMB17,960,000 (equivalent to approximately HK$20,196,000) was recognised as turnover.

The third phase occupies a total area of approximately 147,688 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town with commercial area of 60,979 square metres (including an underground area of 21,000 square metres) and Old Town, New Port, with a commercial area of approximately 14,967 square metres and a residential area of approximately 71,742 square metres (including an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started pre-sale in September 2016, with a total saleable area of 41,000 square metres. An area of 456 square metres of commercial space were sold during the year under review, generating a total contract value of RMB8,230,000 (equivalent to approximately HK$9,254,000). As at 31 December 2020, a cumulative area of 33,563 square metres of residential properties and 7,152 square metres of commercial space were sold respectively, generating a total contract value of RMB573,807,000 (equivalent to approximately HK$645,234,000) and RMB109,546,000 (equivalent to approximately HK$123,182,000) respectively.

Yangzhou Commercial Project

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 31 December 2020, the remaining area of 15,974 square metres was used for rental purposes.

Project in Chengmai County, Hainan Province

The Group owns 60% equity interest in a parcel of land in Chengmai County, Hainan Province with a site area of 1,309,563 square metres.

Residential Projects in China

Shanghai

Zendai Xizhen Thumb Plaza

The Group owns a parcel of land with an area of approximately 140,099 square metres in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It was developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end residential properties, retail shops, resort villas and a resort hotel in two phases, with a total gross floor area of approximately 169,004 square metres.

The first phase of the project has a gross floor area of approximately 98,479 square metres, which consists of residential properties (40,945 square metres) and commercial space (57,534 square metres). On the commercial level, the Group introduced international cinemas, mid-to-high-end restaurants and supermarkets as occupants. As at 31 December 2020, the total cumulative residential and commercial areas of 23,084 square metres and 22,527 square metres had been sold respectively, generating a total contract value of RMB442,587,000 (equivalent to approximately HK$497,680,000) and RMB469,705,000 (equivalent to approximately HK$528,174,000) respectively. During the year, the delivered areas of commercial space were 105 square metres, with a total contract value of RMB3,104,000 (equivalent to approximately HK$3,491,000). During the year, a total amount of RMB3,104,000 (equivalent to approximately HK$3,491,000) was recognised as turnover.

The second phase of the project has a gross floor area of approximately 70,525 square metres, which consists of resort villas (occupying 46,155 square metres) and a resort hotel (occupying 24,370 square metres). The portion of the resort hotel was sold and delivered in 2018. Resort villas started pre-sale in November 2014 and was completed in April 2016. As at 31 December 2020, a cumulative area of resort villas of 35,100 square metres had been sold, generating a total contract value of RMB573,677,000 (equivalent to approximately HK$645,088,000). During the year, a total amount of RMB101,897,000 (equivalent to approximately HK$114,581,000) was recognised as turnover. As at 31 December 2020, all resort villas have been completed and delivered.

Other Cities

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,389,021 square metres.

The first parcel of land is to be developed in two parts.

"Dong Zhou Mansion", the first part of the first parcel, is being developed in two phases with Phase I offering 52 detached villas which were all sold out. Phase II of the "Dong Zhou Mansion" is planned to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres. The construction of the project commenced in February 2014 but has been suspended due to changes in current market conditions.

“Multiflora Garden”, the second part of the first parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. Phase III has a saleable area of approximately 91,817 square metres. As at 31 December 2020, a total cumulative area of 78,375 square metres had been sold, generating a total cumulative contract value of RMB464,499,000 (equivalent to approximately HK$522,320,000). During the year, an area of 1,245 square metres was delivered with a total contract value of RMB7,812,000 (equivalent to approximately HK$8,784,000). During the year, a total amount of RMB7,812,000 (equivalent to approximately HK$8,784,000) was recognised as turnover.

The second parcel of land is being developed into residential properties and ancillary commercial space in phases.

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 31 December 2020, a cumulative area of 51,270 square metres was sold, generating a total cumulative contract value of RMB230,452,000 (equivalent to approximately HK$259,139,000).

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed into small high-rise residential properties with ancillary commercial space in two phases with a saleable area of approximately 194,088 square metres. The first phase offers a saleable area of 81,360 square metres. As at 31 December 2020, a cumulative area of 79,781 square metres was sold, generating a total contract value of RMB359,498,000 (equivalent to approximately HK$404,248,000). During the year, an area of 345 square metres involving a contract value of RMB1,497,000 (equivalent to approximately HK$1,683,000) was delivered. During the year, a total amount of RMB1,497,000 (equivalent to approximately HK$1,683,000) was recognised as turnover.

The Phase III, named as Spanish Exotic Street, with a site area of 760 square metres, has been developed into a commercial plaza with a saleable area of 1,164 square metres.

The Phase IV, named as “Thumb Plaza” with a site area of 18,919 square metres, has been developed into a commercial plaza with a total gross floor area of 45,514 square metres.

In addition, the project has yet to develop residential land covering a site area of 370,664 square meters and a gross floor area of 638,460 square meters, and 7,998 square meters of educational land, 31,266 square meters of medical land, 18,067 square meters of commercial land, and 6,933 square meters of hotel land. In the future, the Group will continue to develop and build high-end improved residential products covering a full product line of high-rise, bungalows, stacked villass, townhouses and other products. Relying on various commercial, medical, education and other living facilities, the project will form a high-quality residential community in the region. Partial projects on the second parcel of land are expected to commence pre-sale in the second half of 2021.

A Parcel of Land in Yantai Development Zone

The Group and 煙台開發區宏遠物業有限公司 (Yantai Hong Yuan Property Company Limited*) entered into a cooperation agreement to develop Yantai Thumb Project located at E-9 District, Yantai Development Zone, Yantai, Shandong Province, pursuant to which Shanghai Zendai holds 70% equity interests in the Yantai Thumb Project. The project occupies an area of 26,476 square metres and is still under planning stage.

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Although the real estate industry was stagnant for a period of time in 2020 due to the impact of the attack of Coronavirus Disease 2019 ("**COVID-19**"), it picked up quickly in the second quarter and got back on track with the rapid recovery of the economy. Guided by the key concept of "housing is for living, not for speculation and targeted policies for cities", the property market in China has maintained a stable and healthy development. As various areas continue to strengthen the development model of central cities and the strategy of seizing talents, the property market in the first– and second-tier core cities and city circle is steadily growing, and real estate companies also tend to increase their presence in the first– and second-tier cities.

Looking forward, the Group will adhere to the development strategy of "focusing on core cities and digging deep into five strategic areas", keep up with market trends, tap into consumer demands, and optimise and strategically deploy assets of the Group, in order to establish a premium brand. The Group will continue to deepen its roots in the Yangtze River Delta and Shandong as two major core sectors, actively expand the strategic area of the Pearl River Delta, and continue to develop the two major opportunity markets in the Northeast and Southwest and fully explore local market demands to arrange and deploy real estate projects that act as the industry benchmark. Also, the Group will continue to strengthen its business management, steadily improve the standard of property management services and operational effectiveness, and improve the level of income from commercial properties through tenant optimization and brand strengthening.

In its development, the Group will always adhere to "building" and "operation" as two major brand strategic pillars, and strive to provide the city with a beautiful living space and high-quality commercial operation services. At the same time, the Group will optimise its management team and create a lean and efficient management system in order to enhance the operational efficiency of the Group. In the future, Shanghai Zendai will also keep adjusting its industry structure to adapt to the new movements in urban development. While striving to discover the brand value of its existing projects, the Group will seek more cooperation opportunities with a focus on core cities and city clusters to seize the structural opportunities arising from regional differentiation and expand markets with sustainable development potential by integrating its own strengths, thus rewarding its shareholders and the society.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

Following the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. For the year ended 31 December 2020, the COVID-19 outbreak has a temporary unfavorable impact on the progress of the Group's property construction activities and the sales of its properties. In addition, the occupancy rates of the Group's investment properties and hotels have also been impacted adversely and hence the income as generated from the operations of these properties has also been reduced temporarily during the COVID-19 outbreak. The Group has granted certain rental concession reliefs to tenants based on the relevant PRC local regulations, and these concession reliefs have been accounted for as lease modifications.

During the year, the Nanjing Himalayas Center project and the "Riverside Thumb Plaza" project in Nanjing commenced delivery and recorded growth in turnover, which, combined with the cost control of administrative expenses and sales and marketing expenses, led to an improvement in the Group's operations before tax. However, the Group still recorded a loss subject to the provision of tax during the year.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2020, the Group had a financial position with net assets value of approximately HK$305 million (31 December 2019: approximately HK$1,671 million). Net current liabilities amounted to approximately HK$3,331 million (31 December 2019: net current assets amounted to approximately HK$376 million) with current ratio decreasing from 1.03 times at 31 December 2019 to approximately 0.68 times at 31 December 2020. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), net of cash and cash equivalents, and equity attributable to owners of the Company. As at 31 December 2020, the Group had consolidated borrowings of approximately HK$7,036 million, of which HK$4,289 million was repayable within one year and HK$2,747 million was repayable more than one year. As at 31 December 2020, borrowings of the amount of HK$5,785 million (31 December 2019: HK$6,391 million) bear interest at fixed interest rates ranging from 4.75% to 18.15% per annum (31 December 2019: ranging from 4.77% to 18.15% per annum). As at 31 December 2020, the Group's bank balances and cash including pledged bank deposits were approximately HK$708 million (31 December 2019: HK$1,955 million). The gearing ratio of the Group increased from 3.84 times at 31 December 2019 to 92 times at 31 December 2020 (basis: net debt, which is defined as total amounts of borrowings, amounts due to minority owners of subsidiaries and lease liabilities less cash and cash equivalents and pledged bank deposits, divided by equity attributable to owners of the Company).

MITIGATION MEASURES AND UNCERTAINTIES RELATED TO GOING CONCERN

In order to meet its financial obligations as and when they fall due within the next twelve months and improve the Group's current ratio, the directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

i. the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings, the Cross-Defaulted Borrowings and the Subsequently Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest of these borrowings. Based on latest communications with these lenders, there is no indication that these parties have any current intention to take action against the Group to demand immediate payment;

ii. the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment of the Defaulted Borrowings), and financing the continuing construction of properties;

iii. the Group will seek to accelerate the construction as well as pre-sale and sale of its properties under development. In particular, in the second half of 2021, the Group plans to launch the pre-sale of properties in two development projects with a recorded carrying amount totalling RMB1,749 million (equivalent to approximately HK$2,078 million) as at 31 December 2020; and

iv. the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditures.

Significant uncertainties exist as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

a. successful negotiations with the lenders of the Defaulted Borrowings, Cross-Defaulted Borrowings and Subsequently Defaulted Borrowings, despite the anticipated operating results for 2021 and the possible negative equity attributable to owners of the Company as mentioned above, such that they will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interests of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repaying the Defaulted Borrowings;

b. successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment, and whether increased regulation such as the "Three Red Lines" financial supervisory rules for real estate companies, or other restrictions are applicable to the Group and/or these financial institutions; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

c. successfully accelerating the construction as well as pre-sale and sale of its properties under development, particularly those two development projects that the Group plans to launch a pre-sale in the second half of 2021 and timely collection of the relevant sales proceeds; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the Cash Flow Projections; and

d. the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

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

* *capitalised terms used in this section shall have the same meanings as those defined in note 2.1 to the financial statement*

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the year was approximately HK$4,207,815,000 (2019: HK$846,060,000). The increase was primarily due to the substantial increase in the areas of the property to be delivered to purchasers.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$318,740,000 (2019: HK$368,550,000). The decrease was due to rent concessions provided to the tenants as well as the reduction of mall activities were held during the epidemic.

Hotel Operations

The turnover of this segment for the year was HK$72,148,000 (2019: HK$133,982,000). The decrease was due to the decline of occupancy rate as result of outbreak of COVID-19.

FOREIGN CURRENCY AND INTEREST RATES EXPOSURES AND HEDGING

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 31 December 2020 were mainly denominated in RMB and HK$. Bank borrowings of the Group as at 31 December 2020 were all denominated in RMB. The Group currently does not use any financial instruments to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and restricted bank deposits. The Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

EMPLOYEES

As at 31 December 2020, the Group employed approximately 926 employees (2019: 955 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below and elsewhere in this report, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year under review:

(a) On 12 August and 24 August 2015, the Group entered into an equity transfer agreement and a supplementary agreement respectively (collectively, the "**Agreements**") to acquire the equity interest of 6 companies which hold land parcels (the "**Land Parcels**") in Gulou District, Nanjing (the "**Acquisitions**"). The aggregate site area of the Land Parcels was approximately 110,489 square metres and the total consideration for the Acquisitions was RMB4,513,609,000 (equivalent to approximately HK$5,389,384,000). Details of the Acquisitions were disclosed in the Company's announcement dated 25 August 2015.

    As a result of the regulatory land plan adjustment to the district where the Land Parcels are located since late 2015, the Land Parcels are also subject to land plan adjustment. As at the date of this report, 4 out of 13 land title certificates of the Land Parcels have been obtained and delivered to the Group and the parties to the Agreements have been making efforts to proceed the completion of the Acquisitions as soon as possible.

(b) The Group intended to dispose the entire equity interest in Haimen Zendai Binjiang Real Estate Co., Ltd.* (海門証大濱江置業有限公司) and certain of its subsidiaries ("**Haimen Disposal**") by public tender through Shanghai United Asset and Equity Exchange. The Proposed Haimen Disposal shall constitute a very substantial disposal of the Group. The minimum bidding price for the Haimen Disposal is RMB1,582,900,000 (equivalent to approximately HK$1,770,600,000). The final consideration for the Haimen Disposal will depend on the final bid price offered by the successful bidder, but in any event will be no less than the abovementioned minimum bidding price. The ordinary resolution regarding the above transaction was not passed by the Shareholders at the special general meeting of the Company held on 29 May 2020, and the transaction was terminated. Further details of the transaction are set out in the announcements dated 2 February 2020, 13 February 2020, 16 March 2020, 6 April 2020, 14 April 2020, 28 April 2020, 29 April 2020, 14 May 2020, 29 May 2020 and the circular dated 14 April 2020 of the Company.

(c) The Group intended to dispose of 70% equity interests in 煙台証大大拇指置業有限公司 (Yantai Zendai Thumb Property Co., Ltd.*) by way of public tender through the Alibaba Auction Platform (the "**Yantai Disposal**"). The minimum bid price for the Yantai Disposal was RMB33,000,000 (equivalent to approximately HK$36,130,000), whereas the consideration shall depend on the final bid price to be offered by the successful bidder and in any event shall be no less than the minimum bid price. On 19 August 2020, the Company was notified by the Alibaba Auction Platform that the Yantai Disposal was won by Yantai Zhengtong Real Estate Co., Ltd* ("**Zhengtong Real Estate**") (煙台市正通置業有限公司) at a consideration of RMB33,000,000 (equivalent to approximately HK$36,130,000) (the "**Consideration**"). On 4 September 2020, the Company was notified by the third-party auction agent of Alibaba Auction Platform that the remaining balance of the Consideration has not been paid by Zhengtong Real Estate as required and the tender has been terminated. Further details of the transaction are set out in the announcements of the Company dated 11 August 2020, 19 August 2020, 24 August 2020 and 7 September 2020.

PLEDGE OF ASSETS

As at the end of reporting period, the carrying amounts of following assets of the Group were pledged to secure certain borrowings and loans:

	2020 HK$'000	2019 HK$'000
Property, plant and equipment	**966,769**	951,732
Investment properties	**4,887,416**	2,178,353
Properties under development and completed properties held-for-sale	**2,258,415**	2,476,444
Pledged bank deposits	**474,189**	1,444,812
	8,586,789	7,051,341

As at 31 December 2020, certain equity shares of the subsidiaries of the Group were pledged to secure certain borrowings granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group provided guarantees to the extent of approximately HK$1,219,919,000 (2019: HK$596,772,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group, net of mortgages received and included in receipts in advance from customers. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the Directors, the fair value of guarantee contracts is insignificant at initial recognition.

A. EXECUTIVE DIRECTORS

Mr. Wang Letian ("Mr. Wang"), aged 48, has been an executive Director of the Company, the chairman of the Board, a member and the chairman of the nomination committee of the Board, a member of remuneration committee of the Board and an authorised representative of the Company for the purposes of the Listing Rules since 9 November 2019. Mr. Wang obtained a master's degree in business administration from University of Science and Technology Beijing and graduated from China Institute of Finance and Banking (the predecessor of the School of Banking & Finance of University of International Business and Economics) in 1994 with a bachelor's degree in economics.

Mr. Wang joined China Orient Asset Management (International) Holding Limited in June 2018, and currently serves as a co-president, a member of the operating management committee and a member of the investment committee. From November 2016 to June 2018, he served as a member of the Party committee, the secretary of committee for discipline inspection, and the deputy general manager of the Chongqing Branch of China Orient Asset Management Co., Ltd. From September 2016 to November 2016, he served as the deputy general manager of the First Business Management Department of China Orient Asset Management Co., Ltd. From September 2004 to September 2016, he served as the senior director, deputy manager, manager, senior manager, and senior economist of the Asset Operation Department of China Orient Asset Management Co., Ltd. From October 2003 to September 2004, he served as the senior director of the System Management Section of the Debt and Market Development Department of China Orient Asset Management Co., Ltd. From May 2000 to October 2003, he served as the director and senior director of the Asset Operation Department of the Taiyuan Office of China Orient Asset Management Co., Ltd. From July 1994 to May 2000, he worked at the Shanxi Province Branch of Bank of China.

Mr. Huang Yuhui ("Mr. Huang"), aged 49, has been an executive Director of the Company since 11 January 2021. Mr. Huang graduated from Tsinghua University in 2011 with an Executive Master of Business Administration (EMBA). Mr. Huang obtained his doctor's degree via Finance Doctorate programme of Tsinghua University PBC School of Finance, and is a professorate senior engineer, a senior economist and a national Grade 1 registered constructor.

Mr. Huang has been the party secretary and chairman of Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司) ("Nantong Sanjian") and chairman of Jiangsu Nantong Sanjian Construction Group Co., Ltd. since February 2018. Mr. Huang remains a shareholder of Nantong Sanjian, which in turn wholly owns Nantong Sanjian Holding (HK) Co., Limited, and as at 31 December 2020, Nantong Sanjian Holding (HK) Co., Limited was interested in 4,462,317,519 shares of the Company, representing approximately 29.99% of the issued share capital of the Company as at 31 December 2020. Mr. Huang has also been the chairman of Guangdong Jingyi Metal Co., Ltd which is listed on the Shenzhen Stock Exchange (stock code: 002295. SZ). From January 1999 to June 2003, Mr. Huang served as a director and deputy general manager of Haimen Construction and Installation Engineering Company* (海門市建築安裝工程公司, a direct branch of Nantong Sanjian) and a manager of the Beijing direct branch of Nantong Sanjian. From July 2003 to February 2005, he served as a director and deputy general manager of Longxin Construction Group Co., Ltd.* (龍信建設集團有限公司) and a manager of the Beijing direct branch of Nantong Sanjian. From March 2005 to September 2012, he served as a director and deputy general manager of Longxin Construction Group Co., Ltd.* (龍信建設集團有限公司) and the chairman of the ninth branch; meanwhile, he served as the general manager of Longxin Investment Co., Ltd.* (龍信投資有限公司) from May 2010 to October 2012, and the chairman of Nantong Yucheng Construction Co., Ltd.* (南通市裕成建設有限公司) from September 2007 to October 2012. From October 2012 to April 2015, Mr. Huang served as the executive vice chairman, legal representative and president of Jiangsu Nantong Sanjian Construction Group Co., Ltd.* (江蘇南通三建集團有限公司). From April 2015 to April 2016, he served as the chairman of Jiangsu Nantong Sanjian Construction Group Co., Ltd.* (江蘇南通三建集團有限公司). From April 2016 to February 2018, he served as the chairman of Nantong Sanjian and Jiangsu Nantong Sanjian Construction Group Co., Ltd.

Mr. He Haiyang ("Mr He"), aged 49, has been an executive Director of the Company since 8 April 2020 and was the chief executive officer from 8 April 2020 to 15 January 2021. Mr. He graduated from Tongji University in Shanghai with a bachelor's degree of engineering in 1996.

Mr. He joined China Orient Summit Capital Co., Ltd. (40% of which is directly held by China Orient Asset Management (International) Holding Limited) in March 2014, and currently serves as the director. From July 2013 to February 2014, Mr. He served as the vice president of Faith Capital Management Co., Ltd., he was responsible for domestic investment business in China. From July 2010 to June 2013, Mr. He served as the deputy general manager of Wins (Tianjin) Investment Management Co., Ltd., he was responsible for investment business in Shanghai. From November 2007 to June 2010, Mr. He served as the marketing director of Gemdale Group for North China region, he was responsible for marketing business in North China region. From April 2003 to October 2007, he served as the executive deputy general manager of Gemdale Group Tianjin Branch, and he was responsible for marketing and land development of Gemdale Group Tianjin Branch. From July 1996 to March 2003, he also served as the director of information center of Gemdale Group, he was responsible for information construction.

Ms. Li Zhen ("Ms. Li"), aged 36, has been an executive Director, and a member of the Nomination Committee and Remuneration Committee of the Company since 11 January 2021. Ms. Li graduated from Tsinghua University in 2010 with a Master of Law degree.

Ms. Li joined Nantong Sanjian in late 2018 and is currently a vice president of Nantong Sanjian Group. From July 2010 to January 2012, Ms. Li served as a business manager of the investment banking department of Ping An Securities Company Ltd.; from January 2012 to May 2014, she served as a senior business director of the investment banking department of Hua Lin Securities Co., Ltd.* (華林證券有限責任公司); and from June 2014 to December 2018, she successively served as a vice president and a senior vice president of the investment banking department of CSC Financial Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 6066.HK).

B. NON-EXECUTIVE DIRECTORS

Ms. Wang Zheng ("Ms. Wang"), aged 49, has been a non-executive Director of the Company since 13 October 2017. Ms. Wang graduated from Beijing Institute of Fashion Technology in 1993 with a bachelor's degree in engineering.

Ms. Wang joined 冉盛置業發展有限公司 in June 2015, and currently serves as an executive director. Ms. Wang has 21 years of experience in real estate industry. Prior to this, Ms. Wang served as the vice general manager and the general manager of the Real Estate Business Department of China Energy and Fuel Company Limited (中能源電力燃料有限公司), and the vice general manager and the investment director of Sanjiu Pan-China Construction & Development Co., Ltd. (三九泛華建設開發有限公司).

Mr. Ma Yun (Harrison) ("Mr. Ma"), aged 39, has been a non-executive director since 23 April 2020. Mr. Ma graduated from Tsinghua University with a master's degree of biomedical engineering in 2006.

Mr. Ma joined Fosun Group in April 2018, and currently serves as the senior vice president of Fosun Hive, and he is responsible for the investment management in the Greater China region. Prior to joining Fosun Group, he served as the deputy general manager for the East China Region of China Resources Land Limited between September 2016 and March 2018, and he was responsible for strategic investment, innovation business, strategic key projects for the East China Region. Between May 2012 and September 2016, he served as the deputy general manager of China Resources Land (Shanghai) Co., Ltd., and he was in charge of strategic investment, operation management and marketing management for Shanghai and Zhejiang regions. From October 2011 to April 2012, he served as the deputy general manager for central & western region of development department of Wanda Group, and he was responsible for regional investment expansion. Between January 2010 and September 2011, he served as the market director and the investment director of China Resources Land (Shandong) Co., Ltd., and he was responsible for preliminary stages of business projects, marketing, and investment management. From July 2006 to December 2009, he served in positions including planning director and deputy marketing manager.

Mr. Wu Junao (Alfred) ("Mr. Wu"), aged 45, has been a non-executive director since 23 April 2020. Mr. Wu graduated from Shanghai University with double bachelor's degrees in industrial trade (technology & foreign affairs) and industrial automation in 1999. He is currently studying in the EMBA program of China Europe International Business School.

Mr. Wu has dedicated in the areas in residential/commercial property development, operation, and asset management for over 20 years. He joined Shanghai Forte Land Co., Ltd. in November 2018, and currently serves as the vice president, general manager of asset management department for the Greater China region, and the joint secretary-general for the Greater China region of Fosun Hive, and he is responsible for the asset management in relation to property business of Fosun Group. He served in Shui On Land Limited and its subsidiaries from August 1999 to November 2018. During this period, he served as the general manager of Shanghai Feng Cheng Property Management Co., Ltd. (a wholly-owned subsidiary of Shui On Land) between April 2014 and November 2018, and he was responsible for business and development management of the wholly-owned subsidiaries of Shui On Land. Between November 2010 and March 2014, he served as the general manager for project development of Chongqing Tiandi, and he was responsible for the duties as a general manager of comprehensive industry development of the Chongqing Tiandi area, while he also served as the head of cost division, design division and infrastructure division. From November 2006 to October 2010, he successively served as the project manager and the assistant general manager of Wuhan Tiandi, and he was in charge of the premium residential area development in Wuhan Tiandi.

C. INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Guan Huanfei ("Dr. Guan"), aged 63, has been an independent non-executive Director, and members of the Nomination Committee and the Audit Committee since 11 January 2021. Dr. Guan obtained a Doctoral degree in Economics from Wuhan University in 2002 and was a postdoctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002. Dr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has been a part-time lecturer of professional degree of Fudan University since 2013. Dr. Guan has been a visiting professor of Jilin University of Finance and Economics since August 2018, and was appointed as the honorary chairman of Shenzhen Research Association of Corporate Governance in November 2020. Dr. Guan has been an economic and technical consultant of the People's Government of Jilin Province for several years.

Dr. Guan has extensive experience in finance and insurance industry in Hong Kong and China. He held various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, China Taiping Insurance (HK) Company Limited and China Pacific Insurance Co., (H.K.) Limited. He also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, the deputy chairman of credit asset management committee, the chairman of loan verification committee, the deputy general manager of the Bank of Communications Hong Kong Branch, a director of Bank of Communications Trustee Limited, the chairman and chief executive officer of China BOCOM Insurance Company Limited and an executive director and general manager of BoCommLife Insurance Company Limited.

Dr. Guan is currently an executive director and the chairman of the board of director of Enterprise Development Holdings Limited (stock code: 1808.HK), and an independent non-executive director of each of China Nonferrous Mining Corporation Limited (stock code: 1258.HK), China Shandong Hi-Speed Financial Group Limited (stock code: 412.HK), Huarong International Financial Holdings Limited (stock code: 993. HK), Sunwah Kingsway Capital Holdings Limited (stock code: 188.HK), all of which are companies listed on the Main Board of the Stock Exchange.

From August 2019 to September 2020, Dr. Guan served as an independent non-executive director of Solis Holdings Limited (stock code: 2227.HK). From December 2017 to June 2018, Dr. Guan served as a non-executive director of Ping An Securities Group (Holdings) Limited (stock code: 231.HK). He was also the chairman emeritus of Culturecom Holdings Limited (stock code: 343.HK) and the chairman of the board of directors of UCAN.COM Group Limited, a subsidiary of Culturecom Holdings Limited, from July 2013 to March 2016. From May 2015 to September 2017, Dr. Guan was an executive director of CCT Land Holdings Limited (currently known as GBA Holdings Limited) (stock code: 261.HK). From March 2008 to January 2011, Dr. Guan was an independent non-executive director of Silver Base Group Holdings Limited (stock code: 886.HK), and subsequently an executive director and the president from January 2011 to December 2012. He was also an independent non-executive director of HongDa Financial Holding Limited (currently known as China Wood International Holding Co., Limited) (stock code: 1822.HK) from June 2018 to May 2020, all of which are companies listed on the Main Board of the Stock Exchange.

Mr. Chu Chi Wen (“Mr. Chu”), aged 55, has been an independent non-executive Director, a member and the chairman of the Audit Committee and a member of the Remuneration Committee since 11 January 2021. Mr. Chu graduated from Michigan State University with a master’s degree in economics in 1992. He also obtained a master’s degree in professional accountancy via a programme of The Chinese University of Hong Kong & Shanghai National Accounting Institute in December 2005.

Mr. Chu has over 25 years of experience in financial management. He joined Want Want China Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 151.HK), in April 1997, and currently serves as its chief financial officer and executive director. Mr. Chu was a financial analyst for the Taiwan Provincial Government from 1992 to 1995 and a finance supervisor at Delta Electronics, Inc. from 1995 to 1996. Mr. Chu worked at Dialer & Business Co. Ltd from 1996 to 1997 as an assistant finance manager.

Mr. Chen Shuang (“Mr. Chen”), JP, aged 53, has been an independent non-executive Director, a member and the chairman of the Remuneration Committee, and members of the Nomination Committee and the Audit Committee since 11 January 2021. Mr. Chen graduated from the East China University of Political Science and Law in 1989 with a Bachelor of Law degree, and obtained a Master of Law degree in 1992. Mr. Chen holds a Diploma in Legal Studies from the School of Professional and Continuing Education of the University of Hong Kong. He is a qualified lawyer in the People’s Republic of China and a senior economist. Mr. Chen has over 27 years of extensive experience in commercial and investment banking.

Mr. Chen is currently the founding and managing partner of APlus Partners Management Co., Limited (formerly known as CIMC Capital International Co., Ltd.), a non-executive director of Yeebo (International Holdings) Limited, a company whose shares are listed on the Stock Exchange (stock code: 259.HK), and an independent director of Guotai Asset Management Co., Ltd. Previously Mr. Chen was the chief executive officer and president of CIMC Capital (Holdings) Company Limited and also the chairman and president of CIMC Capital International Co., Ltd. from November 2019 to June 2020; an executive director and deputy general manager of China Everbright Holdings Co., Ltd. from April 2013 to September 2019; an executive director, the chief executive officer and the chairman of the management decision committee of China Everbright Limited, a company whose shares are listed on the Stock Exchange (stock code: 165.HK) from May 2007, until his resignation in May 2019; an executive director and the chairman of China Aircraft Leasing Group Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 1848.HK) until his resignation in May 2019; and the chairman and a non-executive director of Kinergy Corporation Ltd., a company whose shares are listed on the Stock Exchange (stock code: 3302.HK), until his resignation in November 2019. Mr. Chen was also the chairman of Everbright Jiabao Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600622.SH), until his resignation in June 2019.

Mr. Chen is currently a non-official member of the Governance Committee of “Hong Kong Growth Portfolio”, a member of the board of directors of Hong Kong Science and Technology Parks Corporation, a member of the Exchange Fund Advisory Committee’s Financial Infrastructure and Market Development Sub-committee of the Hong Kong Monetary Authority, the chairman of Hua Jing Society, a member of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council, the permanent honorary chairman of Chinese Financial Association of Hong Kong, the founding chairman of Hong Kong Aircraft Leasing and Aviation Finance Association, a visiting professor of East China University of Political Science and Law, the vice chairman of China Mergers and Acquisitions Association, a strategy committee member of France China Foundation, and a director of Chinese Foundation for Lifeline Express. Previously, Mr. Chen was a counsellor of Our Hong Kong Foundation, a non-official member of the Financial Services Development Council of the Hong Kong Special Administrative Region and the vice-chairman of Chinese Securities Association of Hong Kong.

Mr. Cao Hailiang ("Mr. Cao"), aged 48, has been an independent non-executive Director, and members of the Nomination Committee, the Remuneration Committee and the Audit Committee since 11 January 2021. Mr. Cao graduated from Jiangsu University in China with a bachelor's degree.

Mr. Cao founded Beijing Yuanbo Shiye Enterprise Management Consulting Company*（北京遠博仕業企業管理顧問公司）in 1999, and has been the chairman and chief consultant since then. Mr. Cao has been a visiting professor at Peking University HSBC Business School and School of Economics and Management, Peking University since 2000 and a visiting professor at School of Continuing Education, Tsinghua University since 2001. He is also a visiting professor at Wuhan University, Xiamen University, Tongji University and Sun Yat-sen University. Mr. Cao also served as the executive director of the Industrial Park (Real Estate) Research Centre of Research Institute of Machinery Industry Economic & Management*（機械工業經濟管理研究院產業園區（地產）研究中心）of China from 2018 to 2020.

Dr. Lin Xinzhu ("Dr. Lin"), aged 41, has been an independent non-executive Director, and a member of the Audit Committee since 11 January 2021. Dr. Lin graduated from Beijing University of Chemical Technology with a bachelor's degree in polymer materials and engineering in 2002, from Cass Business School of City, University of London, U.K. with a master's degree in investment management in 2004, and from Tsinghua University with a PhD degree in management in 2009.

Dr. Lin served as a manager of the corporate management department of Harvest Fund Management Co., Ltd. from December 2003 to May 2005; a PhD intern of Global Manufacturing Services (GMS) of World Bank International Finance Corporation (IFC) from January 2007 to December 2007; product head of business development department of BNY Mellon Asset Management Company*（紐銀梅隆資產管理公司）from May 2009 to November 2012; an associate director of product development department of MANULIFE TEDA Fund from November 2012 to May 2014; an associate director of planning and development department of Morgan Stanley Huaxin Fund Management Co., Ltd. from May 2014 to May 2016 and a product director of preparatory group of Minsheng Fund Management Co., Ltd.（民生基金管理有限公司）from June 2016 to October 2017. Dr. Lin also served as a director of product development of Haitong International Asset Management (HK) Limited from April 2018 to December 2019.

D. CHIEF EXECUTIVE OFFICER

Mr. Zhang Zelin ("Mr. Zhang"), aged 47, has been the Chief Executive Officer of the Company since 15 January 2021. Mr Zhang graduated from Harbin Institute of Technology with a bachelor's degree in industrial and civil construction in June 1996 and obtained a master's degree in business administration from Nankai University in 2010.

Mr. Zhang has been a manager of the human resources, marketing and investment department of the Shanghai branch, the deputy general manager of the Nanjing branch, the deputy general manager of the Shenzhen branch and the general manager of the Hohhot branch of China Overseas Land & Investment Limited. Mr. Zhang was the general manager of the Shanghai branch of Longfor Properties Co. Ltd in March 2013. He was the executive vice president and co-president of Sincere Yuanchuang Industrial Co., Ltd.* (重慶協信遠創實業有限公司) in May 2017. Mr. He joined the real estate department of Nantong Sanjian Holdings Co. Ltd* (南通三建控股有限公司) in October 2020 and currently serves as its president.

E. COMPANY SECRETARY

Mr. Lau Yin Fung Terence has been appointed as the company secretary of the Company with effect from 1 May 2021. He is a practising solicitor in Hong Kong working at Stevenson, Wong & Co., a legal adviser to the Company as to Hong Kong laws, in the field of commercial and corporate finance. Mr. Lau graduated from King's College London with a Bachelor of Laws.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments, management and agency services and hotel operations.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2020, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development, a description of the principal risks and uncertainties that the Group may be facing and the particulars of important events affecting the Group that have occurred since the end of the financial year are contained in the sections (which form part of this report) headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report.

The Company's environmental policies and performances, a discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Group and the Company's relationship with its employees, customers and suppliers are contained in the section (which form part of this report) headed "Environmental, Social and Governance Report" in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 104 to 215. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2020.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 216.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year 2020 are set out in note 29(a) to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2020 are set out in the consolidated statement of changes in equity and note 35(a) to the financial statements respectively.

REPORT OF THE DIRECTORS

CHARITABLE DONATION

No charitable donation was contributed by the Group in year under review.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company does not have reserves available for distribution to shareholders as at 31 December 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year 2020 are set out in note 15 to the financial statements.

PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

Details of properties under development and for sales of the Group for the year 2020 are set out on pages 5 to 13 of the annual report.

DIRECTORS

The Directors during the year 2020 and up to the date of this report were as follows:

Executive Directors

Mr. Wang Letian *(Chairman)*
Mr. Huang Yuhui (appointed on 11 January 2021)
Mr. He Haiyang (appointed on 8 April 2020)
Ms. Li Zhen (appointed on 11 January 2021)
Mr. Qin Renzhong (resigned on 11 January 2021)
Mr. Tang Jian (resigned on 11 January 2021 due to restructuring of the Board)
Mr. Zhang Huagang (resigned on 8 April 2020)

Non-executive Directors

Ms. Wang Zheng
Mr. Ma Yun (appointed on 23 April 2020)
Mr. Wu Junao(appointed on 23 April 2020)
Mr. Gong Ping (resigned on 23 April 2020)
Ms. Jiang Zhengyan (resigned on 23 April 2020)

Independent non-executive Directors

Dr. Guan Huanfei (appointed on 11 January 2021)
Mr. Chu Chi Wen (appointed on 11 January 2021)
Mr. Chen Shuang, *JP* (appointed on 11 January 2021)
Mr. Cao Hailiang (appointed on 11 January 2021)
Dr. Lin Xinzhu (appointed on 11 January 2021)
Mr. Chow Alexander Yue Nong (passed away on 5 October 2020)
Dr. Xu Changsheng (resigned on 11 January 2021 due to restructuring of the Board)
Mr. Ng Man Kung (resigned on 11 January 2021 due to restructuring of the Board)
Mr. How Sze Ming (resigned on 11 January 2021 due to restructuring of the Board)
Dr. Di Ruipeng (resigned on 11 January 2021 due to restructuring of the Board)

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of Director	Number of Shares/ Underlying Shares	Capacity and nature of interests	Approximate percentage of issued share capital as at 31 December 2020
Mr. Tang Jian	10,000,000(L)	Beneficial owner	0.07%

Save as disclosed above, none of the Directors had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2020.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

There was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the date of the 2020 interim report of the Company.

DIRECTORS' SERVICE CONTRACTS AND EMOLUMENTS

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' emoluments are determined by mutual agreement and prevailing market practice as well as his contribution to the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of the Directors' and senior management's emoluments are set out in note 36 and 10 to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

PERMITTED INDEMNITY AND DIRECTORS' LIABILITY INSURANCE

Pursuant to the bye-laws of the Company and subject to the provisions of the Companies Act 1981 of Bermuda, the Directors, company secretary and other officers and every auditor of the Company shall, among other things, be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respectively offices or trusts, provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud, or dishonesty which may attach to any of said persons.

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers. The scope of coverage of the insurance is subject to review annually.

MANAGEMENT CONTRACT

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year 2020.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year 2020 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the related party transactions set out in note 31 to the financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director or an entity connected with a director had a material interest or to which a controlling shareholder of the Company or any of its subsidiaries is a party, whether directly or indirectly, subsisted at the end of the year 2020 or any time during the year 2020.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2020, the Group entered into certain related party transactions which may also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the"Listing Rules"). Details of these transactions are set out below and in note 31 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2020, none of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company and/or its subsidiaries and which is required to be disclosed pursuant to the Listing Rules.

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2020, the interests or short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of interests	Number of shares interested as at 31 December 2020	Approximate percentage of the issued share capital as at 31 December 2020
Nantong Sanjian Holding (HK) Co., Limited *(Note 1)*	Beneficial owner	4,462,317,519 (L)	29.99%
Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司) *(Note 1)*	Interest in controlled corporation	4,462,317,519 (L)	29.99%
Smart Success Capital Ltd. *(Note 2)*	Beneficial owner	2,703,248,481 (L)	18.17%
Cheer Link Global Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
COS Greater China Special Situations Fund, L.P. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital SSF GP Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital International Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management (International) Holding Limited ("COAMI") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
Wise Leader Assets Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%

Name	Nature of interests	Number of shares interested as at 31 December 2020	Approximate percentage of the issued share capital as at 31 December 2020
Dong Yin Development (Holdings) Limited *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management Co., Ltd. ("COAMC") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Alliance Properties Limited *(Note 3)*	Beneficial owner	2,255,335,000 (L)	15.16%
Shanghai Forte Land Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun Industrial Investment Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun High Technology (Group) Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun Holdings Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Holdings Ltd. *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Guo Guangchang *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%

(L) *denotes long position*

Notes:

1. As 31 December 2020, Nantong Sanjian Holding (HK) Co., Limited was 100% controlled by Nantong Sanjian Holdings Co., Ltd.* (南通三建控股有限公司).

2. As 31 December 2020, COAMC had 100% control of Dong Yin Development (Holdings) Limited, which in turn had 100% control of Wise Leader Assets Ltd.; Wise Leader Assets Ltd. and Dong Yin Development (Holdings) Limited each had 50% control of COAMI; COAMI had 40% control of China Orient Summit Capital International Co. Ltd., which in turn had 100% control of China Orient Summit Capital SSF GP Co. Ltd. China Orient Summit Capital SSF GP Co. Ltd. was the only general partner of COS Greater China Special Situations Fund, L.P.. COS Greater China Special Situations Fund L.P. had 100% control of Cheer Link Global Ltd., which in turn had 100% control of the Smart Success Capital Ltd.

3. As 31 December 2020, Mr. Guo Guangchang had 85.29% control of Fosun International Holdings Ltd., which had 100% control of Fosun Holdings Limited, which had 71.74% control of Fosun International Limited, which had 100% control of Shanghai Fosun High Technology (Group) Co., Ltd., which had 100% control of Shanghai Fosun Industrial Investment Co., Ltd, which had approximately 99.71% control of Shanghai Forte Land Co., Ltd., which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 31 December 2020, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 2020, the Group's sales to the five largest customers accounted for 1.56% of the Group's turnover for the year, of which the largest customer accounted for 0.43% of the Group's turnover for the year. During the year 2020, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 9% and 33% respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to review of the effectiveness of the system of internal control in respect of, among other things, compliance controls function of the Group. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors, during the year and up to the date of this annual report, there was sufficient public float for the Shares.

On behalf of the Board
Mr. Wang Letian
Chairman
30 April 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The board of Directors (the"Board") will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board to optimise return for shareholders.

The Company has applied the corporate governance code as set out in Appendix 14 to the Listing Rules as amended and revised from time to time (the"CG Code"). For the year under review, the Directors are of the opinion that the Company has met the code provisions in the CG Code during the year except the deviations as stipulated below.

Under the code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Mr. Ma Yun and Mr. Wu Junao, non-executive directors of the Company, were appointed to fill casual vacancies on 23 April 2020 and should have retired at the adjourned special general meeting held on 29 May 2020. Pursuant to Bye-law 86(2) of the bye-laws of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Therefore, Mr. Ma Yun and Mr. Wu Junao retired and were re-elected at the annual general meeting of the Company held on 18 June 2020 (the "AGM").

Under the code provision E.1.2 of the CG Code, the chairman of the Board (the "Chairman") and the chairman of the nomination committee or his representative should attend the Company's AGM. Due to the new coronavirus pandemic and in light of the regulations introduced by the government in Hong Kong, the Chairman and the chairman of the nomination committee and his representative did not attend the AGM. Pursuant to Bye-law 63 of the bye-laws of the Company, Mr. How Sze Ming, the former independent non-executive director of the Company (resigned on 11 January 2021), was elected by the directors of the Company to chair the AGM. The auditors of the Company were also in attendance at the AGM.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors had complied with the required standard set out in the Model Code during the year ended 31 December 2020.

The composition of the Board for the year ended 31 December 2020 and up to the latest practicable date for the purposes of the information in this annual report (i.e. 6 May 2021) was as follows:

Executive Directors

Mr. Wang Letian *(Chairman)*
Mr. Huang Yuhui (appointed on 11 January 2021)
Mr. He Haiyang (appointed on 8 April 2020)
Ms. Li Zhen (appointed on 11 January 2021)
Mr. Qin Renzhong (resigned on 11 January 2021)
Mr. Tang Jian (resigned on 11 January 2021)
Mr. Zhang Huagang (resigned on 8 April 2020)

Non-executive Directors

Ms. Wang Zheng
Mr. Ma Yun (appointed on 23 April 2020)
Mr. Wu Junao (appointed on 23 April 2020)
Mr. Gong Ping (resigned on 23 April 2020)
Ms. Jiang Zhengyan (resigned on 23 April 2020)

Independent non-executive Directors

Dr. Guan Huanfei (appointed on 11 January 2021)
Mr. Chu Chi Wen (appointed on 11 January 2021)
Mr. Chen Shuang, *JP* (appointed on 11 January 2021)
Mr. Cao Hailiang (appointed on 11 January 2021)
Dr. Lin Xinzhu (appointed on 11 January 2021)
Mr. Chow Alexander Yue Nong (passed away on 5 October 2020)
Dr. Xu Changsheng (resigned on 11 January 2021)
Mr. Ng Man Kung (resigned on 11 January 2021)
Mr. How Sze Ming (resigned on 11 January 2021)
Dr. Di Ruipeng (resigned on 11 January 2021)

The term of appointment of non-executive Directors is 2 years.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

	Number of meetings attended/ total number of meetings					
Name of directors	Board Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Annual General Meeting	Special General Meeting
Mr. Wang Letian *(Chairman)*	11/11	3/3	2/2	–	0/1	0/2
Mr. Qin Renzhong *(Note 6)*	4/11	–	–	–	0/1	0/2
Mr. He Haiyang *(Note 1)*	8/8	–	–	–	0/1	0/2
Mr. Zhang Huagang *(Note 2)*	3/3	–	–	–	–	–
Mr. Tang Jian *(Note 6)*	11/11	–	–	–	0/1	0/2
Ms. Wang Zheng	8/11	–	–	–	0/1	0/2
Mr. Ma Yun *(Note 3)*	6/7	–	–	–	0/1	0/2
Mr. Wu Junao *(Note 3)*	7/7	–	–	–	0/1	0/2
Mr. Gong Ping *(Note 4)*	3/4	–	–	–	–	–
Ms. Jiang Zhengyan *(Note 4)*	1/4	–	–	–	–	–
Mr. Chow Alexander Yue Nong *(Note 5)*	7/8	2/2	2/2	3/3	0/1	0/2
Dr. Xu Changsheng *(Note 6)*	11/11	0/1	–	–	0/1	0/2
Mr. Ng Man Kung *(Note 6)*	10/11	3/3	2/2	3/3	0/1	1/2
Mr. How Sze Ming *(Note 6)*	11/11	3/3	–	3/3	1/1	1/2
Dr. Di Ruipeng *(Note 6)*	7/11	2/3	1/2	2/3	0/1	0/2

Note 1: appointed on 8 April 2020
Note 2: resigned on 8 April 2020
Note 3: appointed on 23 April 2020
Note 4: resigned on 23 April 2020
Note 5: passed away on 5 October 2020
Note 6: resigned on 11 January 2021

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of the chief executive officer of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Wang Letian and the chief executive officer of the Company is Mr. Zhang Zelin since 15 January 2021 (was Mr. Zhang Huagang from 30 September 2017 up to 8 April 2020 and was Mr. He Haiyang from 8 April 2020 to 15 January 2021). The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. The chairman was responsible for overseeing the management of the Board whereas the chief executive officer was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Directors and senior management staff attended various training in the form of seminar and reading materials. According to the records provided by the Directors, they received relevant training in 2020.

REMUNERATION COMMITTEE

Members of the Remuneration Committee are as follows:

Independent non-executive Directors:	Mr. Chen Shuang *(Chairman) (Note 1)* Mr. Chu Chi Wen *(Note 1)* Mr. Cao Hailiang *(Note 1)* Mr. Chow Alexander Yue Nong *(Chairman) (Note 3)* Mr. Ng Man Kung *(Note 2)* Dr. Xu Changsheng *(Note 4)* Mr. How Sze Ming *(Note 2)* Dr. Di Ruipeng *(Note 2)*
Executive Directors:	Mr. Wang Leitan Ms. Li Zhen *(Note 1)*

Note 1: appointed on 11 January 2021
Note 2: resigned on 11 January 2021
Note 3: passed away on 5 October 2020
Note 4: appointed on 25 November 2020 and resigned on 11 January 2021

The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company for approval by the Board, assessing performance of executive Directors and approving the terms of executive Directors' service contracts. During the year, the Remuneration Committee met for three times to discuss and review, inter alia, the remuneration policy for Directors and senior management of the Company, to make the recommendations for the directors and senior management's remuneration. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

NOMINATION COMMITTEE

Members of the Nomination Committee are as follows:

Independent non-executive Directors:	Dr. Guan Huanfei *(Note 1)* Mr. Chen Shuang *(Note 1)* Mr. Cao Hailiang *(Note 1)* Dr. Xu Changsheng *(Note 4)* Mr. Chow Alexander Yue Nong *(Note 3)* Mr. Ng Man Kung *(Note 2)* Dr. Di Ruipeng *(Note 2)*
Executive Directors:	Mr. Wang Leitan *(Chairman)* Ms. Li Zhen *(Note 1)*

Note 1: appointed on 11 January 2021
Note 2: resigned on 11 January 2021
Note 3: passed away on 5 October 2020
Note 4: appointed on 25 November 2020 and resigned on 11 January 2021

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the CG Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. The Nomination Committee is also responsible for reviewing the board diversity policy (the "Board Diversity Policy") of the Company regularly (including any measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress on achieving those objectives). The Board Diversity Policy sets out a clear objective and provides that the Company should endeavour to ensure that its Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. During the year under review, two meetings were held to make recommendation to the board of directors of the Company. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

In order to achieve the purpose of the diversity of the Board, the Nomination Committee has following selection criteria for Directors:

– to select candidates with objective criteria, taking into account comprehensive factors like the gender, age, culture, educational background as well as professional experience of the Board members;

– to select candidates for Directors according to the business characteristics and future development needs of the Company.

During the reporting period, members of the Nomination Committee had studied the nomination standards and procedures for the Directors and senior management of the Company.

AUDIT COMMITTEE

Members of the Audit Committee are as follows:

Independent non-executive Directors:	Mr. Chu Chi Wen *(Chairman) (Note 1)* Dr. Guan Huanfei *(Note 1)* Mr. Chen Shuang *(Note 1)* Mr. Cao Hailiang *(Note 1)* Dr. Lin Xinzhu *(Note 1)* Mr. How Sze Ming *(Chairman) (Note 2)* Dr. Xu Changsheng *(Note 4)* Mr. Chow Alexander Yue Nong *(Note 3)* Mr. Ng Man Kung *(Note 2)* Dr. Di Ruipeng *(Note 2)*

Note 1: appointed on 11 January 2021
Note 2: resigned on 11 January 2021
Note 3: passed away on 5 October 2020
Note 4: appointed on 25 November 2020 and resigned on 11 January 2021

The Audit Committee's duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls and risk management systems, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2020, the Audit Committee held three meetings. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS". During the aforesaid meetings, members of the Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2019 and for the six months ended 30 June 2020 and the accounting principles and practices adopted by the Group. The Audit Committee has reviewed the auditor's independence and objectivity and the effectiveness of the auditor's audit process. The Audit Committee also conducted its annual review of the adequacy and effectiveness of the Company's risk management and internal control systems and external audit and internal audit function. The Company's annual results for the year ended 31 December 2020 has been reviewed by the audit committee of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is their responsibilities to ensure that the Group has established and maintained adequate and effective risk management and internal control systems. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for evaluating and determining the nature and extent of risks it is willing to take in achieving the strategic objectives; ensuring establishment and maintenance of effective risk management and internal control systems; and overseeing management in the design, implementation and monitoring of the risk management and internal control systems.

The Board delegates its responsibilities to the Audit Committee to review the practices of management with respect to risk management and internal control, including the design, implementation and supervision of the risk management and internal control systems, on a annually basis. The Audit Committee also reviews the effectiveness of the risk management and internal control systems on an annual basis.

Risk Management

Main Features of the Risk Management System

The risk management system of the Group consists of the following elements: strategy, risk governance structure, roles and responsibilities of each level of management, policies and procedures and risk management process.

The roles and responsibilities of all level of management in the risk governance structure

The Board:
- Ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems, and review their effectiveness at least once a year; Oversee management in the design, implementation and monitoring of the risk management and internal control systems.

Risk management Team:
- The Risk Management Team facilitates and supports business units in carrying out risk management procedures;
- Periodically reports the risk assessment results to the Board;
- Provide recommendations to enhance the control measure to mitigate the key risks;
- Promote the risk management culture.

Business Unit/functional management:
- Identify, evaluate and manage the risks that may potentially impact the major processes of the operations;
- Monitor risks and take measures to mitigate risks.

Process Used to Identify, Evaluate and Manage Significant Risks

A robust risk management process is developed to identify, evaluate and manage significant risks. The risk management procedures include the following 3 steps:

Step 1: Risk identification – Identify the risks at the Company level and its subsidiary level.

Step 2: Risk analysis – Analyze the identified risks from two dimensions: potential impact and likelihood of occurrence; prioritize key risks and confirm top risks. Select an appropriate risk strategies for the identified risks and develop the relevant risk response and control measures to mitigate the key risks.

Step 3: Risk reporting – Consolidate the risk assessment results and report the results to the Audit Committee and the Board.

Internal Control

Main Features of the Internal Control System

The Group has established internal control system by referencing to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework. This internal control system consists of 17 principles and 5 key elements, e.g. control environment, risk assessment, control activities, information and communication, and monitoring.

Internal Audit Department

The Group has established internal audit department. The internal audit department conducts internal audits in accordance with a risk-based annual audit plan. The internal audit reports, along with the key audit findings prepared by the internal audit department, were reported to the Audit Committee and the Board on a regular basis. Management are obligated to address internal control deficiencies and the relevant recommendations proposed by the internal audit department in a timely manner to enhance the Group's internal control system stay effective.

Price Sensitive Information ("PSI") and Inside Information

The Group has put in place internal procedures for the handling of PSI and inside information in accordance with the Listing Rules as follows:

(1) Designated officers and employees of the Group are responsible for monitoring business developments and events of the Group for PSI and inside information to ensure that any potential PSI and inside information is promptly identified.

(2) Any potential PSI and inside information identified is promptly reported to the company secretary of the Company who will assess, following the consultation with external financial or legal adviser if necessary or appropriate, whether the relevant information should be treated as PSI and/or inside information and whether an announcement is required or, where necessary, refer the matter to the Board for its decision.

(3) Records of any meeting and discussion concerning the evaluation of whether certain information constitutes PSI or inside information will be maintained.

(4) Relevant officers and members are frequently reminded of the need to comply with the confidentiality requirements before PSI and/or inside information is disclosed to the public and to ensure that appropriate non-disclosure agreements are put in place before the Group enters into significant negotiations or transactions.

(5) If certain information is determined to be PSI and/or inside information, it will first be disclosed by way of an announcement on the website of the Stock Exchange before it is released in other channels.

Reviews on Risk Management and Internal Control Systems

The Board, through the Audit Committee, has annually reviewed the effectiveness of the Group's risk management and internal control systems by conducting a series of reviews, including annual risk assessment conducted by third party consultant, management's assessment over internal control system and the internal audits conducted by internal audit department. The Board therefore considers that the Group's risk management and internal control systems are generally effective as at 31 December 2020, despite identifying certain areas for improvement.

The board has also reviewed the adequacy of resources, including staff qualifications and experience, training programmes and budget of its accounting, internal audit and financial reporting functions, and are satisfied with the results.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group contained herein. The reporting responsibilities of PricewaterhouseCoopers, the auditor of the Company, are stated in the auditor's report on pages 100 to 103 of this report. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

GOING CONCERN AND MITIGATION MEASURES

Details of the going concern and mitigation measures of the Group are set out in section "Management Discussion and Analysis" on page 15 to 16 and note 2.1 to the financial statements.

AUDITOR'S REMUNERATION

As regards annual audit service provided to the Company, the remuneration of HK$2,680,000 made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2020, the Group had engaged its auditor to provide other services mainly in relation to the Company's circulars on very substantial disposal of subsidiary and the reporting services of the Company's subsidiaries. The fees for these services were HK$1,300,000.

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders. There is no assurance that dividends of any amount will be declared or distributed in any given year.

COMPANY SECRETARY

All Directors are entitled to the company secretary's services. The company secretary reports and notifies the Board the latest information on corporate governance and oversight on a regular basis, assists the Chairman in preparation of the agenda, prepares and dispatches meeting documents in a timely and comprehensive manner so as to ensure the efficiency and validity of the Board Meeting.

The company secretary is also in charge of preparing and keeping written resolutions and/or minutes of the meeting of the Board and the Board committees together with relevant documents. All matters under consideration including any enquiry and objection by Director will be detailed in the minutes. Within a reasonable time frame upon closing a meeting, draft minutes will be despatched to all Directors for their comment and the final written resolution and minutes will be sent to Directors for their records.

According to Rule 3.29 of the Listing Rules, the company secretary had taken no less than 15 hours of relevant professional training during the year.

With effect from 1 May 2021, Mr. Lau Yin Fung Terence of Stevenson, Wong & Co., an external service provider, has been appointed by the Company as the company secretary. His primary contact person at the Company is Ms. Li Zhen (an executive Director of the Company).

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company shall, for the purpose to keep its shareholders duly informed of their rights, publish from time to time the updated bye-laws of the Company in a consolidated form on the Company's website and the Stock Exchange's website.

The Group establishes communications with shareholders through the publication of announcements, notices, and circulars, interim and annual reports and in the Company's website.

According to the bye-laws of the Company, shareholders, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company, can by written requisition to the Board or the company secretary to request to convene a special general meeting for the transaction of any business specified in such requisition. Any general meeting at which the passing of a special resolution is to be considered shall be called by not less than 21 clear days' notice, whilst others may be called by not less than 14 clear days' notice. The chairman of any general meetings ensures that the shareholders are informed of the procedure for demanding a poll by way of explaining the same during the general meetings. The chairman of general meetings also ensures compliance with the requirements about voting by poll contained in the Listing Rules and the bye-laws of the Company.

Shareholders may put forward proposals to be considered at general meetings of the Company by convening a special general meeting under the procedure set out above.

In order to maintain an on-going dialogue with shareholders, shareholders are encouraged to attend annual general meeting of the Company at which Board members and Board committees are available to answer questions related to the Group's business. Shareholders, investors and the media may also contact the Company via email at the email address of the Company at INFO@zendaiproperty.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. FOREWORD

In recent years, with the rapid growth of the economic aggregate, the continuous optimization of the industrial structure, the increasingly prosperity of the consumer market, and the continued advancement of technological innovation, the level of urbanization in the PRC has been rapidly developed, economic development has been in a new normal, and urban development has also entered a new stage. The new development concept of "innovation, coordination, greenness, openness, and sharing" has gradually become popular among the people. The construction of urban ecological civilization and green development has been promoted in an orderly and standard manner. New urban construction concepts including sponge city, green building, smart life and humanistic development have emerged one after another. Driven by the urban construction and development goal of "more scientific development, more beautiful environment, more harmonious society, and happier people", the real estate industry is entering a stage of quantitative and high-quality development, and the concept of technology and sustainable development is reshaping all aspects of the real estate industry from development, marketing, services to products. The year of 2020 was the year for the state to completely build a moderately prosperous society in an all-round way and the last year for "13th Five-Year Plan" plan. With the continuous improvement of living standards and quality, people have increasingly higher requirements on the comfort, safety, convenience and environment of buildings, especially an increasing demand for green buildings. In order to promote the development of green buildings, many national and local policies have been promulgated, including the Key Tasks for New Urbanization Construction and Urban-Rural Integration Development in 2020, the Green Industry Guidance Catalog, the Measures for Management of Green Buildings of Shanghai (Draft), etc., to include elements such as green buildings, energy conservation, emission reduction, and green procurement into the scope of consideration and the focus of development. 2020 was also a critical year for laying a solid foundation for the development of the "14th Five-Year Plan" of the PRC. The Proposals of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and Long-term Goals for 2035 clarifies the development route, and focuses on accelerating the promotion of green and low-carbon development, continuous improvement of environmental quality, enhancement of ecosystem quality and stability and overall improvement of resource utilization efficiency. In accordance with the requirements of high-quality development, the sustainable concept of the real estate industry will usher in new development opportunities centering on green buildings and innovation empowerment.

Shanghai Zendai Property Limited (the "Company") a famous enterprise in the real estate industry in the People's Republic of China, upholds the "craftsman's spirit" and unswervingly implements the principles for sustainable business transformation and development policy, commits itself to high quality and drives its rapid, healthy and sustainable development by comprehensive innovation. With the development and operation for multiple types of properties including residential, office buildings, art hotels, and complexes, the Company and its subsidiaries (collectively the "Group") has risen as a comprehensive urban developer. Relying on its complete construction, operation and management capabilities and independent teams responsible for planning and development, investment promotion programming, operation and property management, the Group has developed its domestic business presence with Shanghai and Nanjing as the centre and radiating outwards into major cities nationwide. As a comprehensive urban developer with commercial real estate as its core business, the Group has created more than 40 industry classics including Shanghai Himalayas Center, Shanghai Mandarin Palace, Nanjing Himalayas Center, Nanjing Thumb Plaza, and Nanjing Mandarin Palace, has repeatedly won honors including the top 100 Chinese real estate development enterprises, the top 10 Chinese commercial real estate enterprises, and the top 50 Chinese property management enterprises for brand value. Adhering to the two brand strategy pillars of "architecture" and "operation", the Group is committed to providing cities with high quality living spaces, and strives to build excellent products which can meet the spiritual, cultural and aesthetic requirements of consumers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

It has been the development philosophy that the Group has adhered to since its establishment to take into account social and environmental benefits when developing businesses. The core of the Group's business philosophy and corporate culture is to combine the ESG management model with its strategic development and operation, striving to promote the sustainable development of the Group, value chain partners and the industry. The Group adheres to its commitments in terms of environmental protection and social contribution and proactively fulfills its responsibilities. The year of 2020 was destined to be an extraordinary year in the history of human development. The pandemic of the COVID-19 has brought a huge impact on global economic development and posed a serious threat to people's lives and health. Under the leadership of the government and the concerted efforts of all sectors of society, the epidemic in China has been effectively controlled, and the resumption of work and production and the green recovery of the economy are being carried out in an orderly manner. Meanwhile, following the implementation of the "Paris Agreement" and the vigorous implementation of climate action by the 2030 UN Sustainable Development Agenda, China has pledged to reach the peak by 2030 and endeavour to achieve carbon neutrality by 2060, demonstrating China's active response to climate changes, firm determination to proceed with green and low-carbon development and China's initiative to take on the responsibility of tackling climate changes and promoting the building of a community with a shared future for mankind. In light of the challenges and opportunities arising from the profound changes in the international social order, macroeconomic situation, and industry market structure in the post-epidemic era, the Group will continue to adhere to the responsibility of promoting the sustainable development of cities in China and center on the national "30.60" goal of building a low-carbon ecosystem. We will resolutely fulfil the responsibility of protecting the green and harmonious China, and make active contribution to the commitment of realising sustainable development globally.

"With nature in mind", the Group, as a practitioner and pioneer of art real estate in China, will continue to monitor, review and improve its environmental, social and governance ("ESG") management and policy implementation to reduce its environmental impact, fulfil its social responsibilities and optimize its governance system. Adhering to the artistic taste and ingenuity of "exploration of life comes from the understanding of beauty", the Group leads the trend of sustainable development in the country as a pioneer in the industry, and learns leading development technologies and sustainable practices internationally through the exchange and sharing mode. In the future, it will vigorously proceed with the dissemination and application of ESG management concepts and deepen the sustainable development of the real estate industry, to empower products, services and urban renewal.

II. ABOUT THIS REPORT

The Group strictly complies with the requirements of Environmental, Social, Governance Reporting Guide, Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange, and is pleased to present the ESG report (the "ESG Report") for the twelve months ended 31 December 2020 ("FY 2020") to elaborate the Group's principles and performance related to ESG management and sustainable development for FY 2020. Information disclosed in the ESG Report are collected and summarised through multiple channels, which include the Group's policy documents and data, feedback from the Group's implementation of ESG practices, the stakeholder survey and relevant information on the Group's sustainable development practices collected from online questionnaires. At the end of the ESG Report, an index is provided to facilitate readers checking its completeness. The report is prepared in Chinese and English and is published together with the annual report on the website of the Group (www.zendaiproperty.com).

Reporting Scope

An effective and reasonable reporting scope based on the principle of materiality can help stakeholders further understand the effectiveness of ESG related policies and assist the Group to effectively identify the major business activities it has conducted in the year under review and the operation risks and opportunities it is subject to. The ESG report uses operation control method to define the scope of information disclosure. The disclosure covers the Group's property development business, property operation business, hotel operations and ordinary operations of the office located in Hong Kong.

Reporting Principles

The ESG guidelines updated by the Stock Exchange in 2020 further clarify the importance of applying reporting principles to information disclosure. Following reporting principles is the foundation of preparing the ESG Report. Therefore, the ESG Report identifies, prepares and presents the information to be disclosed and the disclosure method under the principles of "materiality", "quantification", "balance" and "consistency".

Materiality

The Group knows very well that the principle of materiality is critical to the effectiveness of ESG management and information disclosure and ensures that the Group can allocate limited resources reasonably and improve the efficiency of problem solving. Since its establishment, the Group has adhered to the differentiated brand strategy, which is also one of the distinctive features of its business and development. Therefore, the Group attaches great importance to the analysis of the materiality of the disclosure content and ESG management process, and seeks to grasp the opportunities that ESG brings to the Group in an effective way. In the ESG report, the Group conducts ESG materiality assessment with reference to the GRI standards through the identification and analysis of the economic, social and environmental impact of its business based on the survey results of stakeholders, and the results are listed as the sustainability issues that are vital to the Group. The Group will conduct more targeted deployment and management in the future.

The Group's application of the materiality principle is also fully reflected in its determination of reporting scope and data collection process. In order to clearly and selectively reflect the Group's ESG performance, the Group further improved its data collection management model and realize the construction of a one-stop data submission platform during the year based on business segments, types of subsidiaries, and problems encountered in the data collection process in previous years, which further ensured that relevant data collectors could systematically classify and process the collected information based on the materiality principle. For the disclosure of indicators in the social area, the ESG report selectively sorts out and discloses key ESG information which is deemed important by the Group.

Quantification

The ESG report applies the principle of "quantification" in various aspects including the calculation and disclosure of key performance indicators in the environmental and social areas. For example, in sections of "Emissions" and "Use of Energy", the ESG Report follows the quantitative analysis standard to calculate and summarize the greenhouse gases ("GHG") emission and the consumption of various resources of the Group for FY 2020. In the narrative, the Group also conducts quantitative discussions on the Group's performance in the environmental area in recent years, and points out the Group's future improvement direction and enhancement goals. In respect of information disclosure in the social area, the Group quantifies and reasonably discloses key performance in terms of employment, training, and anti-corruption in accordance with the requirements of the latest ESG reporting guidelines of the Stock Exchange.

The Group believes that high-quality quantitative data will help the Group understand its ESG development process in a timely manner, and help its stakeholders compare the Group's ESG management performance horizontally and make informed decisions. In the future, the Group will continue to optimize the process and quality of its data statistics, and achieve more quantitative analysis and disclosure of its environmental and social impacts with reference to international leading practices.

Balance

When disclosing the ESG performance, the Group follows the principle of balance to ensure that it delivers authentic and effective ESG information to stakeholders. Guided by this principle, the Group identifies, analyzes and effectively discloses the ESG-related risks and opportunities it faces, with a view to providing its stakeholders with complete ESG performance information of the Group. At the same time, the Group objectively evaluates and analyzes the accomplishment progress of its goals and the implementation effectiveness of ESG policies in order to truly reflect the Group's sustainable development performance in FY 2020 to readers, and is also of forward-looking referential significance for the improvement and development of the Group.

As the "measurement of climate risks" has had a critical impact on the sustainable operation of modern enterprises, the Group, as a supporter of the proposal of the "Task Force on Climate-related Financial Disclosures", has effectively assessed and disclosed the climate-related risks and opportunities it faces based on its recommended framework and guidelines. The Group also hopes to promote the real estate industry's emphasis on climate action and work together to build the overall climate resilience for the value chain of the real estate industry.

Consistency

In order to promote the practicability and comparability of the data in the ESG report, and to provide reference value for its stakeholders, the ESG expert team and external consultants of the Group adopted the same scope setting principles, data collection process, data calculation method and reporting framework as those for the previous disclosures based on the analysis of the business development in the year to prepare the ESG report. For example, the Group has long referred to internationally recognized standards and methods for accounting and disclosure of its GHG emissions, including the GHG Accounting Tool for Enterprises issued by the World Resources Institute and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. For policy implementation and disclosure priorities with major changes, the Group has also made a full description and explanation, striving to provide its stakeholders with valuable ESG information.

III. SUSTAINABILITY MANAGEMENT STRATEGY

With the development strategy of "in-depth development of five strategic areas centering on core cities", the Group is committed to continuously creating financial returns for shareholders, while abiding by its commitment to society and the environment, tapping local market demand, and creating industry benchmarking high quality real estate projects. In its sustainable development management methods and strategies, the Group is oriented towards consumer demands, optimizes the efficiency of asset operations, and endeavours to build a high-quality brand image. The Group will continue to optimize its governance structure, streamline processes, and assign responsibilities to specific personnel, to build a diversified and efficient management team and unswervingly improve its comprehensive competitiveness.

As a pioneer enterprise focusing on humanistic care, climate changes, and green development, the Group knows that the enhancement of governance capabilities and improvement of the resilience of the management framework are the top priorities for achievement of sustainable development. The Group complies with the laws and regulations of Hong Kong and Mainland China, as well as the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, in continuous improvement of its compliance governance structure and corporate governance level, and focuses on clarifying the responsibilities and obligations of the board of directors (the "Board") of the Group in formulation of corporate development policy, policy implementation and ESG management. The Board of the Group with its acute insight in ESG risks and opportunities and long-term firm support and close attention to the Group's sustainable development is regarded as the foundation the Group's success. The Board is responsible for leading and monitoring the strategic development of the Group and overseeing the overall governance and ESG related matters of the Group. The Group mainly adopts a "top-down" management strategy in its sustainable development governance. The Board is responsible for formulating the Group's sustainable development strategy and roadmap, and assumes the responsibilities for comprehensive ESG strategies and reporting. The Board is also obliged to identify and evaluate ESG-related risks and opportunities faced by the Group and the industry chain, and propose countermeasures. The Board must ensure the barrier-free communication between the Group and the Board and management, and correctly determine the future development direction of the Group by reviewing the environmental and social impact of all businesses and ensuring the effectiveness of the implementation of ESG policies.

Board

- Review and understand the actual and potential impacts of the Group on the environment and society;
- Supervise the implementation of the Group's ESG management strategies and policies, and make informed decisions on business development based on ESG and climate-related factors;
- Promote the dissemination of the Group's culture from top to bottom to ensure that ESG management model and concept become an important part in the business development and decision-making process.

Management

- Supervise the implementation of ESG policies during the operation of the Group's assets in the three major segments of property, business management and hotel at the operation level;

- Track and report to the Board the progress of achieving ESG goals and the risk management process through internal meetings of the Group;

- Provide support to front-line employees and operation teams to ensure the effectiveness of policy implementation.

General Employees

- Learn and implement the ESG plan proposed by the management;

- Realize changes and breakthroughs through innovative practices;

- Assess and report ESG-related risks in daily operations;

- Endeavour to fulfill corporate responsibilities and make contributions to the construction of social welfare undertakings.

In order to fully implement the Group's sustainable development strategy, the Group assigns dedicated personnel to manage the daily ESG matters of the Group, and appoints independent third-party ESG experts to supervise and coordinate the Group's sustainable development practices and track, collect and disclose the Company's ESG-related performance information, etc. The Board of the Group understands ESG matters closely related to the development of the Group through the annual general meeting, emails, telephone calls and reports. In recent years, as the state emphasizes on and has requirements on energy conservation, emission reduction and climate action, the Group tracks and evaluates the annual performance of key environmental and social indicators based on domestic and international market development trends with reference to industry standards, and is committed to effective identifying risks, optimizing the risk management structure of each business segment, proposing effective countermeasures and supervising the accomplishment of goals, etc., to make continuous progress toward a highly adaptable enterprise development model.

With forward-looking strategy deployment and rigorous action plans, the Board, the management and the professional team of the Group continuously review, discuss about, revise and adjust the Group's sustainable development principles and policies, so as to adapt to the changing market environment and meet stakeholders' expectations. Meanwhile, the Group plans to improve the accountability mechanism, strives to fundamentally standardise internal business procedures and employees' behaviours, and thus guarantees the long-term industrial competitiveness and stability.

IV. BOARD STATEMENT

The year of 2020 was an extraordinary year. The global spread of the COVID-19 had an unprecedented shock on the global economy. In the face of the unprecedented and sudden epidemic disaster, China decisively launched epidemic prevention and control. Under the leadership of the government, the people across the country united and cooperated with each other with firm courage and determination to build a solid line of defence against the epidemic with one heart and effectively curbed the spread of the epidemic. In response to national calls and instructions, Shanghai Zendai attached great importance to the epidemic prevention and control, mobilized all employees and united its property development, business management, hotel and other business segments, helping to win the battle against the epidemic. The Group established an epidemic prevention and control team as soon as possible, formulated an "epidemic prevention and control plan and emergency plan", and strictly implemented requirements and policies in terms of area disinfection, material storage and distribution, personnel access control, etc. to ensure the health and safety of employees of the Group. Innovative technologies were applied to all projects, and online channels were launched to provide contactless property services to further promote the process of Zendai Property's smart marketing. In anti-epidemic action, supermarket was an important force in safeguarding people's livelihood. Zendai Operation & Management provided special services for all of its supermarkets, assisted relevant government authorities in actively implementing various policies, and worked together to ensure the normal operation of merchants, to provide stable material guarantee so as to win the battle of epidemic prevention.

Breeding hope in suffering was also the main theme of 2020. The year of 2020 was the final year of the "13th Five-Year Plan" of China and the year of planning for the "14th Five-Year Plan". Guided by the main theme of "implementation of policy based on actual situation of cities, housing for residence instead of speculation", the Group moved forward the goal of promoting the healthy development of housing consumption, with a view to advancing the new type of urbanization centering on people. In 2020, the Group won the "2020 China Top 100 Property Service Companies" and the "2020 China Excellent Enterprise of Office Property Services Management" in the "2020 China Top 100 Property Service Enterprises Research Results Conference and the 13th Summit of China Top 100 Property Service Entrepreneurs". The Group continues to lay equal stress on art and innovation, using the concept of high mountains and flowing water to return modern architecture to nature, and is committed to letting people find their worship of mountains and waters in their hearts. With the goal and development concept of the renaissance leading modern cities, the Group has dedicated more than 40 industry classics with the core brands of Himalaya Center, Thumb Plaza and Mandarin Palace to the world.

"Get out of vulgarity, Cultural rebirth"

In 2020, China made a commitment to the world to achieve carbon neutrality by 2060. Over the years, construction of smart cities and adherence to the concept of green development has been one of the core development principles and goals of the Group. In the process of "accelerating the promotion of green and low-carbon development and continuous improvement of environmental quality", the Group has taken practical actions. For example, Jumeirah Himalayas Hotel Shanghai successfully implemented energy-saving transformation through provision of overall solutions for comprehensive environmental energy efficiency and contract energy management service models and implementation of ten energy-saving measures including LED lighting transformation, elevator energy feedback, circulating water pump frequency conversion transformation, energy saving optimization for cooling station group control, guest room control upgrading and addition of water source heat pump units, which greatly reduced the carbon footprint during operation.

As a comprehensive urban developer that develops and operates multiple types of properties including residential, office buildings, art hotels, and complexes, the Group, under the guidance of the main principle of "housing for residence instead of speculation, implementation of policy based on actual situation of cities", has always provided beautiful living spaces and high-quality commercial operation services for cities. Based on the hard efforts in the "13th Five-Year" period, the Group will adhere to its development strategy of "in-depth development of five strategic areas centering on core cities", continuously optimize the management team and management system, and seek more cooperative projects, to make contributions to the magnificent development of China's real estate industry.

V. STAKEHOLDER ENGAGEMENT

The Group is of the view that maintaining stable and continuous communication and exchanges with its stakeholders is an important part of its sustainable development strategy. The Group regards its employees, investors, shareholders, customers, contractors, suppliers, governments, tenants, and non-governmental organization partners as important stakeholders. In view of the fact that different groups are affected by the Group's business activities and operational decisions in different ways and have different ways of influencing the Group's development strategies, the Group has adopted various methods to communicate with its stakeholders. The Group is committed to working with its stakeholders to jointly promote the sustainable development of people, the environment and society, and creating value on the road of sustainable development exploration with the two major brand strategic pillars of "architecture" and "operation" as the value orientation. To maintain effective communication with stakeholders is essential for the Group to adapt to the ever-changing market environment and improve business operations. Meanwhile, an in-depth understanding of the ESG issues that stakeholders are concerned about will also help the Group transform its commitment to sustainable development of the environment, society and economy into long-term value creation. In the communication between the Group and its main stakeholders, the following factors are mainly taken into consideration in order to effectively identify and evaluate ESG-related risks and opportunities that have a significant impact on it:

- Who are key stakeholders of the Group?
- What is the relationship between the Group's main stakeholders and the Group's business activities?
- What kind of opportunities and challenges stakeholders will bring to the Group?
- What are the sustainable development issues that the main stakeholders of the Group are concerned about? and
- What actions have the Group taken or should the Group take in the future to effectively address the challenges and opportunities which stakeholders concerned about?

The Group mainly maintains long-term and stable communication with its stakeholders through the following various channels. The Group also regularly reviews and adjusts its ESG management policy, in particular the policy on communication with stakeholders, in order to respond to and meet the needs of stakeholders as much as possible.

Type of Stakeholder	Expectations and Concerns	Communication Channels
Governments and Regulatory Authorities	– Legal business operation – Anti-corruption policies – Give full play to the role of industry benchmarking to lead the healthy development of the industry	– Compliance with local laws and regulations – Regular reports and tax payment – Response to the policy documents issued by the government
Shareholders	– Return on investment – Corporate governance – Business compliance	– Regular corporate reports and announcements – General meetings – Official website of the Group
Employees	– Compensation and benefits of employees – Development prospects and training plans – Healthy and safe working environment and strengthening safety education and training – Accelerate the creation of a paperless and environmentally friendly office environment – Use the latest construction-related technologies to reduce the waste of materials – Position stabilisation	– Assessment of employee performance – Regular meetings and training – Email, notice board, hotline and team building of employees and the management
Customers	– Product safety and risk control – Strengthened implementation of energy saving and emission reduction measures – Integrity and performance of contracts – Privacy protection – High quality and caring services	– Customer satisfaction survey – Face-to-face meetings and on-site survey – Customer service hotline and email

Type of Stakeholder	Expectations and Concerns	Communication Channels
Suppliers	– Equality, mutual benefit and win-win – Upstream and downstream win-win cooperation – Supply chain risk management – Strengthened training of employees	– Open tendering – Supplier satisfaction survey – Discussion on the phone – Face-to-face meetings and on-site survey – Industry workshop
The Public	– Engagement in community activities – Common community governance – Business compliance – Compliance with business ethics – Environmental protection awareness	– Press conference and inquiry response – Social charity activities – Face-to-face interview

In a bid to enhance the recognition of the Group and its stakeholders about global sustainable development goals and their progress, in FY 2020, the Group launched promotion and education of UN Sustainable Development Goals (the "Sustainable Development Goals") by questionnaires to its internal employees and stakeholders, and built a roadmap in line with the UN Sustainable Development Goals plan through communication with stakeholders. Based on results of the survey, the Group defined Goal 3, Goal 4 and Goal 11 as the Sustainable Development Goals which stakeholders most cared about, and adopted their specific requirements and the elements closely related to the development of the Group as the key issues in the Group's sustainable development and construction in the future and the cornerstone to achieve the corporate vision of the Group.

- Goal 1: No Poverty – "Eradicating poverty in all its forms"
- Goal 3: Good Health and Well-Being – "Ensure healthy lives and promote well-being for all at all ages."
- Goal 4: Quality Education – "Obtaining a quality education is the foundation to improving people's lives and achieve sustainable development."
- Goal 11: Sustainable Cities and Communities – "Make cities and human communities inclusive, safe, resilient and sustainable"

Source: http://www.undp.org/content/undp/en/home/sustainable-development-goals.html

In response to stakeholders' concern about the Sustainable Development Goals and for aligning its business strategies with international standards and requirements, the Group is prepared to make solid contribution to the global sustainable development in the following areas:

Goal 1

As a proactive response to the national strategic guidelines on poverty alleviation, in recent years, the Group used its own resources and advantages to make donations to various charitable organizations and individuals to help people in need live a happy and beautiful life. The Group provides its employees with competitive wages and social security benefits, and cares about the life quality of employees and their families. In addition, the Group pays attention to the development of small and medium-sized suppliers and actively cooperates with small and micro enterprises to support and promote their products and services by paying fair and reasonable prices.

Goal 3

The health and well-being of employees has long been one of the most important tasks for the Group to achieve sustainable development. Adhering to the "people-oriented" core value, the Group has continuously improved its management policies and adopted measures including optimisation of the office environment, etc. to ensure that employees can live together harmoniously and enjoy their work. During the epidemic in 2020, the Group paid more attention to the protection of its employees, established a response team in a timely manner and issued various policies to ensure the health and safety of its employees with best effort.

Goal 4

The Group's pursuit of high-quality education is reflected in its training mission and complete training system of "encouragement of employees to attend internal and external training related to work content, combination of self-training and imparting training, and combination of on-the-job training and professional training". The Group is committed to continuously improving the professional level of its employees, to realize their professional ambitions and create value continuously for the Group.

Goal 11

As one of the comprehensive urban developers in China, the Group continues to provide sustainable solutions for urban development, and combine art taste with local culture to improve the sustainability value of its products and services. The Group also attaches importance to the impact of its business development and operation process on local culture, natural heritage and ecological environment, and constantly reviews and improves its work models and practices, striving to become a pioneer in the sustainable development of domestic real estate.

Materiality Assessment

As one of the comprehensive urban developers in China, the Group's personalized and humanistic development philosophy, product design and service culture are inseparable from the Group's keen understanding of the market, forward-looking analysis of the industry, effective assessment of potential risks and opportunities in the operation process and decision-making. As an important part of fulfilling its social responsibilities, the Group insists on placing the concept of materiality at the highest position in the ESG management strategy. Enterprises may be faced with different risks and challenges in ESG management because of different characteristics of industries in which they are engaged, which also depend on their specific business models and development directions. Every year, the Group conducts annual stakeholder review to identify stakeholders' focuses of and material interest in the Group's ESG matters. In FY 2020, the Group engaged an independent third party to invite important stakeholders to participate in the stakeholder materiality assessment and survey. The Group selected internal and external stakeholders based on the influence of stakeholders to the Group and the Group's dependence on stakeholders. Stakeholders who were invited provided their opinions in respect of ESG management and relevant issues through the ESG questionnaires designed by the Group. The questionnaire covered environmental impact, employment, supply chain risk management, implementation of anti-corruption policies, community services and the sustainable governance system within the Group. Through timely understanding of the concerns of its stakeholders, the Group can effectively identify and evaluate the ESG impacts that are vital to it, thereby realizing effective business management.

Through the materiality analysis, the Group lists "compliance with and protection of intellectual property", "anti-corruption policies and whistleblowing procedures" and "emergency response capability" as ESG issues of high materiality. The survey also motivates the Group to prioritise and invest more resources to the research of relevant sustainable development issues, and to disclose specific information in such area in the ESG Report.

Stakeholder Feedback

In pursuit of excellence, the Group is open to stakeholders' feedback and opinions in respect of ESG approach and performance improvement, particularly feedback about ESG issues the Group deems as highest materiality. Readers are also welcome to share their views on ESG issues with the Group through the Group's email http://www.zendaiproperty.com.

VI. ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT

At present when the green economy is receiving more and more attention, the greening of construction industry, as one of the main sources of GHG, has brought about great challenges and breeds huge development opportunities. Green development is the current development trend in the world and also an important concept for our country's future development. The Group is committed to achieving a transition to a low-pollution, zero-carbon, and fully-enclosed sustainable development model through the information-based, clean, intelligent and harmless operation policy. The green value concept of respecting and caring for the nature as advocated by our country has interiorized the concepts of blue sky, green land and clear water into the hearts of people, forming deep humanistic feelings, which coincides with the spirit of landscape pursued by the Group and the great goal of leading the modern urban renaissance.

To realise the long-term sustainable development of the environment and community in which the Group operates its businesses, the Group is committed to strictly controlling emissions and managing resource consumption, and complies with environment-related laws and regulations in the PRC in the course of ordinary operation, which include but are not limited to:

- Environmental Protection Law of the People's Republic of China;
- Law of the People's Republic of China on Environmental Impact Assessment;
- Water Pollution Prevention and Control Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes;
- Management Measures on Duplicated Form for Hazardous Wastes Movement (《危險廢物轉移聯單管理辦法》) and
- Energy Conservation Law of the People's Republic of China.

This section discloses the Group's policies, practices and quantitative data about emissions, use of resources, the environment and natural resources in FY 2020.

A.1. Emissions

In FY 2020, the Group observed national and local environmental laws in respect of emissions in the ordinary operation. There was no violation of laws and regulations that had significant impact on the Group, including waste gas and greenhouse gas emission, discharging wastes to water and land, discharging hazardous and non-hazardous wastes, and noise. The Group firmly adhered to the high-quality operation vision of"innovative, coordinated, green, open and shared" development, actively managed energy consumption and reduced the negative impact on the environment.

In view of its business model and characteristics, the waste gas emission of the Group is mainly produced by the fuel consumption of business-purpose vehicles and the use of boilers in the operation of hotels and properties. In FY 2020, the Group produced 7.10 kg of sulfur oxide ("SOX"), 366.87 kg of nitrogen oxide ("NOX") and 78.06 kg of particulate matter ("PM"). The Group earnestly promoted the green development concept, actively adhered to the national great goals of "30.60" peak carbon dioxide emissions and carbon neutrality, and spared no efforts to effectively control the GHG emission. In FY 2020, the greenhouse gases of the Group were mainly from fuel consumption of business-purpose vehicles and electricity consumption in the course of operation. During the year under review, the total greenhouse gas emission of the Group was 40,522.9 t CO2e, and the intensity was 43.8 t CO2e per person. In addition, the Group also produces certain solid wastes and wastewater in the course of operation, which mainly include commercial wastes, construction wastes, waste paper and commercial wastewater. During the operation in the year, the Group produced a total of 18,918 tonnes of non-hazardous solid wastes (with intensity of 20.4 tonnes per person) and 498,851 m3 non-hazardous commercial wastewater (with intensity of 538.7 m3 per person). During the year under review, the Group did not produce any hazardous wastes. Table 1 summarises the emission data of the Group in FY 2020.

Table 1. Overall Emissions of the Group in FY 2020[8]

Type of Emission	KPI	Unit	Total for FY 2020	Annual intensity for FY 2020 (unit/person)[1]	Total for FY 2019	Annual intensity for FY 2019 (unit/person)[2]
Waste gas emission [3]	SO_X	kg	7.10	7.67×10^{-3}	1.42	1.2×10^{-3}
	NO_X	kg	366.87	0.40	62.01	0.05
	PM	kg	78.06	0.08	4.57	3.8×10^{-3}
GHG emission	Scope 1 (direct emission) [4]	tCO_2e	1,533.4	1.7	2,436.4	2.0
	Scope 2 (indirect emission of energy) [5]	tCO_2e	38,395.4	41.5	31,653.1	26.6
	Scope 3 (other indirect emission) [6]	tCO_2e	594.1	0.6	636.6	0.5
	Total emission (Scope 1, 2 and 3)	tCO_2e	40,522.9	43.8	34,726.1	29.2
Non-hazardous wastes	Solid wastes	tonne	18,918	20.4	18,227	15.3
	Wastewater [7]	m^3	498,851	538.7	559,288	469.6

1. *The emission intensity of FY 2020 is equal to waste gas, GHG and other emission produced by the Group in FY 2020 divided by the total of 926 employees of the Group as at 31 December 2020 in FY 2020;*
2. *The emission intensity of FY 2019 is equal to waste gas, GHG and other emission produced by the Group in FY 2019 divided by the total of 1,191 employees of the Group as at 31 December 2019 in FY 2019;*
3. *The waste gas emission in FY 2020 included air pollutants the Group produced in the course of utilizing business-purpose vehicles and the use of boilers in the operation of hotels and properties, while the waste gas emission in FY 2019 included air pollutants the Group produced in the course of utilizing business-purpose vehicles;*
4. *Scope 1 (direct emission) of the Group only includes energy consumption of vehicle operation and boiler use in the operation of hotels and properties;*
5. *Scope 2 (indirect energy emission) of the Group only includes emissions from electricity consumption and coal burning for heating;*
6. *The Group's GHG emission scope 3 (other indirect emission) only includes waste paper disposed of at landfills, and the GHG emissions caused by the use of electricity to treat potable water and wastewater by government departments. The Group continues to optimize its data statistics process and the accuracy and comparability of data presentation. To ensure uniform accounting methods, the GHG emission scope 3 (other indirect emission) data for the FY 2019 has been revised;*
7. *The amount of wastewater generated by the Group is based on strict wastewater statistics of its subsidiaries. For the operation sites of the Group where part of the wastewater is managed uniformly by the property building, the wastewater volume is calculated based on the water consumption; and*
8. *The approach adopted in reporting the greenhouse gas emission stated above is based on the "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" issued by Hong Kong Exchanges and Clearing Limited and the emission factor database of Intergovernmental Panel on Climate Change (IPCC).*

Property Development Business

Emission of this business mainly includes wastewater, construction wastes, dust and noise. The property development business of the Group does not produce other hazardous emissions.

Waste Gas

Waste gas produced by this business segment is mainly air pollutants produced in the course of fuel consumption of business-purpose vehicles in daily operation. Gasoline is used as the power source of automobiles, and air pollutants produced include SOX, NOX and PM. In controlling the waste gas emission, the business segment responds to the country's call of energy conservation and emission reduction, implements and adopts targeted policies and measures, further encourages the use of clean energy including liquefied natural gas as the fuel of automobiles, thereby minimising the waste gas emission. In the meantime, the Group maintains and updates the equipment on a regular basis to improve the operation efficiency.

GHG

As China has made commitment to carbon neutrality, building a national carbon market and promoting the green and low-carbon development of various industries has become an important focus during the "14th Five-Year" period. In FY 2020, the GHG emission of the Group was mainly from electricity purchase and vehicle utilisation. The Group proactively responds to national policy requirements, attaches great importance to the control of greenhouse gas emission, and will adopt more effective control on the use of electricity to maintain the fluctuation of annual electricity consumption under non-exceptional circumstances below 10% in the short term. To minimise the greenhouse gas emission at source, the Group further controls the utilisation of gasoline and reduces its reliance on fossil fuel. It has developed and implemented internal policies in this regard, which are further disclosed in "**Electricity Consumption**" and "**Other Energy and Resources**" below.

Wastewater

Wastewater in this business segment mainly includes the sewage produced by employees in daily operation and the wastewater discharged in property development. The sewage produced by employees is directly discharged to the local sewage treatment plant through municipal drainage pipelines, while other oily wastewater will be treated by filter to remove the oil and residue before being discharged into municipal sewage pipelines. Wastewater produced in the course of construction will go through three-tier sedimentation and treatment before it is discharged. To prevent discharging muddy water out of the construction site, the Group employs the muddy water treatment device in the discharge system to reduce the discharge of muddy water. As the amount of wastewater depends largely on the water consumption, the Group has adopted specific measures to reduce the water consumption in the course of operation, which are further disclosed in "**Water**" below.

Solid Wastes

Solid wastes produced by the business segment include the non-hazardous solid wastes (including construction waste) generated in the operation and the domestic and commercial wastes generated by employees in daily life. The office and domestic solid wastes generated by employees are put into the waste bins placed by local government, which will be collected and treated by the environmental sanitation department of the government. To fulfil the Group's commitment to sustainable waste management, each business segment of the Group has taken effective actions to reduce, reuse and recycle solid wastes. The specific measures include the followings:

- Sort solid wastes and recycle solid wastes as much as possible;
- Educate all employees to reduce the use of plastic tableware and other disposable consumables; and
- Advocate recycling and reusing office supplies and other materials.

Dust and Noise

The business generates dust and noise in construction. As the amount of dust generated is beyond measurement, no specific value is provided in the ESG Report. In order to reduce the effects of dust generated in construction on surrounding environment, a series of measures have been taken for the business including establishment of a car wash compartment at the exit to construction site to prevent vehicles taking dust and sludge out of the construction site, installation of pressurized atomization and dust removal devices along the main roads of construction site, erection of enclosure facilities of no less than 1.8m surrounding the construction site during construction, use of sealed equipment for transportation of dust, and daily wash of ground or watering, to clean dust and prevent accumulation of sludge. In order to reduce noise generated in construction, for the business, low-noise machinery and equipment or soundproof or sound muffling equipment are used to replace traditional equipment and it is prevented to conduct operations using high-noise equipment at noon and night.

Hotel Operations

Emissions produced by the business are mainly domestic wastewater, solid wastes and GHG generated during daily operation. The Group's hotels have established emission reduction targets, and the engineering department manages and monitors the achievement of emission targets and guides the team to use reasonable and scientific methods to improve energy efficiency.

Waste Gas and GHG

The boilers of hotels have been upgraded transformed in accordance with the new energy-saving and environmental protection standards published the local municipal governments, including the Standards on Air Pollutant Emission by Boilers (DB31/387-2018), to control energy consumption and exhaust gas, and have been checked and accepted by government functional departments. The Group's hotels use vacuum boilers to improve heat exchange efficiency, greatly shorten the warm-up period and reduce energy waste. The Group appoints personnel to inspect the operation of boilers on a daily basis, regularly arranges qualified manufacturers to maintain and overhaul boilers and gas appliances, and appoint employees to supervise them effectively. To further reduce the consumption of natural gas and electricity, the Group fosters employees' energy conservation awareness through training and education programs. In the meantime, the Group controls the water temperature of water boilers and heating boilers in the management of hotel operations to reduce unnecessary energy waste. In order to improve energy efficiency, the Group's hotels have strict indicator controls on the consumption of electricity, gas and water resources, and arrange special personnel to inspect the power shutdown on a daily basis. In FY 2020, Qingdao Zendai Himalayas Hotel of the Group replaced 500 energy-saving LED lamps. The Group maintains its vehicles in a timely manner to reduce the risk of inefficient operation.

Wastewater and Waste Oil

The domestic wastewater generated by the business is directly discharged into the local sewage treatment plant via the municipal sewage pipelines. For the waste oil generated by kitchen, the Group has taken measures for classified storage and storage with specialized barrels at designated locations and entrusted an outsourcing company specialized in treatment of oily wastes for regular and unified collection and treatment. The Group vigorously promotes the concept of water recycling and has formulated relevant policies and implementation standards to encourage employees and guests to reduce the waste of water resources.

Solid Wastes

Kitchen garbage and domestic waste generated by customers represent the major solid wastes of the business. Therefore, a garbage chamber is set for the business for classified collection of garbage and a company specialized in garbage treatment is engaged to be responsible for sorting and collection of daily operation garbage of hotels. Meanwhile, a garbage management system is also set up for the business to reduce the generation of garbage and employees are urged to fully utilize resources and prevent waste. In order to minimize the generation of solid wastes, proactive efforts are exerted to recycle recyclable soap, tissues, packaging materials and other consumables, and fewer disposable slippers and disposable bath supplies are provided to customers. For the recycling and disposal of waste batteries, the hotels of the Group adopt special collection methods and arrange dedicated personnel for regular and centralized recycling and disposal.

Property Management Business and Office

Waste Gas and GHG

The property management segment of the Group has established and effectively implemented the "Quality, Environment, and Occupational Health and Safety Management System". The property operation department manages the energy conservation and consumption and emission reduction measures of property service center, conducts energy conservation monitoring and regular inspections and assessments. The Group also enhances the management of business-purpose vehicles, encourages employees to reduce unnecessary travel and advocates e-working and holding meetings and discussions through the network. As the greenhouse gas emission is closely related to the electricity consumption, the Group develops electricity saving measures to reduce the electricity consumption in daily operation, which are further disclosed in "**Electricity Consumption**" and "**Other Energy and Resources**".

Wastewater

The domestic wastewater generated by employees for the business is discharged to the sewage treatment plant via municipal drainage pipelines. In order to save water, the Group has adopted water saving measures to reduce the discharge of wastewater. Detailed introduction is further set out in the section headed "**Water**".

Solid Wastes

Solid wastes produced by the business mainly include domestic solid wastes produced in daily life, decoration wastes produced by property owners in home decoration and other solid wastes including waste lights, pesticide bottles, waste batteries and electric plates and waste paint cans. To effectively manage solid wastes produced by the business segment, the Group has established and improved management policies including the "Environmental Operating Standards", the "Provisions on the Management of Waste Collection Work", the "Compliance Obligations and Compliance Evaluation Management Process", etc., and sorts the solid wastes discovered in property management and conducts investigations to find the sources and reasons for such wastes. For example, waste lights are produced after the maintenance of lighting system of public areas; pesticide bottles are wastes of landscaping work; waste batteries and electric plates are produced by the replacement of interphone. The Group insists on responding to the implementation of the national waste sorting policy and is committed to improving the level of reduction, recycling and harmless treatment of waste. Specifically, domestic solid wastes and construction wastes are disposed and transported by professional sanitation companies, and hazardous wastes are treated by professional waste disposal companies who are engaged by the Group. The general unrecyclable solid wastes generated by employees in offices of the Group are put into the waste bins placed by local government, which will be collected and treated by the environmental sanitation department of the government. The Group also vigorously promotes the collection and reuse of recyclable wastes.

Performance Analysis

In summary, the Group's waste gas and GHG emissions mainly come from boiler operation, use of natural gas in the kitchen, electricity consumption for hotel operations and the use of vehicles. Compared with the FY 2019, the Group's emissions of sulfur oxides, nitrogen oxides and particulate matters in FY 2020 increased by 5.68 kg, 304.86 kg and 73.49 kg, respectively, which was mainly due to the expansion of the accounting scope during the year, i.e. inclusion of the emissions of natural gas used in hotel boilers and other operations in the scope of calculation and disclosure. Although the overall emissions have increased slightly, if only the emissions from fuels used by vehicles are included in the accounting scope, the Group's various emissions in FY 2020 will be reduced by approximately 12.2% as compared with the previous financial year.

The waste gas and GHG emissions of this business mainly come from the waste gas generated by the use of business-purpose vehicles in daily operations and electricity consumption. The Group's GHG emission model in FY 2020 is the same as that in the last year. In particular, scope 2 (indirect energy emission) accounts for the largest proportion (approximately 90%). On the whole, the total emissions in FY 2020 increased slightly by approximately 16.7% as compared to FY 2019, of which scope 2 emissions increased by approximately 21.3%. Although there was a slight increase in FY 2020, scope 1 (direct emission) and scope 2 (other indirect emission) recorded a decrease of 37.1% and 6.7%, respectively. The increase in scope 2 was mainly attributable to the expansion of the carbon calculation scope in the year, by inclusion of the indirect emissions from heating at the Group's operation site in Qingdao.

The Group attaches great importance to the sorting and treatment of solid wastes. In FY 2020, the domestic waste and construction waste generated by the Group were 15,094 tonnes and 3,824 tonnes, respectively. The total amount increased slightly by 3.8% as compared with the last year, which was mainly due to the increase in the amount of waste in the Group's property business, resulting in an increase in domestic waste and construction waste by 4.4% and 1.4% respectively. The Group will continue to effectively manage domestic and construction waste through the unremitting efforts of the Group and further control the discharge of solid wastes in the future.

During the year under review, the Group proactively advocated water conservation for residents in the property management area. Relying on the efforts of all parties, compared with the total wastewater discharge in FY 2019, the amount of wastewater in FY 2020 significantly reduced by 60,436.84 m^3 (approximately 10.8%).

A.2. Use of Resources

In FY 2020, resources consumed by the Group mainly included electricity, gasoline, natural gas, water, paper, raw materials in hotel operation and property development, such as hotel daily necessities, construction materials and packaging materials. The Group uses a small amount of diesel for its emergency generator of the building. As the diesel for standby use was minimal, the Group has not recorded the specific consumption according to the principle of materiality. During the financial year, each business segment of the Group attached great importance to the effective utilisation of raw materials, energy and resources, and established relevant policies and improved the management systems, including but not limited to the "Energy Management System", the "Regulations on Energy Conservation and Consumption Reduction" and the "Regulations on Maintenance of Diesel Generators", to further improve the energy utilisation efficiency and to reduce the reliance on fossil energy. The Group's use of various types of resource in FY 2020 is set out in Table 2 below.

Table 2. Overall Use of Resource of the Group in FY 2020

Use of Energy	KPI	Unit	Total for FY 2020	Annual intensity for FY 2020 (unit/person)[1]	Total for FY 2019	Annual intensity for FY 2019 (unit/person)[2]
Energy	Electricity	kWh	50,034,856	54,033	43,998,535	36,943
	Gasoline	L	84,595	91.4	96,298	80.9
	Natural gas	m^3	608,977	657.6	1,168,290	980.9
Water	Water	m^3	528,690	570.9	592,214	497.2
Raw materials	Towel	tonne	2.8	3.0×10^{-3}	7.2	6.0×10^{-3}
	One-off wash supplies	tonne	15.6	0.02	32.1	0.03
	Paper	tonne	80.7	0.09	91.7	0.08
	Stone materials	tonne	–	–	4	3.4×10^{-3}
	Steel products	tonne	2	2.2×10^{-3}	5	4.2×10^{-3}
	Plastic	tonne	1	1.1×10^{-3}	–	–
	Cement	tonne	0.5	5.4×10^{-4}	–	–
Packaging materials[3]	Plastic products	tonne	37.7	0.04	131,209 piece	–
	Paper products	tonne	10.8	0.01	17,393 piece	–

1 *The intensity in FY 2020 is equal to resource consumption of the Group in FY 2020 divided by the number of 926 employees as at 31 December 2020 in FY 2020;*

2 *The intensity in FY 2019 is equal to resource consumption of the Group in FY 2019 divided by the number of 1,191 employees as at 31 December 2019 in FY 2019; and*

3 *Based on the commitment in FY 2019 on further improvement of data statistics and accounting methods for packaging materials, the Group strictly measured the weight of its packaging materials used in FY 2020.*

Electricity Consumption

Electricity consumption of the Group is mainly for daily operation of office and each business segment. All business segments of the Group have complied with relevant regulations and the Group's electricity saving policies. To further reduce electricity consumption and therefore reduce greenhouse gas emission, the Group attaches great importance to the study and application of ISO 14001 Environmental Management System and ISO 50001 Energy Management System, and continuously improves its environmental performance in a systematic way. The property segment of the Group has national level one property management qualification, has established a complete set of management systems and service standard systems, and obtained ISO 9001 quality control system, ISO 14001 environmental management system and OHSAS 18001 occupational health and safety management system certification certificates promulgated by China Quality Certification Center. The Group continues to strengthen energy-saving education for employees, and has incorporated the watchword "electricity saving" into its business development strategies and taken the following measures:

- Turn off all lights, electronic equipment and other electricity consuming equipment at the end of the day;
- Turn off all idle lights and air conditioners (for example, most electrical equipment will be turned off during lunch time);

- Display energy saving posters which state "Save electricity, and turn off lights before leaving" to encourage employees and customers to save energy;
- Clean and maintain electrical equipment (such as air conditioners and paper shredders) in the office on a regular basis to maintain the efficiency;
- Adjust the service temperature of air conditioners in the office according to the weather;
- Equip the staircases with sound-control lights;
- Incorporate energy efficiency into the centralised air conditioning system procurement policy;
- Set thermometers at air vents to detect and adjust the indoor temperature more accurately;
- Purchase and use electrical equipment with energy conservation labels;
- Turn off the power after the restaurant is closed;
- Adjust the lighting intensity and mode of the lobby lighting for different time periods;
- Cut off water and electricity supply for certain floors according to the utilization rate;
- Improve and update building automation equipment to reduce cooling energy consumption;
- Adopt time-controlled lighting in community areas of community to avoid energy waste due to human error;
- Carry out energy-saving transformation for the lighting equipment of garages and corridors of the newly acquired projects;
- Monitor the electricity consumption of each project through the electricity meter on a monthly basis, and compare the consumption increase/decrease proportion on a month-on-month basis and the consumption with the same period of previous years. Place the focus of follow-up on projects and operating locations with significant increases, clarify specific reasons and make rectifications in a timely manner to achieve emission reduction targets;

- Replace traditional bulbs with a high power consumption with energy-efficient lights in the office; and

- Encourage all employees to withdraw the curtains when possible to fully enjoy the natural light.

In FY 2020, the Group's total electricity consumption increased by approximately 13.7% as compared to the last financial year. Although the electricity consumption of subsidiaries in various regions dropped by approximately 2.6%, the Group further included the energy consumption of "Zendai Thumb Plaza" of Qingdao Thumb in the statistics during the year, thereby increasing the scope of ESG monitoring to improve the sustainable performance of the Group's projects, resulting in a sharp increase in electricity consumption in Qingdao.

Other Energy and Resources

Energy and resources consumed by the Group in daily operation (including the transportation, business-purpose vehicles and hotel operation) include gasoline and natural gas. The Group has been committed to reducing the consumption of traditional fuels for a long term, vigorously promotes replacing traditional energy with clean energy, and actively responds to the call of the State to effectively improve the internal operation model and the equipment, therefore realising sustainable development. For example, the Group proactively responded to government requirements by continuously improving the combustion rate of boilers and arranging special personnel for regular maintenance of boilers. Moreover, the Group further regulated the use of business-purpose vehicles. For example, when employees were required to handle general affairs in urban areas with convenient public transportation, they should use public transportation in principle, and the Group publicized and promoted green travel methods to reduce their personal carbon footprint. In FY 2020, the Group encouraged employees of each business segment to hold online meetings by leveraging electronic equipment and advanced technologies, to reduce business trips. With an effective control on the use of gasoline and a decrease in travel due to the epidemic, the gasoline consumption of the Group in FY 2020 decreased by 11,702.9 litres or approximately 12.2%.

Water

Saving water and improving water efficiency are material environmental issues which subsidiaries of the Group care about. During the year under review, the Group did not experience any problems in sourcing water that is fit for purpose. It encourages employees to save water and hopes that employees in the office can reduce water consumption and improve the reuse of water in reasonable ways. The segments of the Group have established strict water use plans, and assigned special personnel, such as the hotel engineering department, to be responsible for monitoring water efficiency. To further improve the water resource utilisation efficiency, the Group will require its employees to strictly implement the following policies in the future:

- Repair dripping taps immediately to prevent any leakage in the water supply system;

- Display labels "Save water resources" at conspicuous positions to encourage employees and customers to cherish water resources;

- Repair taps, connectors and any malfunction in the water supply system immediately;
- Promote the importance of saving water to employees through internal trainings and workshops;
- Encourage employees to reduce the use of water for toilet flushing reasonably;
- Adopt time-limit management for the shower of employees;
- Set monthly, quarterly and annual water consumption goals, and strictly monitor the implementation of specific water-saving measures;
- Place water saving reminder cards in the guest rooms to encourage guests to save water;
- Collect wastewater for reuse in floor and site cleaning as much as possible;
- Standardize the operating rules for greening and cleaning water, and require relevant employees to implement relevant regulations in a standardized manner to achieve the purpose of water saving;
- Equip public restrooms with auto-sensing flushing system; and
- Design double-flush restrooms for hotel rooms to encourage customers to reasonably use water resources.

In FY 2020, due to the efforts of all employees, the total water consumption of the Group decreased by 63,524 m^3 (approximately 10.7%) as compared with that in FY 2019.

Raw Materials and Packaging Materials

To reduce solid wastes in operation, the Group strictly controls the consumption of raw materials and packaging materials, actively promotes the practice of environment-friendly services and the "sustainable development" concept to employees and customers. To be specific, the Group takes effective measures and explores advanced approaches to reduce the material consumption in property development. Hotels and the property management business of the Group also take actions, purchase environment-friendly products and advocate effective utilisation of materials.

In FY 2020, the Group made great progress in controlling the consumption of raw materials. In particular, the use of towels and disposable toiletries reduced by 4.4 tonnes and 16.5 tonnes (61.4% and 51.4%), respectively. In addition to the effectiveness of environmental policies, due to the impact of the epidemic, the temporary suspension of hotel operations and the decrease in guest occupancy also led to a decline in the use of raw materials. The Group emphasises the effective management of paper procurement and utilisation, vigorously promotes the concepts of paperless office, office automation and practice of sustainable management methods, and implements the following measures in daily office operation:

- Set duplex printing as the default mode of most networked printers;
- Encourage employees to use recycled paper for reimbursement vouchers;
- Pay attention to the application of the 3R "reduction, reuse and recycling" principle of office supplies, such as purchase of refill replacement for ink pens;
- Reduce the use of disposable paper cups and use ceramic cups to entertain guests;
- Arrange the administrative and personnel department to carry out environmental protection education for all members of the Group every year;
- Use environmentally friendly bamboo products as the main raw materials for hotel rooms in design;
- Use guests' digital signatures at the front desk of hotels to reduce paper consumption;
- Use large bottle products instead of non-disposable products for hotel bath products;
- Display posters and labels in the office to promote the idea "think before your print" to remind employees to avoid unnecessary printing;
- Set boxes and shelves beside the printer to collect one-side paper for reuse or recycling; and
- Reuse one-side paper for printing or as scratch paper.

In FY 2020, the Group's paper consumption decreased by approximately 11 tonnes. In terms of property leasing alone, the paper consumption dropped by 1.9 tonnes, demonstrating the Group's unremitting efforts in saving resources.

A.3. The Environment and Natural Resources

The process of global industrialization has brought complex effects on economic and social development. With the rapid development of urbanization, climate and environmental issues are attracting increasing attention. In 2015, the United Nations established the Global Sustainable Development Goals and called on all countries to take action to protect the planet while promoting economic prosperity. To achieve the goals, the world needs to work hard for "net zero" emissions, which requires drastic and sustainable reforms in many fields including architecture, agriculture, cities, manufacturing, and energy. As the foundation for carrying the work and life of human, architecture plays a pivotal role in realizing sustainable development. In line with the pursuit of and commitment to the United Nations Sustainable Development Goals, the Group is committed to continuously improving internal management policies, raising employees' awareness of environmental protection, identifying and reducing the adverse effects on the environment through the "List of Important Environmental Factors", the "Environmental, Occupational Health and Safety Monitoring and Measurement Control Procedures", the "Environmental Factors Identification and Evaluation Control Procedures", etc., and mitigating and responding to the effects of climate changes.

In FY 2020, the Group's impact on the natural environment was mainly concentrated on the consumption of disposable plastic products, the electricity consumption for indoor air-conditioning, and the unavoidable generation of solid waste and wastewater during operation. In response to this, the Group adopted a series of effective measures to improve the efficiency of the use of electricity and other energy resources in operation. Specifically, the Group continued to strengthen the monitoring and management of energy consumption in daily operations, and appointed special personnel to guide and supervise the targets set, with a view to standardizing policies and employees' behaviours. The Group stresses details management and comprehensively reduces the negative impact of the Group on the environment by improving its internal management policies, such as the use of a check-in time limit mechanism in employee shower management. The Group attaches great importance to the management of solid wastes, especially the collection and recycling of hazardous wastes, and engages professional treatment companies for unified transportation and treatment. The domestic, kitchen and construction wastes are handed over to the relevant environmental protection departments for transportation and treatment, and internal teams are arranged for liaison. For the control of resource consumption, the Group focuses on cultivating the environmental protection awareness of employees and customers and encourages them to lead a green life. For instance, the Group adopts recyclable toner cartridges in office operation, abandons the original "Use-Scrap" mode and adopts the "Use-Recycle" mode to dispose used paper, and puts the "circular economy" theory into its daily work. The Group's hotel restaurants encourage guests to participate in the empty plate campaign to eliminate food waste. The Group encourages employees to participate in the Arbor Day activities. The communities under its property management strengthen green planting, dredging landscape rivers, planting aquatic plants and other measures to create beautiful homes for the people, while contributing to carbon storage and mitigation of climate crisis. The business segments of the Group have also fully studied environmental protection policies and the best practices in the industry, and formulated internal policies on the management of energy conservation and emission reduction, including the "Quality, Environment, Occupational Health and Safety Management System", the "Office Management System", the "Regulations on Central Air-Conditioning Operation and Management", the "Energy Management System" and "Regulations on Energy Conservation and Consumption Reduction", etc. The hotel operations deepen its understanding of UN Sustainable Development Goals in its daily operation, and avoid the consumption of shark fins and endangered species and makes active contribution to the protection of species diversity. In the landscaping design of hotels and the property development, the Group focuses on the improving the greening ratio, reducing the use of rigid pavement and stone materials, and installs energy conservation and emission reduction monitoring and management facilities at Thumb Plaza. In property management operations, electrical patrolling vehicles are adopted for maintaining order, which could reduce the use of fossil energy. Additional environmentally-friendly oil separation tanks are installed, which are subject to regular maintenance for a good operation.

In recent years, climate changes have caused unprecedented impacts on a global scale. Identification of climate-related risks and improvement of operational resilience are critical for enterprises. The Group assesses potential climate risks and actively makes changes. For example, the water tanks and water pipes in the communities under the property management of the Group are prone to freezing in winter, which affects the stable water supply. In addition, if the water pipe ruptures, various unpredictable secondary disasters will also give rise to safety hazards, including the formation of ice thorns on high-rises, which will cause travel hazards to pedestrians. In summer, high temperature causes evaporation of a large amount of water on the ground. In case of improper management, trees and vegetation that cannot tolerate high temperatures are prone to severe dehydration, causing large losses. In response to potential climate risks, the Group purchases heat preservation pipes, conducts warmth maintenance for various pipes in winter, and arranges special personnel on duty to deal with various emergencies in case of cold waves. In summer, the Group will increase the irrigating amount and frequency for trees and vegetation in accordance with its "Regulations on Management of Greening and Maintenance" to ensure that the greening is not subject to drought and water shortage.

In recent years, the Group has proactively participated in environmental protection projects and related activities, such as the global energy conservation initiative of Earth Hour and the environmental sustainability plan, to contribute to the cause of environmental protection. Green development is not only the forward direction of the Group, but also the foundation of the Group's in-depth implementation of the sustainable development policy. The emergence of the COVID-19 has made the Group further realize the importance of natural value. The Group further improve the operation model, pursue green development, and make further progress in innovation and research, striving to realise business growth and strengthen environmental protection at the same time.

VII. SOCIAL SUSTAINABLE DEVELOPMENT

Employment and Labour Practices

B.1. Employment

The Group strives to promote professional, high-execution and warm working principles and working atmosphere, values the capabilities of employees, and regards them as the key to promoting our success and maintaining our sustainable development. In accordance with the provisions of the employee manual, the Group is committed to providing employees with a suitable and stable working platform to enable them to enhance their professional skills and qualities while realizing their own value. As of 31 December 2020, the Group had a total of 926 employees.

Compliance with laws

Since its establishment, the Group's employment policy has been continuously updated and revised to cater for social changes and comply with relevant laws and regulations. In the FY 2020, the Group has complied with relevant laws and regulations on employment management, including the following:

- Employment Ordinance (Cap. 57 of the laws of Hong Kong);
- Employees' Compensation Ordinance (Cap. 282 of the laws of Hong Kong);
- Minimum Wage Ordinance (Cap. 608 of the laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong);
- Disability Discrimination Ordinance (Cap. 487 of the laws of Hong Kong)；
- Race Discrimination Ordinance (Cap. 602 of the laws of Hong Kong)；
- Sex Discrimination Ordinance (Cap. 480 of the laws of Hong Kong)；
- The Labour Law of the People's Republic of China;
- The Employment Promotion Law of the People's Republic of China;
- The Labour Contract Law of the People's Republic of China;
- The Social Insurance Law of the People's Republic of China; and
- The Provision on Minimum Wage.

The human resources department of the Group regularly reviews and updates relevant policies within the Company in accordance with the latest laws and regulations. The Group purchases five national statutory social insurances including basic endowment insurance, basic medical insurance, employment injury insurance, maternity insurance and unemployment insurance as well as housing fund for the employees in Mainland China and makes contributions to the mandatory provident fund for its employees in Hong Kong.

Recruitment and promotion

The Group solicits excellent talents with competitive and fair remuneration and benefits relying on various channels including the Internet, institutional recruitment seminars and agencies. The Group has formulated the Management Rules on Recruitment and the Management Rules on Labour Contracts, and determines applicants' remuneration and benefits based on their previous performance, personal quality, work experience and occupational expectation. In order to motive and reward the existing employees, the Group conducts regular remuneration review according to the Group's profitability, employees' performance and market trends. The promotion policy of the Group adheres to the principle of fairness and transparency, and talents are promoted according to position requirements. Employees with excellent performance and positive attitudes may have the promotion opportunities offered by the Group based on relevant employees' personal willingness and its comprehensive assessment.

Remuneration and dismissal

The Group constantly reviews its remuneration system and regularly evaluates the work performance and potentials of employees. The Group reports the annual remuneration status to the Remuneration Committee annually, and makes reasonable adjustments to the corporate remuneration plan in accordance with the industry's remuneration standards. The Group's practices on entry salary, salary distribution and salary adjustment are strictly implemented in accordance with internal policies. Any employment, promotion or termination of labour contracts of the Group must have a reasonable basis and be strictly conducted in accordance with internal policies. The Group strictly prohibits any unfair or unreasonable dismissal, and accordingly, it has formulated strict employee management policies to stipulate the dismissal procedures such as the employee manual. Employees wishing to quit need to apply in advance and fill out the Resignation Application Form, specifying the reason for leaving. After the application is approved by the management, relevant employees shall timely submit the same to the human resources department and obtain the approval from the human resources department before going through the separation procedures. For employees who violate the Group's employment policies, the Group will give a verbal warning to them before issuing a warning letter. For employees who repeatedly make the same mistakes after receiving any warning, the Group will terminate their employment contracts in accordance with relevant national laws and regulations.

Working hours and holidays

The Group has formulated corresponding policies in its employee manual in accordance with local employment laws, including the State Council Regulations on Working Hours of Employees (《國務院關於職工工作時間的規定》). The Group exercises strict control over the attendance time of employees and has put in place incentive and punishment rules relating to attendance. In addition to the basic paid annual leave and statutory holidays under employment laws promulgated by central and local governments, employees are also entitled to marriage leave, maternity leave, funeral leave and other additional vacations. When asking for leave, an employee is required to complete the Employee Leave Application Form stating the reason and time for leave, which will take effect after being signed and approved by his/her superiors.

Equal opportunity and anti-discrimination

As an employer offering equal opportunities, the Group attaches great importance to the promotion of anti-discrimination and creation of equal opportunities in human resources and employment-related decisions, thus creating a work environment featured by fair competition, mutual respect and diversity. Therefore, the Group constantly regulates its daily corporate practices and avoids any activities that may violate the principles of equal opportunities and anti-discrimination. The policies on training and promotion opportunities, dismissal and retirement in all business departments of the Group are not based on employees' age, gender, marital status, pregnancy status, family status, disability, race, color, descent, minority or ethnicity, nationality, religion or any other non-work-related factors. The Group encourages employees to report any suspected incidents of discrimination to the human resources department. The human resources department will evaluate and record the relevant factual events and take any necessary disciplinary actions against the relevant responsible persons.

Other entitlements and benefits

The Group believes that improving employees' compensation package and well-being is an important way to optimize the corporate human resource management and implement our talent-based strategy. In accordance with relevant national laws and regulations, the Group provides employees with work-related injury insurance and carries out team-building activities, including but not limited to high temperature fee, gratuity, health checkup, tourism development activities, etc. In FY 2020, the Group provided employees with various benefits including holiday gifts and birthday gifts. The management of the Group maintains good communication with employees through social media, e-mail, telephone and collaborative management software systems.

In FY 2020, the Group has strictly complied with relevant laws and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, vacations, equal opportunities, diversification, anti-discrimination, other entitlements and benefits and other laws and regulations that have a significant impact on the Group.

B.2. Health and Safety

The Group has always believed that providing and maintaining a safe, clean and friendly working environment to all employees is of paramount importance. In FY 2020, the Group implemented strict safety and health policies and strictly complied with relevant PRC laws and regulations including the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Law of the People's Republic of China on Occupational Disease Prevention, the Work Injury Insurance Ordinance and the Law of the People's Republic of China on Production Safety.

In order to implement the laws, regulations, policies and standards on prevention and treatment of occupational diseases of the PRC and thus to strengthen the management of prevention and treatment of occupational diseases, the Group has continuously established and improved health and safety management policies, including but not limited to the " Control Procedures for Environmental and Occupational Health and Safety Management Program", the "Fire Safety Management System", the "Hot Work Management Regulations", the "Safety Operation Rules", and the "Safety Management Regulations for High-altitude Operations", etc. The Group proactively supervises and urges the management and employees to emphasize the safety management of daily work and production to eliminate potential safety hazards in a timely manner. All employees stationed at the construction sites shall receive training on emergency management and occupational health and safety from the construction units to increase employee's safety awareness and prevent any occupation harms. At the same time, the Group endeavours to provide a clean, smokeless, healthy and safe working environment for employees. In case of occupational hazards or accidents, the Group shall promptly report to the local production safety supervision and management department and organize all departments to take effective measures rapidly to reduce or eliminate occupational hazard factors and prevent aggravation of accidents.

The Group provides employees with occupational disease protection facilities and personal protective equipment that meet the requirements of occupational disease prevention and control, and adopts a rotation work system to ensure the safety of employees. The behaviours in violation of laws and regulations on prevention and treatment of occupational diseases and endangering life and health are subject to serious treatment. The employees engaged in special types of work must accept special training and are only allowed to work with a permit for special types of work. For special types of positions, the Group regularly organizes assessment and training for employees to provide them with a healthy and safe working environment.

During the work hours, the Group keeps all emergency exits in the workplaces open, and ensures that all first-aid facilities can work effectively. In addition, the Group has also formulated an emergency plan and the "Emergency Response Plans Management System" and arranged at least one fire safety training drills for office premises every year. The Group's administrative and human resources department organizes services such as health check-ups and occupational disease diagnosis and treatment each year, and provides emergency management training and occupational health training to employees in specific positions.

In FY 2020, the Group complied with relevant laws and regulations on providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group in providing a safe working environment and protecting employees from occupational hazards.

Fight the epidemic

Since the outbreak of the COVID-19 in 2020, the Group has actively responded to the instructions of the state and local governments and made every effort to contain the epidemic in line with the corporate responsibility of "shouldering responsibilities in face of the epidemic". After the Spring Festival, the Group implemented complete suspension of work on the construction sites of its projects, and strictly prohibited personnel from entering and exiting the construction sites. At the same time, the Group established the itinerary files of the personnel of cooperative units during the Spring Festival, and conducted investigation and registration of the current status of the project-related personnel. The business segments of the Group have prepared the detailed checklists for epidemic prevention information to understand, record and track the travel history of employees during the Chinese New Year in detail. Under the leadership of local government authorities, the Group proactively organized and arranged various preparatory works before resuming work to ensure the orderly resumption of work and production. Details are as follows:

- Check the travel information of employees during holidays, prepare materials and measures to prevent the epidemic;

- Travel safety, disinfection for the working environment and health inspection after employees return to work;

- Avoid all forms of gatherings and centralized dining, and implement policies including unified meal sharing, scattered dining, bringing meals by employees, or order meals from designated restaurants.

In order to ensure the health and safety of employees and ensure that work can be carried out in an orderly manner, the Group quickly established an epidemic prevention and control team, and issued the "Notice on Implementing Specific Work during the Epidemic Prevention and Control", the "Epidemic Prevention and Control Plan and Emergency Plan", the "Notice on Relevant Work during the Epidemic Prevention and Control" and other documents, in order to strengthen the epidemic prevention and control of various units and departments during the work period, reduce frequent contacts or gatherings due to work reasons, and give instructions to stop the spread of the epidemic as much as possible. The Group's epidemic prevention and control policy documents have strict requirements on the division of labor, site control, working environment management, material reserves, and publicity guarantee. During the epidemic, the Group required strict video and text recording of disinfection in various areas, including conference rooms, toilets, pantry, quarantine room, etc.

Transportation – It is required to wear disposable medical masks or N96 masks and gloves when taking public transportation; etc.

Work order – Meetings are required to choose teleconference or other online meeting formats as much as possible to avoid concentrated face-to-face meetings. For face-to-face meetings that cannot be avoided, attendees are required to wear masks; etc.

Office environment – The office area is required to be kept clean and disinfected once a day. Toilets and pantry should be disinfected three times a day and disinfection records should be made; etc.

Dining arrangements – Restaurants are required to do all kinds of disinfections, and use standard chlorinated disinfectant water for disinfection of non-food items including hands, tableware and utensils for staff of restaurants. The kitchen and dining area should be thoroughly cleaned and disinfected before and after each meal. It is required to strengthen the cleaning and disinfection of the goods receiving area, garbage room and garbage bin; etc.

Other matters – During the epidemic, employees or their family members who have suspected symptoms of infection, or related persons who have contact with people with suspected symptoms of infection, are required to seek medical treatment in a timely manner and inform the administration and personnel department of the facts; etc.

B.3. Development and Training

The Group believes that training is an important part of an enterprise's sustainable development and also the key to maintaining its long-term competitiveness. In accordance with the training tenet of "encouragement of employees to attend internal and external training related to work content, combination of self-training and imparting training, and combination of on-the-job training and professional training" and the provisions of the "Staff Training System", the Group provides comprehensive training and development programs for its employees, aiming at enhancing their work skills and knowledge. The Group provides periodic training to its staff members of different positions.

The internal training of the Group includes orientation training, on-post skill training and the in-house training within respective departments, which could ensure employees possess the necessary professional knowledge and have sufficient ability to handle their daily work. The Group's training is profession-oriented, aiming at providing employees from different businesses with the relevant vocational skill training for the related positions on a regular basis. The Group will formulate an annual training schedule and such training will be conducted in different forms, levels and means on a yearly, quarterly or monthly basis.

In addition, the Group also encourages its employees to participate in external training, including various training workshops and inspection tours for management and professional staff. The Group also encourages its employees to participate in the examinations for professional licenses or qualifications related to their jobs, aiming at enhancing their personal competence, business knowledge and professional standards. With the consent of his/her superiors, an employee may apply for reimbursement for the costs incurred by the relevant training and examinations. If employees need to take up working time for examinations, they can apply for leave according to the Company's leave system with the admission ticket. The leave required is calculated as normal attendance. In doing so, the Group hopes to provide impetus to employee's self-directed learning, which could effectively enhance the Group's overall competitiveness.

In FY 2020, the Group provided its employees with extensive training courses, including but not limited to training in occupational health and safety, emergency management, fire safety, comprehensive management and professional knowledge.

B.4. Labour Standards

In FY 2020, the Group complied with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Labor Law of the People's Republic of China, the Regulations on the Prohibition of Child Labor in the People's Republic of China and other relevant labour laws and regulations in China, and prohibited the employment of any child labour or forced labour. In order to combat illegal employment related to child labour, underage workers and forced labour, the human resources department of the Group requires all applicants to provide valid identification information and other relevant documents in accordance with the employee manual, ensuring that applicants can be legally hired before accepting the offer. The human resources department of the Group is also responsible for supervising and ensuring the compliance of our corporate policies and practices with laws and regulations prohibiting child labour and forced labour before employees' employment. Once the Group finds any violation of labour standards, the employment contract will be terminated immediately. At the same time, the Company will punish the responsible person or department, and the responsible person will be dismissed and litigated in the case of a serious situation.

In FY 2020, the Group has not violated any relevant laws and regulations that have a significant impact on the Group in preventing child labour or forced labour.

Operating Practices

B.5. Supply Chain Management

The Group believes that cooperation based on sound systems and standards is an indispensable driving force for the development of the Group. As an environmentally and socially responsible company, the Group attaches great importance to mitigating environmental and social risks in its supply chain, and recognises its responsibilities and obligations in strengthening the management and control of suppliers. The Group requires its suppliers to comply with relevant laws and regulations, and each of its subsidiaries shall strictly and continuously monitor qualifications and supply chain practices of its suppliers. The Group is also committed to helping its suppliers establish environmental and occupational health and safety management systems, and deeply recognizes that only by continuously improving the supply chain and its own environmental and social risk management system can it continue to provide customers with high-quality services and create value.

Property Development and Management Business

The main raw materials purchased by the Group's property development and management business include office supplies, hardware consumables used for maintenance and paints, as well as labour protection supplies. The Group's property management maintains good communication with its suppliers, and communicates effectively and continuously with them through professional operation teams by way of on-site management, telephone communication, online communication and written forms. Specifically, suppliers include security service companies (responsible for providing 24-hour order maintenance services for 365 days a year), cleaning service companies (responsible for on-site management and follow-up work of waste sorting, etc.), green maintenance companies (responsible for providing daily maintenance materials and greening maintenance operations), elevator maintenance companies, weak current maintenance companies, high-voltage power distribution maintenance companies, fire-fighting equipment maintenance companies, air-conditioning maintenance companies for commercial and commercial office project, garbage removal companies, pipe network dredging maintenance companies, etc. Suppliers for this business are mainly selected by way of tender. During the bidding process, the Group strictly follows the Supplier Selection Management System which expressly states that suppliers shall meet the Group's internal product and service standards, and observes relevant national and local market practices. Suppliers are required to provide business licenses, qualification certificates, permits for safe production, credential handbook, financial statements for three years, quality management system and the certificates of the relevant personnel (such as a constructor certificate, safety certificate and others). After reviewing the basic information of suppliers, the Group will conduct an on-site and business survey on qualified bidders' background and their quality control system and business license, equipment and facilities, financial position, reputation, after-sales services' quality, the fulfillment of social and environmental responsibilities, and whether their technical and construction capacity are in line with the Group's standards and specifications on development projects. When selecting suppliers, the Group will pick the winning bidder after review by the bidding team and decision-making team based on the inspection results and include the winning bidder in the qualified supplier library. During bidding, the Group will select at least three suppliers as candidates.

The Group classifies suppliers into different groups to implement different management strategies for suppliers. In formulating the development plan, the Group and the selected contractors and subcontractors will cooperate closely and implement close monitoring of construction stages to supervise the quality and progress of projects. In the meantime, the Group conducts an annual review and a review upon final acceptance to assess its suppliers' performance in accordance with technical standards, quality, delivery, management and service level to ensure the stability of supplier chain. For unqualified products or services, the Group will return goods or demand for the re-provision of services or resort to other means in accordance with laws and regulations as well as contracts, and will include such supplier into the blacklist to safeguard the Group's interests. For the purpose to timely discover and solve any potential problems, the Group proactively maintains a good and long-term relationship with the selected suppliers and makes regular inspection on the cooperation status. The Group implements the last place elimination system for supplier management, conducts annual evaluation of suppliers every year, and removes non-compliant suppliers from the list of compliant suppliers.

Given the strong relationship between the Group and suppliers, there was no material delay in the supply of goods by suppliers in previous years. In the process of cooperation with its suppliers, the Group strictly abides by the relevant national laws and regulations such as the Anti-Unfair Competition Law and Interim Provisions on Prohibiting Commercial Bribery.

The Group attaches great importance to the control of environmental risks in the process of supply chain management, and incorporates the environmental protection into its decision-making when selecting suppliers and product supplies. The Group follows the requirements of green procurement, minimizes its impact on the environment during the procurement process and prefers local suppliers for cooperation.

Hotel Operations

The main materials purchased by the Group's hotel operations are hotel-related items, including daily food ingredients, condiments, beverages, washing supplies, engineering maintenance items and accessories, lamps, guest room linen, office supplies and computer consumables. Our suppliers mainly include drinking water companies, food companies, hotel supplies companies and clean technology companies.

Adhering to high standards, the Group selects responsible suppliers and maintains long-term cooperative relationships with them. The Group's hotel business has established a standardized procurement management process. The operation department assigns the procurement requirements to the procurement department through the system. The purchase department chooses the suppliers as recommended by peers or the Group's existing suppliers in accordance with department requirements and industry standards, and the relevant department shall confirm the service contents and product standards. In selecting suppliers, the Group also requests suppliers to present the business license, tax registration certificate, organization code, product's production license and other business certificates for internal assessment. The suppliers of special industries shall also provide industry-related operating permits, such as product's test report, chemical medicine's production license, hygienic license, food safety quarantine certificate, alcohol wholesale license. The Group requires that the products supplied and the business premises of suppliers should comply with the corresponding national regulations. For example, chemicals suppliers shall meet the production conditions which fulfill the requirements of environmental protection, and food suppliers' premises shall be subject to the relevant food safety requirements of the governmental authorities. During the epidemic, the Group also required suppliers to issue various quarantine certificates. The Group's on-site inspection regarding the main suppliers' operating premises is one of the bases for selecting suppliers. In selecting suppliers, the Group will consider suppliers' product quality, production capacity, reputation, qualifications and the fulfilment of environmental responsibilities. The Group adheres to the principle of "regular price comparison, reasonable supervision, and good communication" in the management of suppliers, applies the supplier evaluation form to evaluate its suppliers every year, and conducts daily supervision of them through on-site inspections and communication. During the epidemic, the Group required suppliers to adopt epidemic prevention measures that meet national standards to ensure the health and safety of goods and distribution personnel.

The Group's hotel business attaches great importance to the management and control of environmental risks in the selection and management of suppliers. The Group gives priority to local suppliers who have obtained environmental protection qualifications, and reduces the frequency of transportation through centralized procurement.

B.6. Product Responsibility

Pragmatism, Integrity, Innovation, Development

With regard to the health and safety, advertising, labelling and privacy matters of the Group's products and services, the Group complied with relevant PRC laws, regulations and standards during the FY 2020, including:

- the Law of the People's Republic of China on Product Quality;
- the Law of the People's Republic of China on Fire Prevention;
- the Law of the People's Republic of China on Construction;
- the Law of the People's Republic of China on Production Safety;
- the Law of the People's Republic of China on the Protection of Consumer's Rights and Interests;
- the Law of the People's Republic of China on Intellectual Property Rights;
- the Law of the People's Republic of China on Advertising;
- the Administrative Regulations on Production Safety of Construction Works; and
- the Property Management Regulations.

Property Development and Management Business

As a well-known property developer in China, the Group upholds the principle of "customer first", keeps pace with the times, and constantly improves the service level and product quality. The Group establishes quality objectives in the planning phase of each property development project, and formulates corresponding technical standards and construction plans. The engineering management centre and project engineering supervision department of the Group's operating subsidiaries are responsible for supervising construction projects and monitoring project progress to ensure that every link from design and construction to final delivery of one project is in line with the project's planning and construction agreements. To make sure that the materials used for construction meet safety standards, the Group closely monitors the site acceptance of materials through quality monitoring and process acceptance procedures. The Group adopts the cycle management method to effectively manage each stage of the project, including project planning and management, raw material evaluation and procurement, construction project's progress to property sales and management. The safety and quality of the properties developed by the Group are monitored by qualified persons at all stages of construction to ensure that they meet the standards and regulations set by the Group. As the project supervisor, the chief supervisory engineer of each project must obtain relevant work experience and certificates (such as certificates held by registered supervisory engineers across the country) according to the scale and complexity of the project, the project environment and other factors.

The development philosophy of the Group's property management is to "keep pace with the times, serve the best, focus on quality, and create impressions". Since its establishment, the Group has insisted on combining high-standard services with local social development, and has created a set of standardized management models and mechanisms with Zendai's characteristics, which is also the foundation for the development of the Group's properties.

- **Service standardization: SOP service standard system**
- **Efficient service: ETS system**
- **Speedy execution: accountability management system**
- **Training specialization: Zendai Professional Training School**

The Group attaches importance to the safety of property buildings and in the process of operation, in particular the effectiveness of fire prevention and disaster prevention appliances. The Group has formulated internal policies including Fire Control Central Control Room Management System, Fire Safety Management System, Safety and Fire Patrol Management Regulations, Hot Work Management Regulations, Order Maintenance Staff Inspection Regulations, Emergency Response Plans Management System, Safety Inspection Management System Before Holidays, Flood Control Regulations, and Articles Distribution Management Regulations, and strictly implement all work requirements to ensure the safety of property management. The property team of the Group conducts 24-hour patrols in accordance with the "Order Maintenance Staff Inspection Regulations" to check whether the fire exits are unblocked, whether the fire protection facilities (fire hydrants, radio, alarm buttons, fire seals, etc.) are complete, and whether various signs are intact, whether there are unextinguished cigarette butts and other fires, whether there are any abnormalities in elevators and machine rooms, etc., to resolutely eliminate potential safety hazards. The Group has established and implemented a fire management responsibility system and regularly conducts fire safety inspections in public areas to eliminate fire hazards. The Group organizes fire drills and related trainings from time to time to strengthen the ability of employees to deal with emergencies. The Group conducts self-examination regularly in accordance with the policies on safety inspection, including the Incident Reporting Mechanism. The headquarters of the Group conducts safety inspection on a quarterly basis and conducts review and assessment for project safety. The contents of such assessment include: contingency treatment and management, fire equipment management, fire engine access management, on-site inspection of the safe use of electricity and regulatory records, control of renovation materials, on-site inspection of construction sites and monitoring thereof and training on fire-fighting, fire drill, contingency plan record and others.

The Group's property management segment has established a high-quality, environment and occupational health and safety management system in strict accordance with the Management Manual of Zendai Properties and relevant procedures, and has set specific targets for the services and products provided in terms of environment, quality, and occupational health and safety. These targets cover specific quantitative indicators including customer satisfaction, timeliness of maintenance, hazardous waste recovery rate and accident rate to ensure the professionalism of property management and further enhance customer satisfaction. Specifically, the Group's property management segment pays close attention to all aspects of the management process and has established corresponding management policies, such as the Environmental Operation Standards, the Administrative Regulations on Anti-rat Control, the Regulations on Management of Daily Cleaning, the Administrative Regulations on Exterior Wall Cleaning, the Management Regulations on Maintenance of Green Areas, the Management Regulations on Maintenance of Stone, the Regulations on the Management of Garbage Removal and Transportation, the Regulations on Maintenance Management in Public Areas, the Regulations on Safe Operation in Limited Space, the Regulations on Water Supply Management, the Regulations on Management of Air Conditioning Machine Rooms, the Decoration Inspection Management Regulations, the Ventilation System Management Regulations, the Domestic Pump Houses and Fire Pump Houses Management Regulations, the Rain and Sewage Pipes Management Regulations, the Substation and Distribution Stations Management Regulations, the Temporary Power Management Regulations, the Elevator Management System, the Safety Operation Rules, the Second-decoration Management Regulations, the Household Maintenance Management Regulations and the Enterprise Publicity Production Management System. The quality assurance department supervises the performance in the above aspects in accordance with the Quality Inspection and Evaluation Management Measures, issues a rectification letter for items requiring rectification, and monitors the relevant rectification progress.

People-oriented, Controlling risks, Continuous improvement, Pollution prevention, Energy saving, Abiding by laws

The Group attaches great importance to the positive evaluation and constructive opinions from customers, and has established a complete complaint management system to handle related complaints about the properties under management and construction processes. Once any complaint is received, the Group will immediately initiate a follow-up mechanism and ensure that the verified complaint can be effectively resolved. In response to complaints from owners, the quality assurance department will follow up complaints to confirm on-site matters, deal with them in a timely manner, and provide solutions to customers as soon as possible. The Group also strictly eliminates any false or exaggerated publicity. Through the establishment of relevant advertising management policies and the effective involvement of internal legal departments, the Group has strict management over its publicity to ensure the authenticity and reliability of advertisements. The Group values the protection of customer privacy and sets information user authority. The Group implements a management model of one file for one customer for customer information. The management team of the Group jointly inspects the implementation of various systems for each project on a quarterly basis.

Hotel Operations

The Group is committed to providing customers with a premium board and dining experience and satisfying customers through meticulous services and a systematic management model created through implementation of department accountability system. The Group's policy in the hotel operations business is to consistently apply the people-oriented concept, and the Group has also obtained ISO 9001-quality management system certification, ISO 14001-environmental management system certification, OHSAS 18001-occupational health and safety management system and ISO 50001-energy management system certification which are designed to strengthen internal management.

For purposes of safeguarding the service quality and security of its hotels, the Group's Quality Management Department is set up to be responsible for the monitoring and inspection of various services. The standards of such inspection are implemented in accordance with various internal operating guidelines of the Group, including but not limited to the Fire Hazard Rectification System, the Management and Maintenance Mechanism of Fire Hydrant System, the Management System of Safe Evacuation Facility, Procedures Concerning the Disposal of Suspected Explosives Items/Intimidated Phone Calls. The Group conducts a third-party inspection over all of the safety equipment of the hotels on a regular basis so as to ensure the safety of hotel guests. Meanwhile, our hotels may also regularly carry out maintenance and cleaning of the central air conditioning system so as to ensure the air quality of the hotels. The Group focuses on the safety of food provided to customers, strictly checks the qualifications of suppliers during the epidemic, and requires raw material manufacturers to provide epidemic prevention qualification certificates and quarantine qualification certificates. The Group pays attention to customer experience and regularly checks the wireless network, air-conditioning temperature difference and other supporting equipment and details to ensure that guests enjoy the Group's services.

The hotels of the Group actively communicate with guests to listen to their specifications and opinions on our services. When receiving a complaint from a guest, the lobby manager will handle the complaint immediately. If the complaint exceeds the authorization range of the lobby manager, it will be reported upwards level by level until the general manager. The customer's opinions will be handed over to the team of the relevant department for timely follow-up, and the relevant person in charge must promptly return the complaint processing progress to the guest. Each hotel of the Group calculates customer satisfaction based on the customer survey summary data, so as to timely adjust and continuously improve the Group's operation and management model, strengthen the relevant training for hotel staff, and further improve the quality of service.

The Group's hotel operations attach great importance to the protection of customer privacy. By establishing strict internal management policies and installing supporting facility software, we undertake to comply with all laws and regulations on privacy of personal data in the jurisdictions, and make every effort to ensure that customers information is never disclosed. The Group has established access authorities of different levels, and only authorized employees are allowed to access to customer' personal information. All personal information collected for maintaining membership qualification can only be used for membership management with the permit of customers. All the information related to the stay of hotel guests must be kept in the computer system. All information is kept strictly confidential except for disclosure based on the legal certification provided by the relevant governmental authority. The relevant employees are required by the Group to sign and execute the confidential agreement for implementing the confidentiality of daily work. The internal policies of the Group clearly stipulate the management of computers and files, and all employees must strictly abide by the same, and it is strictly forbidden to disclose any confidential information (such as name, company, account, payment information, etc.) to outside parties without the authorization of the customer. The Group's hotels strictly implement the policy that visitors must obtain their consent before they can be referred. During the year under review, the Group did not receive any complaints about customer data leakage.

In FY 2020, the Group did not violate any relevant laws and regulations concerning the health and safety, advertising, labelling and privacy matters of its products that have a significant impact on the Group.

B.7. Anti-corruption

The Group upholds high ethical standards and has zero-tolerance for any form of corruption in business operations or supply chains. In order to maintain a fair, honest and efficient working environment, the Group complies with the local laws and regulations on anti-corruption and bribery where the Group operates, including the Anti-Corruption Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong).

The Group formulates and strictly implements its anti-corruption policies, such as the professional ethics regulations which require employees to clarify their duties and responsibilities in business activities, resource use and confidentiality obligations, compliance with the internal and external communication standards, the requirements on personal interests and company interests, and acquaintance of the responsibilities of instruction by superiors and management of subordinates as set out in the employee manual, so as to prevent any fraud. The Group prohibits all forms of bribery and corruption, and requires all employees to strictly abide by professional ethics. The Group has established an internal compliance department to supervise and report any violations of code of professional ethics. All employees may report any suspected misconduct that may harm or is harming the interests of the Group to the Group's regulatory department verbally, in writing or through the Company's internal ERP platform, general manager's mailbox and other channels during the operation and management activities, and provide details and evidence. The Group has established an effective grievance mechanism to avoid whistle-blowers from unfair dismissal or injury. If a suspected criminal act is found, the Group will report to the relevant regulatory or law enforcement agency as soon as the management deems it necessary. The Group requires adoption of the form of sealed quotation, and strict management and monitoring of the quotation process in the bidding process, to put an end to any corruption. The Group also requires employees to make commitments and sign relevant anti-corruption and bribery statements. In FY 2020, the Group conducted a 120-minute training on the Publicity and Implementation of the Bottom Line Management System and Analysis of Typical Cases to all employees to raise their awareness of compliance and law-abiding.

In FY 2020, the Group did not have any legal cases regarding corruption by the Group or its employees. Nor has the Group violated any relevant laws and regulations on anti-bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Community

B.8. Community Investment

As a responsible corporate citizen, the Group knows that the long-term development of business cannot be separated from the stability of the community. For the Group, adherence to corporate social responsibility can not only increase the Group's social influence, but also an obligation that must be fulfilled in the implementation of the Group's sustainable development strategy to improve the environment and the well-being of the community. The Group insists on close cooperation between local government and non-governmental organizations, pays attention to the needs of society and dedicates love to the socially disadvantaged groups, striving to improve the living standards of the communities where it operates. To achieve this goal, the Group systematically promotes colleagues from all departments and segments to proactively participate in social care activities. In FY 2020, the Group actively fulfilled its social responsibilities in the four major areas of "epidemic prevention and control", "social care", "helping education" and "community service".

Epidemic prevention and control

In 2020, the COVID-19 swept the country. The Group cares about the community and actively takes action to demonstrate corporate responsibility to control the spread of the epidemic at all costs and help the people in the community tide over the difficulties. In the epidemic prevention, the Group provided special services for its supermarkets, and assisted relevant government authorities to jointly ensure the normal operation of merchants, so that citizens could buy daily necessities and health care products as usual. During the epidemic, under the overall arrangement of the local competent authority, the Group's hotels opened certain guest rooms to provide services to guests who were stranded in the city and were unable to return home. Qingdao Zendai Himalayas Hotel conducted strict disinfection and ventilation for all rooms during the epidemic, cared for guests and helped them solve various problems in life.

Facing the blood supply shortage caused by the epidemic, on the afternoon of 15 May 2020, more than 60 volunteers of the Group participated in the voluntary blood donation activity held at Nanjing Zendai Himalaya Center. The employees of the Group interpreted love and responsibility with their actions, made contributions to the nationwide epidemic prevention and control, and demonstrated the spirit of selfless dedication of the employees of Zendai Property.

Social care

The Group cares about the lives of sanitation workers and is well aware of the difficulties of "orange roses" in cities. In order to pay tribute to the hard-working sanitation workers, the Group and the Amity Foundation launched a charity activity themed by "Care for Sanitation Workers, Delivery of Love Breakfast" in which they prepared hundreds of healthy breakfasts including fresh water, bread and boxed milk for the sanitation workers in Yuhua District, Nanjing, and called on the citizens to take care of environmental sanitation.

Helping education

As a means to "go to the Western China to spread the scent of books", the Group participated in the "Scent of Books Spreading along the Long March Road" charity activity to help students and thus won the title of Love Unit. To help the children in Yunnan, Zunyi, Guizhou, Kashgar, Xinjiang, Xigaze, Tibet, and Guoluo, Qinghai complete their learning aspirations, the Group actively responded to the call of the Shanghai Property Management Industry Association and participated in the "Youth Gathering Strength, Dreaming in Action" poverty alleviation charitable activity. The property management companies of the Group proactively claimed children's micro wishes, and mobilized community organizations and good-hearted people from all walks of life to actively participate in the work of helping students by virtue of the forces around them, to assist poverty alleviation by realizing the micro wishes.

Community service

In 2020, the flood prevention work in the south of the Yangtze River faced unprecedented challenges. In order to win the battle of flood prevention, the Group's property team actively carried out flood prevention in various places, and arranged engineering personnel to remove congestion and conduct maintenance, to set up a solid flood prevention barrier for projects affected by heavy rain. During heavy rains, the Group's property management companies formulated relevant emergency plans and requirements, established a flood control team, prepared submersible pumps, hoses, power supplies and other flood control materials in advance, and took active actions based on the principles of safety, precautions and unremitting work in accordance with flood control policies, to ensure the living safety and life order of owners in all communities.

VIII. REPORT DISCLOSURE INDEX

Aspects	KPI	Description	Page
A.1. Emissions	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	65
	KPI A1.1	The types of emissions and respective emissions data.	
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
A.2. Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	71
	KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	
	KPI A2.2	Water consumption in total and intensity.	
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
	KPI A2.5	Total packaging materials used for finished products and, if applicable, with reference to per unit produced.	

Aspects	KPI	Description	Page
A.3. The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	77
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
B.1. Employment	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	78
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
B.2. Health and Safety	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to providing a safe working environment and protecting employees from occupational hazards.	81
	KPI B2.1	Number and rate of work-related fatalities.	
	KPI B2.2	Lost days due to work injury.	
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	

Aspects	KPI	Description	Page
B.3. Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	84
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
	KPI B3.2	The average training hours completed per employee by gender and employee category.	
B.4. Labour Standards	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	85
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
B.5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	85
	KPI B5.1	Number of suppliers by geographical region.	
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
B.6. Product Responsibility	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	88

Aspects	KPI	Description	Page
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
	KPI B6.4	Description of quality assurance process and recall procedures.	
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	
B.7. Anti-corruption	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	93
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	
B.8. Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	94
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shanghai Zendai Property Limited
(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Shanghai Zendai Property Limited (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 215, which comprise:

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

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As described in Note 2.1 to the consolidated financial statements, the Group reported a net loss of HK$1,157 million during the year ended 31 December 2020. As at 31 December 2020, the Group's equity attributable to owners of the Company amounted to HK$71 million and its current liabilities exceeded its current assets by HK$3,331 million. At the same date, the Group's total borrowings amounted to HK$7,036 million (including the current portion of HK$4,289 million), while the Group only had unrestricted cash and cash equivalents of HK$231 million. In addition, as at 31 December 2020, the Group was in default of borrowings (the "Defaulted Borrowings") with principal and interest amounts totalling HK$1,077 million because of non-payment at their respective due dates. Such default events also triggered cross-defaults of other certain borrowings of the Group with aggregated principal amounts of HK$1,869 million (the "Cross-Defaulted Borrowings") and related interest of HK$4.2 million as at 31 December 2020. Additional borrowings with aggregated principal amounts of HK$245 million (the "Subsequently Defaulted Borrowings") were defaulted and cross-defaulted subsequent to 31 December 2020 due to the provision of an additional financial guarantee by a subsidiary of the Company to the lender of the Defaulted Borrowings which breached certain terms and conditions of such borrowings of this subsidiary. These conditions, together with other matters described in Note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Management of the Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings, which are set out in Note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (a) successful negotiations with the lenders of the Defaulted Borrowings, Cross-Defaulted Borrowings and Subsequently Defaulted Borrowings, despite the anticipated operating results for 2021 and the possible negative equity attributable to owners of the Company as mentioned in the said note, such that they will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repaying the Defaulted Borrowings; (b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment, and whether increased regulation such as the "Three Red Lines" financial supervisory rules for real estate companies or other restrictions are applicable to the Group and/or these financial institutions; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions; (c) successfully accelerating the construction as well as pre-sale and sale of its properties under development and timely collection of the relevant sales proceeds, including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the cash flow projections; and (d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements.

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.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 April 2021

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2020	2019
	Notes	**HK$'000**	HK$'000
Revenue	*7*	**4,598,703**	1,348,592
Cost of sales	*9*	**(4,051,920)**	(1,030,595)
Gross profit		**546,783**	317,997
Other income and gains-net	*8*	**10,021**	18,213
Net impairment losses on financial assets	*5.1(b)*	**(185,195)**	(102,669)
Selling and marketing expenses	*9*	**(92,427)**	(137,763)
Administrative expenses	*9*	**(245,885)**	(375,339)
Change in fair value of investment properties	*16*	**(42,954)**	(12,560)
Share of results of an associate	*18*	**–**	(18,916)
Finance costs – net	*11*	**(799,904)**	(771,034)
Loss before income tax		**(809,561)**	(1,082,071)
Income tax (expense)/credit	*12*	**(346,945)**	20,673
Loss for the year		**(1,156,506)**	(1,061,398)
Loss for the year attributable to:			
– Owners of the Company		**(1,150,773)**	(1,058,026)
– Non-controlling interests		**(5,733)**	(3,372)
		(1,156,506)	(1,061,398)
Loss per share			
– Basic	*14*	**HK$(7.73) cents**	HK$(7.11) cents
– Diluted	*14*	**HK$(7.73) cents**	HK$(7.11) cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Loss for the year	**(1,156,506)**	(1,061,398)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**46,587**	(56,289)
Items that will not be reclassified to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**(18,207)**	–
Other comprehensive income/(loss) for the year, net of tax	**28,380**	(56,289)
Total comprehensive loss for the year	**(1,128,126)**	(1,117,687)
Total comprehensive loss attributable to:		
– Owners of the Company	**(1,131,595)**	(1,104,444)
– Non-controlling interests	**3,469**	(13,243)
Total comprehensive loss for the year	**(1,128,126)**	(1,117,687)

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

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,044,046**	1,004,676
Investment properties	16	**5,493,108**	3,250,502
Financial assets at fair value through other comprehensive income	23	**20,388**	37,304
Amounts due from an associate	18	**108,295**	244,797
Properties under development	19	**795,016**	–
Deferred income tax assets	28	**18,079**	3,302
Pledged bank deposits	21	**248,624**	549,957
Total non-current assets		**7,727,556**	5,090,538
Current assets			
Properties under development and completed properties held-for-sale	19	**5,896,666**	10,982,091
Inventories		**2,309**	2,749
Contract assets		**7,356**	18,242
Trade and other receivables and prepayments	20	**332,157**	344,136
Deposits for properties under development		**5,190**	1,836
Amounts due from an associate	18	**–**	10,386
Financial assets at fair value through profit or loss	23	**23,613**	24,049
Tax prepayments	27	**257,494**	274,003
Pledged bank deposits	21	**228,700**	895,094
Cash and cash equivalents	22	**230,800**	510,151
Total current assets		**6,984,285**	13,062,737
Total assets		**14,711,841**	18,153,275
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	**297,587**	297,587
Reserves		**2,335,341**	2,722,719
Accumulated losses		**(2,561,666)**	(1,410,893)
		71,262	1,609,413
Non-controlling interests		**233,525**	61,143
Total equity		**304,787**	1,670,556

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Notes	**2020** **HK$'000**	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*25*	**2,746,429**	3,005,212
Lease liabilities	*30*	**76,054**	76,244
Deferred income tax liabilities	*28*	**664,509**	708,867
Other payables	*24*	**604,716**	5,855
Total non-current liabilities		**4,091,708**	3,796,178
Current liabilities			
Trade and other payables	*24*	**3,096,741**	2,670,050
Contract liabilities	*6(d)*	**2,041,191**	4,665,769
Amounts due to minority owners of subsidiaries		**120,417**	112,857
Borrowings	*25*	**4,289,486**	4,909,250
Lease liabilities	*30*	**31,774**	36,066
Tax payables	*27*	**735,737**	292,549
Total current liabilities		**10,315,346**	12,686,541
Total liabilities		**14,407,054**	16,482,719
Total equity and liabilities		**14,711,841**	18,153,275

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

The consolidated financial statements were approved by the Board of Directors on 30 April 2021 and were signed on its behalf.

Mr. Huang Yuhui
Director

Ms. Li Zhen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *(Note 29)* HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Equity attributable to owners of the Company HK$'000	Non–controlling interests HK$'000	Total HK$'000
Balance at 1 January 2020	**297,587**	**2,722,719**	**(1,410,893)**	**1,609,413**	**61,143**	**1,670,556**
Comprehensive loss						
Loss for the year	**–**	**–**	**(1,150,773)**	**(1,150,773)**	**(5,733)**	**(1,156,506)**
Other comprehensive loss						
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	**(18,207)**	**–**	**(18,207)**	**–**	**(18,207)**
Exchange differences arising on translation of foreign operations	**–**	**37,385**	**–**	**37,385**	**9,202**	**46,587**
Total other comprehensive loss, net of tax	**–**	**19,178**	**–**	**19,178**	**9,202**	**28,380**
Total comprehensive loss	**–**	**19,178**	**(1,150,773)**	**(1,131,595)**	**3,469**	**(1,128,126)**
Transactions with owners in their capacity as owners						
Transactions with non-controlling interests *(Note 17(b))*	**–**	**(406,556)**	**–**	**(406,556)**	**168,913**	**(237,643)**
Balance at 31 December 2020	**297,587**	**2,335,341**	**(2,561,666)**	**71,262**	**233,525**	**304,787**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *(Note 29)* HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Equity attributable to owners of the Company HK$'000	Non–controlling interests HK$'000	Total HK$'000
Balance at 1 January 2019	297,587	2,769,137	(352,867)	2,713,857	74,386	2,788,243
Comprehensive loss						
Loss for the year	–	–	(1,058,026)	(1,058,026)	(3,372)	(1,061,398)
Other comprehensive loss						
Exchange differences arising on translation of foreign operations	–	(46,418)	–	(46,418)	(9,871)	(56,289)
Total other comprehensive loss, net of tax	–	(46,418)	–	(46,418)	(9,871)	(56,289)
Total comprehensive loss	–	(46,418)	(1,058,026)	(1,104,444)	(13,243)	(1,117,687)
Balance at 31 December 2019	297,587	2,722,719	(1,410,893)	1,609,413	61,143	1,670,556

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

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 December 2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Loss before income tax		**(809,561)**	(1,082,071)
Adjustments for:			
Interest income		**(2,008)**	(4,938)
Finance costs	*11*	**799,904**	771,034
Net impairment losses on financial assets		**185,195**	102,669
Depreciation of property, plant and equipment		**58,937**	54,833
Change in fair value of investment properties	*16*	**42,954**	12,560
Share of results of an associate		**–**	18,916
Impairment of properties under development and completed properties held-for-sale		**37,196**	–
Gains on early termination of lease agreement		**1,094**	–
Loss on disposal of property, plant and equipment		**39**	188
Exchange gain		**(1,082)**	(2,122)
Changes in operating assets and liabilities			
Decrease/(increase) in properties under development and completed properties held-for-sale		**2,925,073**	(25,740)
Decrease in inventories		**576**	417
(Increase)/decrease in trade and other receivables		**(14,330)**	224,285
(Increase)/decrease in pledged bank deposits		**(2,782)**	21,992
Decrease/(increase) in contract assets		**11,376**	(7,090)
(Increase)/decrease in deposits for properties under development		**(3,066)**	8,993
Increase/(decrease) in trade and other payables and amounts due to minority owners of subsidiaries		**391,221**	(524,191)
(Decrease)/increase in contract liabilities		**(2,758,722)**	1,465,348
Cash generated from operations		**862,014**	1,035,083
Interest received		**2,008**	4,938
Interest paid		**(397,038)**	(765,928)
Income taxes paid		**(145,600)**	(207,251)
Net cash inflow from operating activities		**321,384**	66,842

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Investing activities		
Purchases of property, plant and equipment	**(39,466)**	(3,713)
Additions to investment properties	**(540)**	(7,867)
Purchases of financial assets at fair value through profit or loss	**–**	(16,193)
Proceeds from disposal of property, plant and equipment	**503**	4,872
Dividends received from financial assets at fair value through other comprehensive income	**–**	3,403
Net proceeds on disposal of financial assets at fair value through profit or loss	**1,830**	5,117
Net cash outflow from investing activities	**(37,673)**	(14,381)
Financing activities		
Increase in amounts due to minority owners of subsidiaries	**–**	2,269
Proceeds from borrowings	**427,077**	3,083,096
Repayment of borrowings	**(1,976,903)**	(3,056,860)
Decrease/(increase) in pledged bank deposits	**1,003,749**	(357,363)
Principal elements of lease payments	**(38,644)**	(40,712)
Net cash outflow from financing activities	**(584,721)**	(369,570)
Net decrease in cash and cash equivalents	**(301,010)**	(317,109)
Cash and cash equivalents at beginning of year	**510,151**	843,049
Effect of foreign exchange rate changes	**21,659**	(15,789)
Cash and cash equivalents at end of year	**230,800**	510,151

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

1. GENERAL INFORMATION

Shanghai Zendai Property Limited (the "Company") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is at Unit 6508, 65/F, Central Plaza,18 Harbour Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property development, property investment and provision of property management and hotel operation. The Company and all its subsidiaries are referred as the Group. The Group has operations mainly in the People's Republic of China (the "PRC").

Following the outbreak of the Coronavirus Disease 2019 (the "COVID-19") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. For the year ended 31 December 2020, the COVID-19 outbreak has a temporary unfavorable impact on the progress of the Group's property construction activities and the sales of its properties. In addition, the occupancy rates of the Group's investment properties and hotels have also been impacted adversely and hence the income as generated from the operations of these properties has also been reduced temporarily during the COVID-19 outbreak. The Group has granted certain rental concession reliefs to tenants based on the relevant PRC local regulations, and these concession reliefs have been accounted for as lease modifications.

The consolidated financial statements are presented in HK dollars ("HK$"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the "Board") on 30 April 2021.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and certain financial assets at fair value through other comprehensive income/profit or loss, which are carried at fair value.

2.1 Going concern basis

The Group reported a net loss of HK$1,157 million during the year ended 31 December 2020. As at 31 December 2020, the Group's equity attributable to owners of the Company amounted to HK$71 million and its current liabilities exceeded its current assets by HK$3,331 million. At the same date, the Group's total borrowings amounted to HK$7,036 million (including the current portion of HK$4,289 million). Except for the borrowings from a shareholder of the Company and other companies with which the shareholder is associated (the "Shareholder and Associated Parties") of HK$3,073 million as referred to in Note 25 of the consolidated financial statements which are unsecured, the Group's remaining borrowings were collaterised by the Group's properties under development and completed properties held-for-sale, hotel properties and investment properties recorded at a total carrying amount of HK$8,113 million together with fixed deposits amounting to HK$474 million. As at 31 December 2020, the Group had total unrestricted cash and cash equivalents of HK$231 million.

From August 2020 to 31 December 2020, the Group was unable to repay borrowings from a financial institution (the "Lender of Defaulted Borrowings") with principal amounts totalling RMB535 million (equivalent to approximately HK$636 million) (the "Defaulted Borrowings") and related interest of RMB62 million (equivalent to approximately HK$74 million) (such non-repayments are referred to as the "Default Events"). As a result, the entire outstanding principal and interest amounts of these borrowings of RMB906 million (equivalent to approximately HK$1,077 million), would be immediately repayable if requested by the financial institution. These borrowings, all with original contractual repayment dates before 31 December 2021, were classified as current liabilities as at 31 December 2020.

The Default Events triggered cross-defaults of other borrowings of the Group (the "Cross-Defaulted Borrowings") with aggregated principal amounts of RMB1,573 million (equivalent to approximately HK$1,869 million) and related interest of RMB3.5 million (equivalent to approximately HK$4.2 million) as at 31 December 2020. These amounts, including borrowings of RMB1,200 million (equivalent to approximately HK$1,426 million) with original contractual repayment dates beyond 31 December 2021, were classified under current liabilities as at 31 December 2020 as they are due upon demand if requested by the respective lenders.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

As disclosed in Note 25, a subsidiary of the Company provided an additional financial guarantee to the Lender of Defaulted Borrowings in January 2021. The provision of this additional financial guarantee has resulted in a breach of certain terms and conditions as well as triggered cross-defaults of all the existing borrowings of RMB206 million (equivalent to approximately HK$245 million) (the "Subsequently Defaulted Borrowings") of this subsidiary, of which RMB118 million (equivalent to approximately HK$140 million) had original contractual maturity dates beyond 31 December 2021.

In January 2021, the Group drew down an additional short-term borrowing of RMB46 million (equivalent to approximately HK$55 million) due on 31 March 2021 from the Lender of Defaulted Borrowings under the terms of the original loan agreement which the Group did not repay when due.

The Group subsequently repaid a portion of the principal and interest of the Defaulted Borrowings amounted to RMB97 million (equivalent to approximately HK$115 million) and RMB42 million (equivalent to approximately HK$50 million), respectively, following negotiations with the Lender of Defaulted Borrowings. In addition, the Group repaid principal amounts and interest totalling RMB46 million (equivalent to approximately HK$55 million) and RMB42 million (equivalent to approximately HK$50 million), respectively in accordance with the repayment schedules of other borrowings of the Group between 1 January 2021 and the approval date of these consolidated financial statements. The Group also successfully extended a Cross-Defaulted Borrowing with principal amount of RMB71 million (equivalent to approximately HK$84 million) with original maturity date on 26 April 2021 under the same terms of the original agreement despite its continuing default status.

As at the approval date of these consolidated financial statements, the Group's defaulted and cross-defaulted borrowings and related interest totalled RMB2,678 million (equivalent to approximately HK$3,182 million). Taking into account the high interest and refinancing costs expected to be incurred, management expects that the Group's operating results for the year ending 31 December 2021 will not be promising which might turn the Group into a negative equity attributable to owners of the Company during this period.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, management of the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been or will be taken by management to mitigate the Group's liquidity pressure and to improve its cashflows which include, but are not limited to, the following:

i. the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings, the Cross-Defaulted Borrowings and the Subsequently Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest of these borrowings. Based on latest communications with these lenders, there is no indication that these parties have any current intention to take action against the Group to demand immediate payment;

ii. the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment of the Defaulted Borrowings), and financing the continuing construction of properties;

iii. the Group will seek to accelerate the construction as well as pre-sale and sale of its properties under development. In particular, in the second half of 2021, the Group plans to launch the pre-sale of properties in two development projects with a recorded carrying amount totalling RMB1,749 million (equivalent to approximately HK$2,078 million) as at 31 December 2020; and

iv. the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

The Directors of the Company (the "Directors") have reviewed the Group's cash flow projections prepared by management (the "Cash Flow Projections"), which cover a period of not less than twelve months from 31 December 2020. The Directors are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION *(Continued)*

2.1 Going concern basis *(Continued)*

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

a. successful negotiations with the lenders of the Defaulted Borrowings, Cross-Defaulted Borrowings and Subsequently Defaulted Borrowings, despite the anticipated operating results for 2021 and the possible negative equity attributable to owners of the Company as mentioned above, such that they will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interests of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repaying the Defaulted Borrowings;

b. successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment, and whether increased regulation such as the "Three Red Lines" financial supervisory rules for real estate companies, as set out in Note 25, or other restrictions are applicable to the Group and/or these financial institutions; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

c. successfully accelerating the construction as well as pre-sale and sale of its properties under development, particularly those two development projects that the Group plans to launch a pre-sale in the second half of 2021 and timely collection of the relevant sales proceeds; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the Cash Flow Projections; and

d. the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Changes in accounting policies and disclosures

(a) Amended standards and revised conceptional framework adopted by the Group

The Group has applied the following amended standards and revised conceptional framework (what are relevant to the Group) for the first time for their annual reporting period commencing 1 January 2020:

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

The amended standards and revised conceptional framework listed above did not have any significant impact on the Group's accounting policies and did not require restrospective adjustments, and are not expected to significantly affect the current or future periods.

(b) New and amended standards and revised conceptual framework not yet adopted

Certain new and amended standards, interpretations and annual improvements have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Group. These standards, interpretations and annual improvements are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.3).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Principles of consolidation and equity accounting *(Continued)*

(a) Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) Associates

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

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables which are considered as part of the investments in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.10.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Principles of consolidation and equity accounting *(Continued)*

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Business combinations *(Continued)*

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3.4 Separate financial statements

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors that makes strategic decisions.

3.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other income and gains-net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal (Continued)

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

3.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties and right-of-use assets recognised on lease contracts that meet the definition of investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Investment properties *(Continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income and increase the revaluation surplus within equity. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and changed directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

For an investment property becomes to redevelop with a view to sale, it is reclassified as inventory, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of inventories becomes an investment property that will be carried at fair value is consistent with the treatment of sales of inventories. Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

3.8 Land use rights

Land in China mainland is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Land use rights *(Continued)*

For properties that are held for own use, corresponding land use rights are accounted for as part of property, plant and equipment in the balance sheet, and are stated at cost and amortised over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.14.

3.9 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

– Hotel Buildings	Lower of underlying land lease term or 50 years
– Motor vehicles	5 years
– Leasehold improvements	5 years
– Furniture and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognised within "other income and gains-net", in the consolidated income statement.

When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Impairment of non-financial assets

Property, plant and equipment, and land use right are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Property, plant and equipment, and land use right that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.11 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable (e.g. have committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated and where applicable, the required shareholders' approval for the related disposal could certainly be obtained). They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred income tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of disposal group is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets

3.12.1 Classification

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

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

- those to be measured at amortised cost.

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

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

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

3.12.2 Recognition and de-recognition

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

3.12.3 Measurement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.3 Measurement (Continued)

Debt instruments

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.3 Measurement (Continued)

Equity instruments

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

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

3.12.4 Impairment

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

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

3.12.5 Dividend income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Offsetting financial instruments

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

3.14 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

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

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

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

(b) Completed properties held-for-sale

Completed properties held-for-sale are completed properties remaining unsold at the balance sheet date and are stated at the lower of cost and net realisable values. Cost comprises development costs attributable to the unsold properties. Net realisable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Inventories *(Continued)*

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.15 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

3.16 Cash and cash equivalents

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

3.17 Share capital

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months (or in the normal operating cycle of the business if longer) after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.19 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Current and deferred income tax *(Continued)*

(b) Deferred income tax (Continued)

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

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

3.21 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) Pension obligations

The Group has only defined contribution pension plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Employee benefits *(Continued)*

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.22 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Share-based payments *(Continued)*

(a) Equity-settled share-based payment transactions (Continued)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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

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

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

(b) Share-based payment transactions among group entities

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

In the subsidiaries' financial statements, the award is treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, with a credit recognised in equity. The credit to equity is treated as a capital contribution, as the parent is compensating the subsidiaries' employees with no cost to the subsidiaries.

3.23 Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.23 Provisions *(Continued)*

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of properties

Revenues are recognised when or as the control of the property is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.24 Revenue recognition *(Continued)*

(b) Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

(c) Property management

Revenue from provision of services is recognised in the accounting period in which the services are rendered.

(d) Property management and agency fee income

Property management and agency fee income is recognised in the accounting period in which the services are rendered.

3.25 Interest income

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

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other gains.

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

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

3.26 Leases

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Leases *(Continued)*

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Leases *(Continued)*

Right-of-use assets are initially measured at cost comprising the following (if applicable):

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

Certain right-of-use assets meet the definition of investment property and are measured at fair value subsequently. The rest of right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of building and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3.30 Financial guarantee contracts

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in Note 2.1 to the consolidated financial statements.

(b) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 16.

(c) Income taxes and land appreciation tax ("LAT")

The Group is primarily subject to various taxes in the PRC, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(c) Income taxes and land appreciation tax ("LAT") (Continued)

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

(d) Provision for properties under development and completed properties held-for-sales

The Group assesses the recoverable amounts of properties under development and completed properties held-for-sales according to their forecast net realisable value, taking into account costs to completion based on budget and past experience and net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of estimation.

4.2 Critical accounting judgements

(a) Revenue recognition

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

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Judgement and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.2 Critical accounting judgements *(Continued)*

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 5.1 (b).

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Policy for managing these risks is set by the Directors and summarised below.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when individual company enters into transactions denominated in a currency other than their functional currency.

The Company and its certain subsidiaries undertake certain transactions denominated in United States dollars ("USD"). The functional currency of these companies are HK$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to USD, management considers that there is no significant foreign exchange risk with respect to USD.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's cash flow interest rate risk arises from borrowings with prevailing floating market interest rates. Such risk is partly offset by cash held at prevailing market interest rates.

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilise any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk *(Continued)*

As at 31 December 2020, if interest rates on floating rate borrowings have increased/decreased by 50 basis points with all other variables held constant, the Group's interest expense would increase/decrease by approximately HK$6,263,000 (2019: HK$7,613,000).

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost and at fair value through profit or loss, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

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

Especially the following indicators are incorporated:

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

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(i) Risk management

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assesses the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts.

The recoverability of other receivables is assessed taking into account of the financial position of the counterparties, past experiences and other factors.

For banks and financial institutions, all counterparties are with appropriate credit rankings.

The Group has provided guarantees to banks in favour of certain customers to secure their repayment obligations to banks, for their purchases of property units (Note 32). If a customer defaults on the payment of its mortgage during the term of the guarantee, banks holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to banks. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of properties, from properties rental and from the provision of property management services
- contract assets relating to sales of properties
- other receivables carried at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rate of contract assets is assessed to be low and no loss allowance provision is made for contract assets during the period.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

On that basis, the loss allowance as at 31 December 2020 and 2019 was determined as follows for both trade receivables and contract assets:

31 December 2020	**Current**	**Less than 3 months**	**3-12 months**	**More than 1 year**	**Total HK$'000**
Expected loss rate	**–**	**5%**	**10%**	**20%**	**–**
Gross carrying amount – trade receivables	**54,790**	**2,362**	**2,098**	**5,557**	**64,807**
Gross carrying amount – contract assets	**7,356**	**–**	**–**	**–**	**7,356**
Loss allowance	**–**	**118**	**210**	**1,093**	**1,421**

31 December 2019	Current	Less than 3 months	3-12 months	More than 1 year	Total HK$'000
Expected loss rate	–	1%	5%	15%	–
Gross carrying amount – trade receivables	39,593	1,633	822	5,405	47,453
Gross carrying amount – contract assets	18,242	–	–	–	18,242
Loss allowance	–	16	41	794	851

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

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

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables

The Group uses three categories approach for other receivables, including amounts due from an associate, which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

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

Category	Company definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is a credit loss since initial recognition	Lifetime expected losses

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

For certain other receivables amounting to HK$190,125,000 as at 31 December 2020 (2019: HK$180,163,000), the impairment was determined individually, an allowance amounting to HK$30,995,000 (2019: HK$86,008,000) was provided on these receivables during the year and the accumulated allowance as at 31 December 2020 is HK$168,336,000 (2019:HK$129,680,000). The loss allowance recognised for the remaining amount of other receivables was limited to 12 months expected losses since their credit risk has not significantly increased after initial recognition.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables *(Continued)*

As at 31 December 2020 and 2019, the loss allowance was determined as follows for the amounts due from an associate and the remaining amount of other receivables:

31 December 2020	Due from an associate (a) HK$'000	Receivables from third parties (b) HK$'000	Total HK$'000
Carrying amount of other receivables	343,107	127,245	470,352
Expected credit loss rate	68%	1%	
Loss allowance	(234,812)	(1,259)	(236,071)
Other receivables, net	108,295	125,986	234,281

(a) The main business of the associate is hotel operation. During the year of 2020, the revenue and cash inflow have decreased significantly due to the COVID-19 outbreak. As a result, certain borrowings whose principal amounts of RMB4,000,000 (equivalent to approximately HK$4,753,000) and interest payable amounts of RMB153,920,000 (equivalent to approximately HK$182,889,000), relating to borrowings with a total principal amount of RMB2,543,109,000 (equivalent to approximately HK$3,021,750,000) has been overdue during the year ended 31 December 2020. Given the fact that the credit risk of the associate has increased significantly, a loss allowance amounting to HK$154,045,000 was provided on the amounts due from an associate during the year ended 31 December 2020 and the accumulated allowance as of that date amounted to HK$234,812,000.

(b) Other receivables amounting to HK$127,245,000 mainly includes deposits and utilities payments on behalf of contractors under daily operation activities and the associated expected credit loss were considered as low.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables *(Continued)*

31 December 2019	Due from an associate HK$'000	Receivables from third parties HK$'000	Total HK$'000
Carrying amount of other receivables	322,997	147,366	470,363
Expected credit loss rate	21%	1%	
Loss allowance	(67,814)	(1,674)	(69,488)
Other receivables, net	255,183	145,692	400,875

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for other receivables during the year ended 31 December 2020 (2019:Nil).

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	Year ended 31 December	
	2020 HK$'000	2019 HK$'000
Impairment losses		
–movement in loss allowance for trade receivables and contract assets	**(570)**	(428)
–impairment losses on amounts due from an associate	**(154,045)**	(17,379)
–impairment losses on other receivables determined individually	**(30,995)**	(86,008)
–reversal of previous impairment losses on the remaining amount of other receivables	**415**	1,146
Impairment losses on financial assets at amortised cost	**(185,195)**	(102,669)

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

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

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments of HK$23,613,000 (2019: HK$24,049,000).

(iv) Financial guarantee

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

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance department of the Group. The finance department of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The finance department of the Company have prepared cash flow projections for the year ending 31 December 2021 on the basis that: (1) bank financing will continue to be available; (2) proceeds from pre-sales of properties from new phases of two major projects upon obtaining the pre-sales permits starting from the third quarter of 2021; (3) certain additional borrowings will be obtained; and (4) there will be no further breach of debt covenants in 2021. Management will closely monitor the situation to ensure that appropriate alternative actions are taken, such as to accelerate the sales of completed properties, if any of the above conditions are not fully fulfilled.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

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 which might have unexpected material impact on the Group's anticipated cash flow position. These include accelerating sales of the Group's properties with more flexible pricing, adjusting and further slowing down the construction progress as appropriate, ensuring available resources from external financing or internal funding for the development of properties for sale and settlement of liabilities, implementing cost control measures, introducing strategic partners to the Group's property development projects and obtaining financial support from the shareholder. The Group will assess the relevant future costs and benefits and pursue such options as are appropriate. The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed into the table are the contractual undiscounted cash flow.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2020						
Trade and other payables (excluding other taxes and payroll payables)	**2,825,613**	**–**	**604,716**	**–**	**3,430,329**	**3,430,329**
Borrowings	**4,990,545**	**913,204**	**2,510,789**	**248,384**	**8,662,922**	**7,035,915**
Amounts due to minority owners of subsidiaries	**120,417**	**–**	**–**	**–**	**120,417**	**120,417**
Lease liabilities	**32,428**	**23,859**	**51,543**	**16,317**	**124,147**	**107,828**
	7,969,003	**937,063**	**3,167,048**	**264,701**	**12,337,815**	**10,694,489**

In addition to the non-derivative financial liabilities as disclosed above, the Group also has provided financial guarantees in respect of the mortgage facilities for certain purchasers of Group's properties with guaranteed amounts of HK$1,219,919,000 as at 31 December 2020 (2019: HK$596,772,000), details of which have been set out in Note 32.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

Contractual maturities of financial liabilities	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual cash flows HK$'000	Carrying amount of liabilities HK$'000
At 31 December 2019						
Trade and other payables (excluding other taxes and payroll payables)	2,397,190	6,320	812	204	2,404,526	2,403,045
Borrowings	5,739,477	1,516,319	1,803,130	628,434	9,687,360	7,914,462
Amounts due to minority owners of subsidiaries	112,857	–	–	–	112,857	112,857
Lease liabilities	43,880	27,123	48,805	15,116	134,924	112,310
	8,293,404	1,549,762	1,852,747	643,754	12,339,667	10,542,674

5.2 Capital risk management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. The ratio is calculated as net debt divided by equity attributable to owners of the Company (as shown in the consolidated balance sheet). For this purpose, the Group defines net debt as total debt (which comprises borrowings, amounts due to minority owners of subsidiaries and lease liabilities) less cash and cash equivalents and pledged bank deposits.

In order to maintain or adjust the appropriate ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's overall strategy remains unchanged from prior year.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Capital risk management *(Continued)*

The gearing ratio at 31 December 2020 and 2019 was calculated as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Borrowings	**7,035,915**	7,914,462
Amounts due to minority owners of subsidiaries	**120,417**	112,857
Lease liabilities	**107,828**	112,310
Total debt	**7,264,160**	8,139,629
Less:		
Cash and cash equivalents	**(230,800)**	(510,151)
Restricted bank deposits	**(477,324)**	(1,445,051)
Net debt	**6,556,036**	6,184,427
Equity attributable to owners of the Company	**71,262**	1,609,413
Gearing ratio	**9,200%**	384%

The significant increase in the gearing ratio during 2020 is primarily resulted from the increase in net debt and also the decrease in the equity attributable to owners of the Company as a result of the net loss for the current year.

5.3 Fair value estimation

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within investment properties that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation *(Continued)*

See Note 16 for detailed disclosures of the investment properties that are measured at fair value.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
As at 31 December 2020				
Investment properties	**–**	**97,433**	**5,395,675**	**5,493,108**
Financial assets at FVOCI	**–**	**–**	**20,388**	**20,388**
Financial assets at FVPL	**23,613**	**–**	**–**	**23,613**
	23,613	**97,433**	**5,416,063**	**5,537,109**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
As at 31 December 2019				
Investment properties	–	91,722	3,158,780	3,250,502
Financial assets at FVOCI	–	–	37,304	37,304
Financial assets at FVPL	24,049	–	–	24,049
	24,049	91,722	3,196,084	3,311,855

There were no transfers among Level 1, Level 2 and Level 3 during the year.

6. SEGMENT REPORTING

Management has determined the operating segments based on the internal reports reviewed by the Directors, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

The Directors considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organised into three operating segments which comprise (i) sales of properties; (ii) hotel operations; and (iii) properties rental, management and agency services.

The Directors assesses the performance of the operating segments based on a measure of adjusted profit or loss before income tax. Certain income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the Directors for assessment of segment performance.

Total segment assets mainly exclude pledged bank deposits and head office and corporate assets, all of which are managed on a centralised basis.

Total segment liabilities mainly exclude unallocated borrowings and unallocated head office and corporate liabilities, all of which are managed on a centralised basis.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Directors is measured in a manner consistent with that in the consolidated income statement.

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss before income tax and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Reportable segment revenue	**4,207,815**	846,060	**72,148**	133,982	**347,318**	401,420	**4,627,281**	1,381,462
Reportable segment revenue from internal sales	**–**	–	**–**	–	**(28,578)**	(32,870)	**(28,578)**	(32,870)
Reportable segment revenue from external sales (i)	**4,207,815**	846,060	**72,148**	133,982	**318,740**	368,550	**4,598,703**	1,348,592
Reportable segment (loss)/profit before income tax	**(32,698)**	(340,285)	**(30,796)**	(15,136)	**88,816**	97,397	**25,322**	(258,024)
Other information (items included in determining the reportable segment (loss)/profit):								
Bank interest income	**1,484**	3,454	**91**	29	**405**	1,380	**1,980**	4,863
Depreciation of property, plant and equipment	**10,239**	9,648	**47,853**	44,196	**845**	989	**58,937**	54,833
Change in fair value of investment properties	**–**	–	**–**	–	**(42,954)**	(12,560)	**(42,954)**	(12,560)
Share of results of an associate	**–**	–	**–**	(18,916)	**–**	–	**–**	(18,916)
Loss on sale of property, plant and equipment	**(15)**	(3)	**(24)**	(185)	**–**	–	**(39)**	(188)
Reportable segment assets	**7,248,959**	11,964,388	**1,025,332**	986,956	**5,942,924**	3,726,213	**14,217,215**	16,677,557
Amounts included in the measure of segment assets:								
Additions to non–current assets (ii)	**2,009**	6,808	**37,063**	455	**21,428**	25,130	**60,500**	32,393
Reportable segment liabilities	**10,238,449**	13,221,327	**149,778**	64,454	**954,286**	773,197	**11,342,513**	14,058,978

6. SEGMENT REPORTING *(Continued)*

(a) Information about reportable segment revenue, profit or loss before income tax and other information *(Continued)*

(i) For the year ended 31 December 2020, revenue from sales of properties of HK$3,802,549,000 (2019: HK$648,328,000) was recognised at a point in time and the remaining of HK$405,266,000 (2019: HK$197,732,000) was recognised over time. The revenue from hotel operations, management and agency services of HK$237,901,000 (2019: HK$329,661,000) were recognised over time. Rental income of HK$152,987,000 (2019: HK$172,871,000) was recognised on a straight-line basis over the term of respective leases.

(ii) Amounts comprise additions to investment properties and property, plant and equipment.

(b) Reconciliation of reportable segment profit or loss before income tax, assets and liabilities

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Reportable segment profit/(loss) before income tax	**25,322**	(258,024)
Unallocated bank interest income	**28**	75
Finance costs	**(799,904)**	(771,034)
Unallocated head office and corporate expenses	**(35,007)**	(53,088)
Loss before income tax	**(809,561)**	(1,082,071)

	As at 31 December	
Assets	**2020**	2019
	HK$'000	HK$'000
Reportable segment assets	**14,217,215**	16,677,557
Pledged bank deposits	**477,324**	1,445,051
Head office and corporate assets	**17,302**	30,667
Total assets	**14,711,841**	18,153,275

6. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment profit or loss before income tax, assets and liabilities *(Continued)*

Liabilities	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Reportable segment liabilities	**11,342,513**	14,058,978
Unallocated borrowings	**2,490,622**	2,110,019
Unallocated head office and corporate liabilities	**573,919**	313,722
Total liabilities	**14,407,054**	16,482,719

(c) Geographical information

The Group's revenue are all derived from operations conducted in the PRC and the majority of the Group's non-current assets (other than financial assets at fair value through other comprehensive income/profit or loss and deferred income tax assets) are also located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the years ended 31 December 2020 and 2019.

(d) Contract liabilities

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Receipts in advance from purchasers of properties under development and completed properties	**2,041,191**	4,665,769

Out of the contract liabilities as at 31 December 2019 and 2018, amounts of HK$3,371,728,000 and HK$223,828,000 have been recognised as revenue of the Group during the years ended 31 December 2020 and 2019 respectively.

7. REVENUE

Revenue representing the aggregate of proceeds from sales of properties and amounts received and receivable from the hotel operations, properties rental, management and agency income is summarised as follows:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Sales of properties	**4,207,815**	846,060
Hotel operations	**72,148**	133,982
Properties rental, management and agency income	**318,740**	368,550
	4,598,703	1,348,592

8. OTHER INCOME AND GAINS-NET

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Bank interest income	**2,008**	4,938
Gains on early termination of lease agreement	**1,094**	3,349
Rental income *(a)*	**3,093**	2,847
Government grants	**2,677**	1,920
Losses on disposal of property, plant and equipment	**(39)**	(188)
Others *(b)*	**1,188**	5,347
Total	**10,021**	18,213

(a) Rental income was derived from leases of certain retail properties on a temporary basis which are included in completed properties held-for-sales.

(b) Others mainly include exchange gains.

9. EXPENSES BY NATURE

Expenses by nature comprise cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Cost of properties sold	**3,804,008**	803,286
Cost of rendering property management service and others *(a)*	**156,990**	182,691
Tax and levies	**53,726**	44,618
Impairment of properties under development and completed properties held-for-sale	**37,196**	–
Employee benefit expense *(Note 10)*	**175,469**	237,223
Auditors' remuneration:		
— Audit services	**2,680**	2,880
— Non-audit services	**1,300**	300
Consulting and service expenses	**16,442**	53,272
Depreciation charge *(Note 15)*	**58,937**	54,833
Advertising costs	**31,504**	63,973
Short-term leasing expenses	**1,709**	4,896
Maintenance and consumption expenses for hotel operations	**16,510**	55,527
Other expenses	**33,761**	40,198
Total	**4,390,232**	1,543,697

(a) Cost of rendering property management service and others mainly includes cost of maintenance, cleaning and security relating to the provision of property management services.

10. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Salaries, wages and bonuses	**197,945**	236,669
Pension costs – defined contribution plans (a)	**14,207**	47,463
	212,152	284,132
Less: amounts capitalised in properties under development	**(36,683)**	(46,909)
Total	**175,469**	237,223

(a) The decrease in pension costs for the year ended 31 December 2020 is mainly due to the decrease in the headcounts of the Group's employees and also the exemption of the Group's contribution of social insurance for its employees in the PRC for certain period in 2020 pursuant to the security relief policies as issued by the Ministry of Human Resources and Social Security and local municipal departments in respond to the COVID-19 pandemic.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2019: 2) directors whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining 3 (2019: 3) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Salaries, wages and bonuses	**8,629**	12,336
Contribution to retirement benefits schemes	**233**	285
Total	**8,862**	12,621

10. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
HK$5,500,001 – HK$6,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	2
HK$2,500,001 – HK$3,000,000	**2**	–

(c) Retirement benefit schemes

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to profit or loss represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributes to a local municipal government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC municipal government retirement scheme charged to profit or loss represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

11. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Interest expenses:		
– Bank borrowings	**133,416**	243,362
– Other borrowings *(Note)*	**753,182**	643,802
Interest and finance charges paid/payable for lease liabilities	**8,493**	11,603
	895,091	898,767
Less: amounts capitalised in properties under development at a capitalisation rate of 7.6% (2019: 8.0%) per annum	**(95,187)**	(127,733)
Finance costs – net	**799,904**	771,034

Note:

Interest expenses on other borrowings include the provision for late payment surcharges in connection with the delay in the repayment of certain other borrowings as mentioned in Note 25(c) of HK$121,035,000 (2019: HK$85,013,000).

12. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax in the consolidated income statement represents:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Current income tax:		
– PRC enterprise income tax	**172,135**	8,399
– PRC land appreciation tax ("LAT")	**273,406**	(7,368)
Deferred income tax credit *(Note 28)*	**(98,596)**	(21,704)
Income tax expense/(credit)	**346,945**	(20,673)

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits in Hong Kong for the years ended 31 December 2020 and 2019.

PRC Enterprise Income Tax

The PRC subsidiaries are subject to PRC Enterprise Income Tax at the statutory rate of 25% (2019: 25%) during the year ended 31 December 2020.

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

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures, with an exemption provided for property sales of ordinary residential properties (普通標準住房) if their appreciation values do not exceed 20% of the sum of total deductible items. Certain property development projects are subjected to LAT which is calculated based on deemed levying rates of their revenue under the approved taxation method if the specific circumstances as approved by the local tax authority are met and the companies have been de-registered or the approval has exceeded three years whichever is earlier.

The tax expense/(credit) for the year can be reconciled to the loss before income tax per the consolidated income statement as follows:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Loss before income tax	**(809,561)**	(1,082,071)
Tax calculated at domestic rates applicable in countries concerned	**(160,615)**	(229,982)
Tax effect of share of results of an associate	**–**	4,729
Impact of LAT in the PRC net of allowance deduction for EIT purpose	**205,055**	7,543
Tax effect of expenses not deductible for tax purposes	**175,621**	57,929
Tax effect of tax losses not recognised	**129,623**	164,378
Utilisation of tax losses previously not recognised as deferred income tax assets	**(24,174)**	(6,934)
Changes in deferred income tax liabilities in respect of withholding tax on unremitted earnings of subsidiaries	**21,503**	(13,523)
Over provision in respect of prior years	**(68)**	(4,813)
Income tax expense/(credit)	**346,945**	(20,673)

13. DIVIDENDS

No dividend was proposed for the years ended 31 December 2020 and 2019.

14. LOSS PER SHARE

Basic loss per share

The calculations of the basic loss per share attributable to owners of the Company are as below:

	Year ended 31 December	
	2020	2019
Loss		
Loss attributable to owners of the Company (HK$'000)	**(1,150,773)**	(1,058,026)
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**14,879,352**	14,879,352
	HK$ cents	HK$ cents
Basic loss per share	**(7.73)**	(7.11)

Diluted loss per share

Since there was no dilutive ordinary shares during the years ended 31 December 2020 and 2019, diluted loss per share is equal to basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel and buildings HK$'000	Right-of-use assets HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
Year ended 31 December 2020						
Cost						
At 1 January 2020	766,329	664,607	16,510	13,631	78,794	1,539,871
Additions	–	–	126	29,586	9,754	39,466
Disposals	–	–	(296)	–	(3,109)	(3,405)
Exchange differences	42,183	40,622	893	647	4,535	88,880
At 31 December 2020	808,512	705,229	17,233	43,864	89,974	1,664,812
Accumulated depreciation						
At 1 January 2020	237,439	214,558	14,112	10,201	58,885	535,195
Provided for the year	23,858	24,735	493	4,988	4,863	58,937
Disposals	–	–	(282)	–	(2,581)	(2,863)
Exchange differences	10,636	14,834	791	340	2,896	29,497
At 31 December 2020	271,933	254,127	15,114	15,529	64,063	620,766
Net book amount	536,579	451,102	2,119	28,335	25,911	1,044,046

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Hotel and buildings HK$'000	Right-of-use assets HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
Year ended 31 December 2019						
Cost						
At 1 January 2019	779,761	671,216	16,664	13,177	90,839	1,571,657
Additions	–	–	867	632	2,214	3,713
Recognition of right-of-use assets	–	5,280	–	–	–	5,280
Disposals	–	–	(887)	–	(12,428)	(13,315)
Exchange differences	(13,432)	(11,889)	(134)	(178)	(1,831)	(27,464)
At 31 December 2019	766,329	664,607	16,510	13,631	78,794	1,539,871
Accumulated depreciation						
At 1 January 2019	220,756	193,511	14,630	8,558	60,788	498,243
Provided for the year	20,924	24,793	414	1,782	6,920	54,833
Disposals	–	–	(822)	–	(7,433)	(8,255)
Exchange differences	(4,241)	(3,746)	(110)	(139)	(1,390)	(9,626)
At 31 December 2019	237,439	214,558	14,112	10,201	58,885	535,195
Net book amount	528,890	450,049	2,398	3,430	19,909	1,004,676

As at 31 December 2020, land use rights (as included in right-of-use assets) and certain of the remaining property, plant and equipment with net book value of HK$448,353,000 (2019: HK$442,229,000) and HK$518,416,000 (2019: HK$509,503,000) respectively are pledged as collateral for the Group's borrowings (Note 25).

16. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At fair value		
Opening balance at 1 January	**3,250,502**	3,292,205
Transfer from completed properties held-for-sale	**1,975,359**	–
Additions *(a)*	**21,034**	23,400
Exchange differences	**289,167**	(52,543)
Net changes from fair value adjustment	**(42,954)**	(12,560)
Closing balance at 31 December	**5,493,108**	3,250,502

(a) The Group has leased certain retail stores and apartments from individuals for the sole purpose to sub-lease out for rental income (the "Sub-lease Arrangements"). These leased properties have been classified as right-of-use assets in accordance with HKFRS 16 and have been included as investment properties of the Group. Additions to investment properties for the year ended 31 December 2020 included the right-of-use assets as recognised for the leased properties of approximately HK$20,494,000 (2019: HK$15,533,000). As at 31 December 2020, the carrying amounts of the properties under the Sub-lease Arrangements amounted to HK$89,116,000 (2019: HK$97,258,000).

(b) Amounts recognised in profit and loss for investment properties

	Year ended 31 December	
	2020 HK$'000	2019 HK$'000
Rental income	**152,987**	172,871
Direct operating expenses	**(77,562)**	(91,398)
	75,425	81,473

16. INVESTMENT PROPERTIES *(Continued)*

(b) Amounts recognised in profit and loss for investment properties *(Continued)*

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured deferred income tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(c) Valuation basis

An independent valuation of the Group's investment properties was performed by the valuer, Cushman & Wakefield ("C&W"), to determine the fair value of the investment properties as at 31 December 2020. The revaluation gains or losses is included in "Change in fair value of investment properties" in consolidated income statement. The following table summarised the fair values of investment properties analysed by fair value hierarchy levels:

	Fair value measurements at 31 December 2020				
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000	Total (RMB'000)
Recurring fair value measurements					
Investment properties:					
– Shopping malls – Shanghai	–	–	1,235,742	1,235,742	1,040,000
– Car Parking Area – Shanghai	–	97,433	–	97,433	82,000
– Shopping malls – Nanjing (transferred from completed properties held-for sale)	–	–	2,139,971	2,139,971	1,801,000
– Shopping malls – Yangzhou	–	–	306,559	306,559	258,000
– Shopping malls – Qingdao	–	–	1,056,321	1,056,321	889,000
– Shopping malls – Nantong	–	–	567,966	567,966	478,000
– Leased properties classified as right-of-use assets – Shanghai	–	–	89,116	89,116	75,000
	–	97,433	5,395,675	5,493,108	4,623,000

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

	Fair value measurements at 31 December 2019				
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000	Total (RMB'000)
Recurring fair value measurements					
Investment properties:					
– Shopping malls – Shanghai	–	–	1,216,443	1,216,443	1,087,500
– Car Parking Area – Shanghai	–	91,722	–	91,722	82,000
– Shopping malls – Yangzhou	–	–	293,624	293,624	262,500
– Shopping malls – Qingdao	–	–	1,016,779	1,016,779	909,000
– Shopping malls – Nantong	–	–	534,676	534,676	478,000
– Leased properties classified as right-of-use assets – Shanghai, Qingdao, Nanjing	–	–	97,258	97,258	86,950
	–	91,722	3,158,780	3,250,502	2,905,950

All the Group's investment properties are located in the PRC and the fair values of these investment properties are all denominated in RMB. Despite these consolidated financial statements are presented in HK$, the fair values of each investment properties in RMB have also been presented above to better reflect the changes in the fair values of these investment properties (by excluding the impact of the changes in exchanges rates of RMB against HK$).

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

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

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2020						
	Shopping malls					Leased properties classified as right-of-use assets	Total
	Shanghai HK$'000	Nanjing HK$'000	Yangzhou HK$'000	Qingdao HK$'000	Nantong HK$'000	HK$'000	HK$'000
Opening balance at 1 January 2020	1,216,443	–	293,624	1,016,779	534,676	97,258	3,158,780
Transfer from completed properties held-for-sale	–	1,975,359	–	–	–	–	1,975,359
Addition	540	–	–	–	–	20,494	21,034
Net (loss)/gains from fair value adjustment	(32,403)	49,830	(5,060)	(22,490)	–	(32,831)	(42,954)
Exchange differences	51,162	114,782	17,995	62,032	33,290	4,195	283,456
Closing balance at 31 December 2020	1,235,742	2,139,971	306,559	1,056,321	567,966	89,116	5,395,675

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Year ended 31 December 2019					
	Shopping malls				Leased properties classified as right-of-use assets	Total
	Shanghai HK$'000	Yangzhou HK$'000	Qingdao HK$'000	Nantong HK$'000	HK$'000	HK$'000
Opening balance at 1 January 2019	1,224,943	296,811	1,026,196	538,724	112,137	3,198,811
Addition	612	–	7,255	–	15,533	23,400
Net gains/(loss) from fair value adjustment	6,077	2,155	1,820	5,672	(28,405)	(12,681)
Exchange differences	(15,189)	(5,342)	(18,492)	(9,720)	(2,007)	(50,750)
Closing balance at 31 December 2019	1,216,443	293,624	1,016,779	534,676	97,258	3,158,780

Valuation processes of the Group

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

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Accountant. Discussions of valuation processes and results are held between the Chief Accountant, the valuation team and valuer at least once every year. As at 31 December 2020, the fair values of investment properties have been determined based on the valuation performed by C&W.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation processes of the Group (Continued)

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess properties/right-of-use assets valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values (if any) are analysed at each reporting date during the bi-annual valuation discussions between the Chief Accountant and the valuation team.

Valuation techniques

For car parking area in Shanghai, the valuation was determined using the direct comparison approach which is based on market observable transactions of similar project.

For certain shopping malls in Shanghai, Qingdao, Nantong and the leased properties in Shanghai, the valuation was determined using the income approach. For shopping malls in Yangzhou, Nanjing and the remaining shopping malls in Shanghai and Nantong, the valuation was determined using a combination of income approach and direct comparison approach (50% each). Rental prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The valuation was based on significant unobservable inputs. These inputs are summarised as the following tables.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Shopping malls in Shanghai Zendai Thumb Plaza located in Pudong, Shanghai	**Level 3**	**Income Capitalisation Approach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 4.0% – 5.5% (2019: 4.0% – 5.5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB130/sq.m – RMB335/sq.m. (2019: RMB130/sq.m – RMB349/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, range from 4.5% – 6% (2019: 4.5% – 6%).	The higher the reversionary yield, the lower the fair value.
Property 2 – Car parking area in Shanghai Zendai Thumb Plaza	**Level 2**	**Direct Comparison Method** The key inputs are based on market observable transactions of similar properties	N/A	N/A

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 3 – Shopping malls in Zendai Xizhen Thumb Plaza located in Qingpu, Shanghai	**Level 3**	**Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 3% – 4% (2019: 3% – 4%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB44/sq.m – RMB73/sq.m. (2019: RMB43/sq.m – RMB72/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, range from 4% – 5% (2019: 4% – 5%).	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB10,705/sq.m (2019:RMB10,456/sq.m.) for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 4 – Yangzhou Commercial Project located in Yangzhou City	**Level 3**	**Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 4%-5% (2019: 4%-5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB125/sq.m. (2019: RMB131/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, range from 4.5%-5.5% (2019: 4.5%-5.5%).	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB21,100/sq.m. (2019: RMB21,100/sq.m.) for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 5 – Shopping malls of Qingdao Zendai Thumb Plaza located in Qingdao City	**Level 3**	**Income Capitalisation Approach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 5.5% – 6.5% (2019: 5.5% – 6.5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB70/sq.m. – RMB234/sq.m. (2019: RMB71/sq.m. – RMB237/sq.m.)	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties range from 6% – 7% (2019: 6% – 7%).	The higher the reversionary yield, the lower the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 6 – Commercial Projects of Nantong Yicheng Thumb Plaza located in Nantong City	**Level 3**	**Income Capitalisation Approach or Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 4.0% – 5.5% (2019: 4.0% – 5.5%.).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB52/sq.m. – RMB104/sq.m. (2019: RMB61/sq.m. – RMB112/sq.m.).	The higher the monthly rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 6% (2019: 6%).	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB16,300/sq.m. (2019: RMB16,900/sq.m.) for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Properties 7 – Leased properties in Shanghai classified as right-of-use assets	**Level 3**	**Income Capitalisation Approach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 7.5% (2019: 7.5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB355/sq.m. – RMB592/sq.m (2019: RMB374/sq.m. – RMB623/sq.m.).	The higher the monthly rent, the higher the fair value.
Property 8 – Shopping malls in Nanjing Himalayas Center located in Nanjing City (transferred from completed properties held-for-sale)	**Level 3**	**Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 4.0% – 4.5%.	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB340/sq.m.	The higher the monthly rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, range from 4.5% – 5.0%.	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB40,200/sq.m. for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(d) Non-current assets pledged as security

As at 31 December 2020 and 2019, investment properties of the Group with fair values of HK$4,887,416,000 and HK$2,680,346,000, respectively, were pledged as collateral for the Group's borrowings (Note 25).

17. INVESTMENT IN SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2020:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly held	Percentage of ownership interests indirectly held
Shanghai Zendai Real Estate Co., Ltd. 上海証大置業有限公司	The PRC, limited liability company	Property development and rental in the PRC	RMB 820,000,000	–	100%
Shanghai Zendai Delta Land Company Limited 上海証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 400,000,000	–	100%
Shanghai Zendai Himalayas Hotel Management Co., Ltd. 上海証大喜瑪拉雅酒店管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 1,000,000	–	100%
Qingdao Shenlan Deluxe Hotel Management Co., Ltd. 青島深藍複式酒店管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 1,000,000	–	100%
Shanghai Zendai Xizhen Real Estate Development Co., Ltd. 上海証大西鎮置業發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 290,000,000	–	100%
Shanghai Zendai Xizhen Thumb Commercial Management Co., Ltd. 上海証大西鎮大拇指商業經營管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 1,000,000	–	100%
Shanghai Zendai Operation & Management Co., Ltd. 上海証大商業經營管理有限公司	The PRC, limited liability company	Properties rental, management and agency services in the PRC	RMB 20,000,000	–	100%
Shanghai Zendai Property Management Co., Ltd. 上海証大物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 5,000,000	–	100%

17. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly held	Percentage of ownership interests indirectly held
Qingdao Zendai Commercial Traveling and Investment Development Co., Ltd. 青島証大商業旅遊投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 250,000,000	–	100%
Shanghai Zendai Commercial Traveling and Investment Development Co., Ltd. 上海証大商業旅遊投資發展有限公司	The PRC, limited liability company	Hotel operation and properties rental in the PRC	RMB 600,000,000	–	100%
Shanghai Zendai Real Estate Brokerage Co., Ltd. 上海証大房地產經紀有限公司	The PRC, limited liability company	Property agency services in the PRC	RMB 2,000,000	–	100%
Qingdao Zendai Thumb Commercial Development Co., Ltd. 青島証大大拇指商業發展有限公司	The PRC, limited liability company	Property development in the PRC	USD 12,000,000	–	100%
Yantai Zendai Thumb Real Estate Co., Ltd. 煙台証大大拇指置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 150,000,000	–	70%
Auto Win Investments Limited	British Virgin, limited company	Properties rental in the PRC	USD1	100%	–
Shanghai Zendai Nanjing Property Management Co., Ltd. 上海証大南京物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 1,000,000	–	100%
Nanjing Lifang Real Estate Co., Ltd. 南京立方置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 1,800,000,000	–	100%

17. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly held	Percentage of ownership interests indirectly held
Nanjing Wudaokou Real Estate Co., Ltd. 南京五道口置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 190,000,000	–	100%
Nanjing Zendai Delta Land Real Estate Co., Ltd. 南京証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 770,000,000	–	100%
Nantong Zendai Real Estate Co., Ltd. 南通証大置業有限公司	The PRC, limited liability company	Property development and investment in the PRC	RMB 100,000,000	–	100%
Nanjing Shuiqingmuhua Real Estate Co., Ltd. 南京水清木華置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 20,000,000	–	100%
Haimen Zendai Binjiang Real Estate Co., Ltd. 海門証大濱江置業有限公司	The PRC, limited liability company	Property development in the PRC	USD49,600,000	–	100%
Haimen Zendai Creative Investment Development Co., Ltd. 海門市証大創意投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 3,800,000	–	100%
Haimen Zendai Binjiang Property Management Co., Ltd. 海門証大濱江物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 500,000	–	100%
Nanjing Thumb Commercial Development Co., Ltd. 南京証大大拇指商業發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 1,200,000,000	–	100%
Hainan Huayi Real Estate Co., Ltd. 海南華意置業有限公司 ("Hainan Huayi")	The PRC, limited liability company	Property development in the PRC	RMB 88,000,000	–	60%

17. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly held	indirectly held
Yangzhou Zendai Commercial Traveling and Investment Development Co., Ltd. 揚州証大商旅發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 30,000,000	–	80%
Yangzhou Thumb Commercial Management Co., Ltd. 揚州大拇指商業經營管理有限公司	The PRC, limited liability company	Property rental in the PRC	RMB 500,000	–	100%

(a) 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.

(b) As part of the Debt Restructuring Agreement as mentioned in Note 25(c), the Company has acquired an additional 20% equity interest in a subsidiary and also has been granted the right to purchase the remaining 20% ("Purchase Right") equity interests of another subsidiary from the respective minority shareholders, which are also contracting parties of the Debt Restructuring Agreement. The Purchase Right can be exercisable at the discretion of the Company at an insignificant nominal consideration, at any time upon the Group has fully repaid the respective loans pursuant to the Debt Restructuring Agreement. One of aforesaid subsidiaries is at a net deficit position, the difference arising from the consideration of the acquisitions and the respective share of respective interests owned by the minority shareholders were recorded as transaction with non-controlling interests.

(c) As at 31 December 2020, the non-controlling interest of HK$233,525,000 mainly includes the interest of the minority shareholder of Hainan Huayi of HK$156,974,000. As at 31 December 2020, the total assets and total liabilities of Hainan Huayi is HK$449,003,000 and HK$56,568,000 respectively. The net comprehensive loss of and net increase in cash and cash equivalents of Hainan Huayi is HK$6,666,000 and HK$16,552,000 for the year ended 31 December 2020.

(d) As at 31 December 2020 and 2019, certain equity shares of the subsidiaries of the Group are pledged to secure certain borrowings granted to the Group.

18. INTEREST IN AN ASSOCIATE

(a) Investment in an associate

	As at 31 December	
	2020 **HK$'000**	2019 HK$'000
At 1 January	–	18,994
Share of loss	–	(18,916)
Exchange differences	–	(78)
At 31 December	–	–

The Group only has interests in an associate and details of which are as below:

Name of entity	Place of business/ country of incorporation	Particulars of paid-in capital	Percentage of ownership interest	Principal operation
Shanghai Zendai Himalayas Company Ltd. ("Zendai Himalayas") 上海証大喜瑪拉雅有限公司	The PRC	Registered capital RMB633,630,000	45%	Hotel operation

(i) There were no contingent liabilities or capital commitments relating to the Group's investment in the associate. The Group has share the loss of the associate only up to the extent that the Group's interest in the associate was reduced to zero as the Group has not incurred any legal or constructive obligations to recognise additional losses. The unrecognised share of losses of the associate for the year ended 31 December 2020 amounted to approximately HK$217,000,000 (2019: HK$57,159,000) and the cumulative unrecognised amounts up to 31 December 2020 were amounted to approximately HK$312,171,000 (2019: HK$95,171,000).

The significant losses as incurred by the associate is mainly due to the COVID-19 pandemic's unfavorable impact on the associate's hotel operations.

18. INTEREST IN AN ASSOCIATE *(Continued)*

(a) Investment in an associate *(Continued)*

(ii) Summarised financial information for the associate

Set out below is the summarised financial information of Zendai Himalayas as at 31 December 2020 and 2019 and for the respective year then ended. The information below reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Group's share of those amounts.

Summarised balance sheet	**As at 31 December**	
	2020 HK$'000	2019 HK$'000
Current assets	**89,408**	64,975
Non-current assets	**3,851,694**	3,762,945
Current liabilities	**(4,139,401)**	(680,119)
Non-current liabilities	**(361,964)**	(3,195,539)
Net liabilities	**(560,263)**	(47,738)
Included in the above amounts are:		
Cash and cash equivalents	**20,232**	9,433
Current financial liabilities (excluding trade and other payable)	**(3,840,138)**	(415,008)
Non-current financial liabilities (excluding other payable and provision)	**–**	(2,843,518)

Summarised statement of comprehensive income	**Year ended 31 December**	
	2020 HK$'000	2019 HK$'000
Revenue	**150,923**	327,995
Losses from operations	**(482,222)**	(169,056)
Other comprehensive (loss)/income	**(30,303)**	174
Included in the above amounts are:		
Depreciation and amortisation	**(106,675)**	(107,936)
Interest income	**67**	229
Interest expense	**(371,750)**	(178,567)

18. INTEREST IN AN ASSOCIATE *(Continued)*

(b) Amounts due from an associate

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Amounts due from an associate	**343,107**	322,997
Less: provision for loss allowance	**(234,812)**	(67,814)
Amounts due from an associate – net	**108,295**	255,183
Less: non-current portion	**(108,295)**	(244,797)
Current portion	**–**	10,386

(i) Amounts due from the associate were unsecured, interest free and repayable on demand as of 31 December 2019. During the year ended 31 December 2020, the Group has obtained the results on the declaratory lawsuit against the associate for recovering the receivable amounts and claimed interests on any outstanding receivable amounts at a fixed rate of 6% per annum until such time as the associate has fully repaid the related amounts. The court has ruled in favor of the Group's claims in April 2020 (the "Court Ruling") and confirmed the amounts owing by the associate and the Group is entitled to interests on any outstanding amounts from November 2015 until such time as the associate has fully repaid the related amounts. As mentioned in Note 18(a), the associate has suffered from significant losses during the year ended 31 December 2020 due to the COVID-19 pandemic. In addition, the associate became cannot repay its bank borrowings and interests in accordance with the original contractual terms (with more details in Note 5.1(b)(ii)(a)) and these defaults combined with the unfavourable operating environment has posted significant pressure on the liquidity of the associate. Considering the liquidity problem as encountered by the associate, the Group has recognised a provision for loss allowance of HK$154,045,000 on the amounts due from the associate during the year ended 31 December 2020 and also have not recognised the interest income as entitled by the Group of approximately HK$209,930,000 pursuant to the Court Ruling.

18. INTEREST IN AN ASSOCIATE *(Continued)*

(c) Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Opening net (liabilities)/assets 1 January	**(47,738)**	121,144
Loss for the year	**(482,222)**	(169,056)
Exchange differences	**(30,303)**	174
Closing net liabilities	**(560,263)**	(47,738)
Group's share of net liabilities of the associate *(Note)*	**–**	–

Note:

As mentioned in Note 18(a)(i), the Group does not have any legal or constructive obligations to share further losses of the associate when the Group's interest in the associate was reduced to zero.

19. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Properties under development		
– Within a normal operating cycle included under current assets	**4,757,010**	9,836 619
– Beyond a normal operating cycle included under non-current assets	**795,016**	–
Completed properties held-for-sale	**1,139,656**	1,145,472
	6,691,682	10,982,091

During the year ended 31 December 2020, impairment provision of HK$37,196,000 (2019: Nil) has been recognised in costs of sales which is mainly attributable to the change in estimated net realisable value of certain completed properties held-for-sale located in the PRC due to current market condition.

As at 31 December 2020, the accumulated impairment provision was HK$43,336,000 (2019: HK$6,194,000).

As at 31 December 2020, certain properties under development and completed properties held-for-sales with carrying amount of HK$2,258,415,000 (2019: HK$2,476,444,000) are pledged to banks to secure certain borrowings granted to the Group (Note 25).

Properties under development and completed properties held-for-sales which are expected to be recovered in more than twelve months after the end of reporting period are still classified under current assets if they are expected to be realised within the Group's normal operating cycle. As of 31 December 2020, properties under development of HK$795,016,000 which are not expected to be developed within the Group's normal business cycle are therefore classified as non-current assets.

As of 31 December 2020, the properties under development and completed properties held-for-sales that are expected by management to be realised through the delivery of the related properties to the customers after more than twelve months from the end of reporting period amounted to approximately HK$6,217,585,000 (2019: HK$8,235,879,000).

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Trade receivables	**64,807**	47,453
Less: provision for loss allowance	**(1,421)**	(851)
Trade receivables – net *(a)*	**63,386**	46,602
Other receivables	**298,638**	310,255
Deposits	**18,732**	17,274
	317,370	327,529
Less: provision for loss allowance *(b)*	**(169,595)**	(131,354)
Other receivables – net	**147,775**	196,175
Prepayments for turnover tax	**120,996**	101,359
	332,157	344,136

As at 31 December 2020 and 2019, the majority of the Group's trade and other receivables and prepayments are dominated in RMB.

As at 31 December 2020, the carrying amounts of trade and other receivables and prepayments approximated their fair values.

The Group generally does not grant any credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

(a) The aging analysis of trade receivables before provision for loss allowance based on the date of services provided at the end of reporting period is as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Within 3 months	**57,152**	41,226
More than 3 months but less than 12 months	**2,097**	822
More than 12 months	**5,558**	5,405
	64,807	47,453

Movements on the provision for loss allowance on trade receivables are as follows:

	2020	2019
	HK$'000	HK$'000
At 1 January	**(851)**	(424)
Provision for the year	**(570)**	(428)
Exchange differences	**–**	1
At 31 December	**(1,421)**	(851)

(b) As at 31 December 2020, other receivables included certain cooperation intention deposits of RMB120,013,000 (equivalent to approximately HK$142,601,000) (2019: RMB120,013,000 (equivalent to approximately HK$134,243,000)) which were paid to third party companies in prior years for cooperation in certain real estate projects.

The Group has decided not to be proceed with those projects and had negotiated with the counterparties to refund those cooperation intention deposits. Based on the assessment on the current financial position and repayment capabilities of certain counterparties in concern, a loss allowance of RMB27,564,000 (equivalent to approximately HK$30,995,000) was recognised during the year ended 31 December 2020. As at 31 December 2020, the cumulative expected credit losses on these receivable balances amounted to approximately RMB104,642,000 (equivalent to approximately HK$124,337,000) (2019: RMB77,078,000 (equivalent to approximately HK$87,430,000)).

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Movements on the provision for loss allowance on other receivables are as follows:

	2020 **HK$'000**	2019 HK$'000
At 1 January	**(131,354)**	(50,881)
Net provision for the year *(Note)*	**(30,580)**	(84,862)
Exchange differences	**(7,661)**	4,389
At 31 December	**(169,595)**	(131,354)

Note:

For the year ended 31 December 2020, net provision for the year has been net of the reversal of provision of approximately HK$415,000 (2019: HK$1,146,000).

21. PLEDGED BANK DEPOSITS

	As at 31 December	
	2020 **HK$'000**	2019 HK$'000
Current portion	**228,700**	895,094
Non-current portion	**248,624**	549,957
	477,324	1,445,051

Certain pledged bank deposits of HK$474,189,000 (2019: HK$1,444,812,000) are pledged to banks to secure certain borrowings of the Group (Note 25). The pledged bank deposits carry interest ranging from 0.30% to 2.28% (2019: 0.30% to 2.00%) per annum.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	As at 31 December	
	2020 **HK$'000**	2019 HK$'000
Cash on hand	**378**	723
Cash at bank	**230,422**	509,428
Cash and cash equivalents	**230,800**	510,151

22. CASH AND CASH EQUIVALENTS *(Continued)*

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
RMB	**228,597**	492,236
USD	**283**	1,609
ZAR	**–**	12,899
HK$	**1,920**	3,407
Cash and cash equivalents	**230,800**	510,151

23. FINANCIAL ASSETS AT FAIR VALUE

Movements in financial assets at FVOCI and financial assets at FVPL are as below:

	FVOCI	FVPL
At 1 January 2019	37,984	13,366
Acquisitions	–	16,193
Disposals	–	(5,117)
Exchange differences	(680)	(393)
At 31 December 2019	37,304	24,049
At 1 January 2020	**37,304**	**24,049**
Change in fair value	**(18,207)**	**–**
Disposals	**–**	**(1,830)**
Exchange differences	**1,291**	**1,394**
At 31 December 2020	**20,388**	**23,613**

23. FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

Details of financial assets at fair value are as below:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Equity interests *(a)*	**20,388**	37,304
Wealth management products as purchased from financial institutions	**23,613**	24,049
	44,001	61,353
Less: non-current portion *(a)*	**(20,388)**	(37,304)
Current portion	**23,613**	24,049

(a) The balance represents an equity investment in an unlisted entity established in the PRC and is classified under non-current assets.

24. TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Trade payables *(a)*	**2,096,234**	1,672,034
Other payables and accruals *(b)*	**1,605,223**	1,003,871
	3,701,457	2,675,905
Less: non – current portions *(c)*	**(604,716)**	(5,855)
	3,096,741	2,670,050

As at 31 December 2020 and 2019, the majority of the Group's trade and other payables are dominated in RMB.

As at 31 December 2020, the carrying amounts of trade and other payables approximated their fair values.

24. TRADE AND OTHER PAYABLES *(Continued)*

(a) The aging analysis of trade payables based on date of when the construction costs payable have been verified with the contractors is as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Within 3 months	**1,818,038**	1,426,855
More than 3 months but less than 12 months	**15,721**	11,299
More than 12 months	**98,998**	150,278
	1,932,757	1,588,432
Retention money	**163,477**	83,602
	2,096,234	1,672,034

The trade payables mainly represent accrued construction costs payable to contractors, which have not been verified with the contractors and have been included within 3 months in the above aging analysis. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

(b) Other payables and accruals primarily comprise of turnover tax payable, interest payable (including the late penalty surcharges arising from overdue borrowings as mentioned in Note 25(c)) and deposits of HK$261,868,000, HK$712,941,000, HK$294,194,000 (2019: HK$247,965,000, HK$357,564,000, HK$240,391,000) respectively.

As at 31 December 2020, interest payable of HK$73,695,000 are related to overdue borrowings with the principal amounts totaling HK$635,753,000 which have not been repaid in accordance with contractual repayments dates.

(c) Pursuant to the terms as set out in the Debt Restructuring Agreement as mentioned in Note 25(c), the interest and late penalty surcharge payable in connection with the borrowings from the Shareholder and Associated Parties of HK$333,326,000 and HK$271,390,000 respectively (with aggregated amount of HK$604,716,000) will be repayable only upon when the principal amounts of the related borrowings have been fully repaid and therefore the related interest and late penalty surcharge payable have been classified as non-current liabilities of the Group.

25. BORROWINGS

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Secured or guaranteed		
Bank borrowings	**1,682,871**	2,603,029
Borrowings from other financial institutions *(c)*	**5,353,044**	4,045,214
	7,035,915	6,648,243
Unsecured		
Borrowings from other financial institutions *(c)*	**–**	1,266,219
	–	1,266,219
	7,035,915	7,914,462

At the end of reporting period, the borrowings were repayable as follows:

	2020	2019
Within one year	**4,289,486**	4,909,250
More than one year, but not exceeding two years	**639,550**	1,201,073
More than two years, but not exceeding five years	**1,881,001**	1,235,369
After five years	**225,878**	568,770
Total borrowings	**7,035,915**	7,914,462
Less: amount repayable within one year included in current liabilities *(d)*	**(4,289,486)**	(4,909,250)
Amount repayable after one year	**2,746,429**	3,005,212

(a) As at 31 December 2020, borrowings of RMB3,335,069,000 (equivalent to approximately HK$3,962,773,000) (2019: RMB4,764,609,000 (equivalent to approximately HK$5,329,540,000) were secured by certain hotel properties (Note 15), investment properties (Note 16), properties under development and completed properties held-for-sale (Note 19) and pledged bank deposits (Note 21).

(b) The Group's borrowings bear interests at rates ranged from 4.75% to 18.15% (2019: 4.75% to 18.15%) per annum.

25. BORROWINGS *(Continued)*

(c) The Group was unable to repay unsecured borrowings from China Orient Asset Management (International) Holding Limited ("COAMI") (an indirect shareholder of the Company) and its subsidiary and other companies with which COAMI is associated (the "Shareholder and Associated Parties") of principal amounts totalling RMB1,536,357,000 (equivalent to approximately HK$1,825,518,000) that were due during the year ended 31 December 2019 and additional amounts of RMB1,050,000,000 (equivalent to approximately HK$1,247,624,000) that fell due before 30 November 2020. The default events of other borrowings as described in Note 2.1 of the Group also triggered the cross-default of all these borrowings during the year ended 31 December 2020.

The Group entered into a master restructuring agreement (the "Debt Restructuring Agreement") with the Shareholder and Associated Parties on 31 December 2020 to revise certain key terms and conditions of the original borrowing agreements, including but not limited to the extension of principal and interest payment schedules; and to include a mechanism to determine the amount of minimum principal repayments per annum based on the proceeds to be realised from one of the property development projects. The Shareholder and Associated Parties released the aforesaid defaults and cross-defaults.

Pursuant to the aforesaid Debt Restructuring Agreement, the Company's largest shareholder and its ultimate holding company as well as certain related individuals (collectively the "Guarantors") have provided guarantees to the Shareholder and Associated Parties in respect of the restructured borrowings and the Guarantors have the right to agree or decline the rights of the Shareholder and the Associated Parties to demand immediate payment of the restructured borrowings if any cross-default of these borrowings occurs due to the defaults of any other borrowings of the Group. The Guarantors have confirmed that they will not offer consent to the lenders of the restructured borrowings to enforce such rights. The Company and certain subsidiaries of the Group have also provided counter indemnity to the Guarantors for a portion of the restructured borrowings with principal amounts of RMB832,000,000 (equivalent to approximately HK$988,593,000).

All the restructured borrowings will continue to bear interests at fixed rates ranged from 10.95% to 12.10% per annum and any delay in repayment of principals or interests in accordance with the revised repayment schedules will still be subject to late penalty surcharges as calculated based on the same terms as set out in the original borrowing agreements. Based on the aforesaid mechanism to determine the Group's annual minimum principal repayment amounts as set out in the Debt Restructuring Agreement and the Cash Flow Projections as mentioned in Note 2.1, management estimated that the Group will be able to repay restructured borrowings of approximately RMB716,824,000 (equivalent to approximately HK$851,740,000) within the next twelve months from 31 December 2020 and this portion of the borrowings has been classified as current liabilities (while the remaining portion of the restructured borrowings has been classified as non-current liabilities) as at 31 December 2020.

On top of the abovementioned restructured borrowings of HK$3,073,142,000, the remaining borrowings from other financial institutions as at 31 December 2020 comprise of the Overdue Borrowings, the Cross-defaulted Borrowings and the borrowings from certain financial institutions not yet overdue of HK$988,890,000, HK$933,732,000 and HK$357,280,000 respectively.

25. BORROWINGS *(Continued)*

(d) As at 31 December 2020, the current borrowings included (i) the Overdue Borrowings and the Cross-Defaulted Borrowings of HK$988,890,000 and of HK$1,868,724,000 respectively; and (ii) the other borrowings (which are not yet overdue or defaulted but with contractual repayment dates prior to 31 December 2021) of HK$1,431,872,000.

(e) In January 2021, a subsidiary of the Company provided an additional financial guarantee to the Lender of Defaulted Borrowings. The provision of such financial guarantee was not properly communicated to the existing lenders of that subsidiary leading to a default of those loans of that subsidiary, and also the fact that the guarantee was in respect of loans that had already defaulted triggered cross-defaults on all of the borrowings of that subsidiary with aggregated principal amounts of RMB206,000,000 (equivalent to approximately HK$244,772,000) which became immediately repayable if requested by the respective lenders. As at 31 December 2020, RMB88,000,000(equivalent to approximately HK$104,563,000) and RMB118,000,000 (equivalent to approximately HK$140,209,000) of these borrowings were classified under current liabilities and non-current liabilities, respectively.

(f) The People's Bank of China (the "PBOC") and relevant government body introduced a long-term rule referred to as the "Three Red Lines" in August 2020 which imposes limits on additional financing to property developers if certain thresholds are exceeded in order to establish stronger financial supervision over real estate companies. The rule aims to promote a more stable development of the real estate market, and a more robust financing mechanism. The Group expects that this rule will have a significant impact on the industry's development as well as a tightening of available financing.

(g) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
6 months or less	**953,462**	4,723,461
6-12 months	**2,866,418**	1,642,143
1-5 years	**3,216,035**	1,548,858
	7,035,915	7,914,462

(h) The carrying amounts of the Group's borrowings are all denominated in RMB.

(i) The fair value of non-current borrowings approximate their carrying amount, as most of the non-current borrowings bear floating market rates and hence the impact of discounting is not significant. The fair values are based on cash flows discounted using rates based on the borrowing rate and are within Level 2 of the fair value hierarchy.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Movements in liabilities from financing activities:

	Liabilities from financing activities				
	Amounts due to minority owners of subsidiaries due within 1 year[(i)] HK$'000	Borrowings due within 1 year HK$'000	Borrowings due after 1 year HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2019	(570,966)	(3,140,228)	(3,828,558)	(119,032)	(7,658,784)
Cash flows	(2,269)	1,222,754	(1,248,990)	52,315	23,810
Foreign exchange adjustments	10,140	41,195	65,744	2,006	119,085
Other non-cash movements	450,238	(3,032,971)	2,006,592	(47,599)	(623,740)
As at 31 December 2019	(112,857)	(4,909,250)	(3,005,212)	(112,310)	(8,139,629)
As at 1 January 2020	(112,857)	(4,909,250)	(3,005,212)	(112,310)	(8,139,629)
Cash flows	–	1,250,478	299,348	38,644	1,588,470
Foreign exchange adjustments	(8,065)	(256,024)	(156,789)	(8,763)	(429,641)
Acquisition of right-of-use assets	–	–	–	(19,395)	(19,395)
Other non-cash movements	505	(374,690)	116,224	(6,004)	(263,965)
As at 31 December 2020	(120,417)	(4,289,486)	(2,746,429)	(107,828)	(7,264,160)

(i) As at 31 December 2020 and 2019, the amounts due to minority owners of subsidiaries are interest free and repayable on demand.

(b) Major non-cash transactions

	Year ended 31 December	
	2020 HK$'000	2019 HK$'000
Repayment of a matured borrowing by the guarantee provider *(Note 25)*	**1,009,981**	730,720
Acquisition of additional interests in subsidiaries with considerations remained unsettled *(Note 17(b))*	**237,643**	–

27. TAX PREPAYMENTS/PAYABLES

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Tax prepayments		
PRC Enterprise Income Tax prepayments	**205,086**	141,452
LAT prepayments	**52,408**	132,551
	257,494	274,003

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Tax payables		
PRC Enterprise Income Tax payable	**276,207**	118,832
LAT provision	**459,530**	173,717
	735,737	292,549

28. DEFERRED INCOME TAX

Details of the deferred income tax assets and liabilities recognised and movements during the current and the prior year were as follows:

Deferred income tax assets	**Tax losses** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 January 2019	–	5,234	5,234
Charged to income statement	–	(1,864)	(1,864)
Exchange differences	–	(68)	(68)
At 31 December 2019	–	3,302	3,302
Credited to income statement	6,977	6,813	13,790
Exchange differences	395	592	987
At 31 December 2020	**7,372**	**10,707**	**18,079**

28. DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities	Revaluation of property, plant and equipment	Revaluation of investment properties	Revaluation of properties for sale	Withholding tax on unremitted earnings of subsidiaries	Recognised revenue over time	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	140,050	186,977	379,926	36,530	6,281	749,764
(Credited)/charged to income statement	(4,188)	4,061	(15,325)	(13,523)	5,407	(23,568)
Exchange differences	(2,674)	(2,770)	(11,787)	(76)	(22)	(17,329)
At 1 January 2020	133,188	188,268	352,814	22,931	11,666	708,867
(Credited)/charged to income statement	(337)	(2,531)	(90,754)	21,503	(12,687)	(84,806)
Exchange differences	8,274	9,963	15,750	5,412	1,049	40,448
At 31 December 2020	**141,125**	**195,700**	**277,810**	**49,846**	**28**	**664,509**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2020, the Group did not recognise deferred income tax assets of HK$636,785,000 (2019: HK$589,249,000) in respect of cumulative tax losses amounting to HK$2,549,043,000 (2019: HK$2,358,760,000) that can be carried forward against future taxable income.

As at 31 December 2020, cumulative tax losses amounting to HK$5,600,000 (2019: HK$5,190,000) can be carried forward indefinitely and the tax losses of HK$2,543,443,000 (2019: HK$2,353,570,000) will expire in five years' time (out of which tax losses of HK$458,426,000 (2019: HK$276,586,000) is expiring within one year).

29. SHARE CAPITAL

(a) Authorised and issued share capital

Authorised	As at 31 December			
	2020 Number	**2020 HK$'000**	2019 Number	2019 HK$'000
Ordinary shares of HK$0.02 each	**20,000,000,000**	**400,000**	20,000,000,000	400,000

Issued and fully paid	As at 31 December			
	2020 Number	**2020 HK$'000**	2019 Number	2019 HK$'000
Ordinary shares of HK$0.02 each	**14,879,351,515**	**297,587**	14,879,351,515	297,587

(b) Share option scheme

2012 Share option scheme

The Company adopted a share option scheme on 26 June 2012 (the "2012 Share Option Scheme"), for primary purpose of providing incentives to eligible participants. Details of the 2012 Share Option Scheme are as follows:

On 26 June 2012, the Company adopted the 2012 Share Option Scheme which will expire in July 2022. Pursuant to the terms of the 2012 Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant. Options granted are exercisable at any time during a period to be notified by the Directors but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer at the consideration of HK$1.

29. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company shall not exceed 1,243,725,152 shares, being 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted. This represents 8.35% of the current issued shares of the Company.

The 2012 Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the 2012 Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the 2012 Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

No options have been granted under the 2012 Share Option Scheme during the years ended 31 December 2020 and 2019.

As at 31 December 2020 and 2019, no options were outstanding as all the options previously granted were all lapsed prior to 31 December 2018.

30. LEASES

(a) The Group as the lessor

As at 31 December 2020 and 2019, the Group had future aggregate minimum rental receivables under non-cancellable operating leases of self-owned investment properties as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Not later than one year	**149,473**	162,250
Later than one year and not later than five years	**346,241**	438,610
Later than five years	**108,822**	115,269
	604,536	716,129

(b) The Group as the lessee

(i) Amounts recognised in the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Right-of-use assets		
Land use rights (included in property, plant and equipment)	**451,502**	450,049
Leased properties as included investment properties *(Note 16(a))*	**89,116**	97,258
	540,618	547,307
Lease liabilities		
Current	**31,774**	36,066
Non-current	**76,054**	76,244
	107,828	112,310

Additions to the right-of-use assets during the year ended 31 December 2020 were HK$20,494,000 (2019: HK$20,813,000).

30. LEASES *(Continued)*

(b) The Group as the lessee *(Continued)*

(ii) Amounts recognised in the consolidated income statement

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

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Depreciation charge of right-of-use assets included in property, plant and equipment	**24,735**	24,793
Changes in fair value of right-of-use assets classified as investment properties under the Sub-lease Arrangements	**32,831**	28,405
Interest expense (included in finance costs-net) *(Note 11)*	**8,493**	11,603

The total cash outflow for leases in 2020 was HK$47,137,000 (2019: HK$52,315,000).

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

The Group leases certain office buildings, retail stores and apartments. Rental contracts are typically made for fixed periods of 1 to 8 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

31. RELATED PARTY TRANSACTIONS/BALANCES

As at 31 December 2020, Nantong Sanjian Holding (HK) Co., Limited ("NTHK") as the shareholder with largest shareholding in the Company and Smart Success Capital Ltd., as a substantial shareholder of the Company, held 29.99% and 18.17% respectively in the issued shares of the Company.

NTHK is indirectly controlled by Nantong Sanjian. Smart Success Capital Ltd. is indirectly controlled by COAMI, which is ultimately held by China Orient Asset Management Co., Ltd.

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had entered into the following significant transactions and had balances with related parties:

31. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(a) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	As at 31 December	
	2020 **HK$'000**	2019 HK$'000
Short-term benefits	**15,562**	24,632
Post-employment benefits	**175**	250
	15,737	24,882

The remuneration of key management personnel is determined by reference to the performance of individuals and market trends.

(b) Balances with related parties

	Amounts owed to the Group by related parties As at 31 December		Amounts owed to the Group by related parties As at 31 December	
	2020 **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000
Amounts due from an associate *(Note i and 18(b)*	**108,295**	255,183	**–**	–
Borrowings due to COAMI and its subsidiary	**–**	–	**1,247,624**	–

(i) During the year ended 31 December 2020, impairment provision of HK$154,045,000 for amounts due from an associate has been recognised (2019: HK$17,379,000).

32. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2020 and 2019:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Guarantees in respect of mortgage facilities for certain purchasers	**1,219,919**	596,772

As at 31 December 2020 and 2019, 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, net of mortgages received and included in receipts in contract liabilities. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Group is responsible to repay 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. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

The Group has not recognised any liabilities in connection with the aforesaid financial guarantee contracts as the directors of the Company are of the view that it is remote for the Group to suffer from any significant losses on these financial guarantee contracts.

33. COMMITMENTS

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Commitments in respect of properties under development and investment properties – contracted for or authorised but not provided	**2,883,815**	4,380,299
Commitments for acquisition of subsidiaries – contracted for but not provided *(a)*	**1,766,516**	1,662,975

(a) In August 2015, the Group entered into six equity transfer agreements with a third party to acquire the entire equity interests of six project companies that possess 13 land parcels located in Nanjing, the PRC. As at 31 December 2020, the equity interests of two project companies which owns 4 parcels of land were transferred to the Group. The equity interests of the remaining four project companies have not been transferred to the Group and the corresponding consideration of RMB1,486,700,000 (equivalent to HK$1,766,516,000) have not been paid.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the Group's financial assets and liabilities by category:

	Loans and receivables at amortised costs HK$'000	Financial assets at fair value HK$'000	Total HK$'000
Assets			
As at 31 December 2020			
Financial assets at FVPL	**–**	**23,613**	**23,613**
Financial assets at FVOCI	**–**	**20,388**	**20,388**
Trade and other receivables excluding prepayments	**211,161**	**–**	**211,161**
Pledged bank deposits	**477,324**	**–**	**477,324**
Cash and cash equivalents	**230,800**	**–**	**230,800**
Amounts due from an associate	**108,295**	**–**	**108,295**
	1,027,580	**44,001**	**1,071,581**

	Loans and receivables at amortised costs HK$'000	Financial assets at fair value HK$'000	Total HK$'000
Assets			
As at 31 December 2019			
Financial assets at FVPL	–	24,049	24,049
Financial assets at FVOCI	–	37,304	37,304
Trade and other receivables excluding prepayments	242,777	–	242,777
Pledged bank deposits	1,445,051	–	1,445,051
Cash and cash equivalents	510,151	–	510,151
Amounts due from an associate	255,183	–	255,183
	2,453,162	61,353	2,514,515

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Other financial liabilities at amortised costs HK$'000
Liabilities	
As at 31 December 2020	
Borrowings	**7,035,915**
Trade and other payables excluding other taxes and payroll payables	**3,430,329**
Amounts due to minority owners of subsidiaries	**120,417**
Lease liabilities	**107,828**
	10,694,489
As at 31 December 2019	
Borrowings	7,914,462
Trade and other payables excluding other taxes and payroll payables	2,403,045
Amounts due to minority owners of subsidiaries	112,857
Lease liabilities	112,310
	10,542,674

35. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Notes	As at 31 December 2020 HK$'000	2019 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**1,121,746**	898,546
Property, plant and equipment		**1,305**	4,371
Total non-current assets		**1,123,051**	902,917
Current assets			
Amounts due from subsidiaries		**3,433,149**	3,314,907
Other receivables		**12,990**	13,646
Cash and cash equivalents		**572**	11,506
Total current assets		**3,446,711**	3,340,059
Total assets		**4,569,762**	4,242,976
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**297,587**	297,587
Share premium		**2,164,700**	2,164,700
Other reserves	*(a)*	**226,912**	226,912
Accumulated losses	*(a)*	**(196,423)**	(137,912)
Total equity		**2,492,776**	2,551,287

35. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

		As at 31 December	
	Notes	**2020 HK$'000**	2019 HK$'000
Liabilities			
Non-current liabilities			
Borrowings		**171,778**	–
Lease liabilities		**–**	1,490
Total non-current liabilities		**171,778**	1,490
Current liabilities			
Amounts due to subsidiaries		**1,764,081**	1,616,884
Other payables		**73,763**	70,493
Borrowings		**65,864**	–
Lease liabilities		**1,500**	2,822
Total current liabilities		**1,905,208**	1,690,199
Total liabilities		**2,076,986**	1,691,689
Total equity and liabilities		**4,569,762**	4,242,976

The balance sheet of the Company was approved by the Board of Directors on 30 April 2021 and was signed on its behalf.

Mr. Huang Yuhui	**Ms. Li Zhen**
Director	*Director*

35. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

(a) Reserve movement of the Company

	Other reserves HK$'000	Accumulated losses HK$'000
At 1 January 2019	226,912	(69,879)
Loss for the year	–	(68,033)
At 31 December 2019	226,912	(137,912)
At 1 January 2020	**226,912**	**(137,912)**
Loss for the year	**–**	**(58,511)**
At 31 December 2020	**226,912**	**(196,423)**

36. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

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

For the year ended 31 December 2020:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:			
	Fees HK$'000	Salary and bonus HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Total HK$'000
Executive directors and chief executive:				
Mr. He Haiyang *(Chief Executive)* *(Note(i))*	–	3,511	55	3,566
Mr. Wang Letian *(Chairman)*	–	–	–	–
Mr. Qin Renzhong	–	–	–	–
Mr. Zhang Huagang *(Note(i))*	–	2,838	6	2,844
Mr. Tang Jian	–	1,487	18	1,505
Non-executive directors:				
Ms. Wang Zheng	600	–	–	600
Mr. Gong Ping *(Note(i))*	188	–	–	188
Ms. Jiang Zhengyan *(Note(i))*	188	–	–	188
Mr. Ma Yun *(Note(i))*	412	–	–	412
Mr. Wu Junao *(Note(i))*	412	–	–	412
Independent non–executive directors:				
Mr. Chow, Alexander Yue Nong (passed away on 5 October 2020)	458	–	–	458
Dr. Xu Changsheng	600	–	–	600
Mr. Ng Man Kung	600	–	–	600
Mr. How Sze Ming	600	–	–	600
Dr. Di Ruipeng	600	–	–	600
Total	4,658	7,836	79	12,573

36. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive is set out below: *(Continued)*

For the year ended 31 December 2019:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:			
	Fees HK$'000	Salary and bonus HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Total HK$'000
Executive directors and chief executive:				
Mr. Wang Letian *(Chairman)* *(Note(ii))*	–	–	–	–
Mr. Qiu Haibin *(Note(ii))*	–	929	18	947
Mr. Qin Renzhong	–	–	–	–
Mr. Zhang Huagang *(Chief Executive)*	–	7,118	18	7,136
Mr. Tang Jian	–	2,771	18	2,789
Non-executive directors:				
Ms. Wang Zheng	600	–	–	600
Mr. Gong Ping	600	–	–	600
Ms. Jiang Zhengyan	600	–	–	600
Independent non–executive directors:				
Mr. Chow, Alexander Yue Nong	600	–	–	600
Dr. Xu Changsheng	600	–	–	600
Mr. Ng Man Kung	600	–	–	600
Mr. How Sze Ming	600	–	–	600
Dr. Di Ruipeng	600	–	–	600
Total	4,800	10,818	54	15,672

36. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the years ended 31 December 2020 and 2019, no housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking were provided by the Group to directors or chief executive.

Notes:

(i) Mr. Zhang Huagang has resigned and Mr. He Haiyang was appointed as an executive Director and chief executive officer of the Company on 8 April 2020.

Mr. Gong Ping resigned and Mr. Ma Yun was appointed as a non-executive Director of the Company on 23 April 2020. Ms. Jiang Zhengyan resigned and Mr. Wu Junao was appointed as a non-executive Director of the Company on 23 April 2020.

(ii) Mr. Qiu Haibin resigned and Mr.Wang Letian was appointed as an executive director of the Company, the chairman of the Board, a member and the chairman of the Nomination Committee, a member of Remuneration Committee and an authorised representative of the Company on 9 November 2019.

(iii) Directors' retirement benefits and termination benefits

None of the directors received retirement benefits or termination benefits for the year ended 31 December 2020.

(iv) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2020, the Group did not pay consideration to any third parties for making available directors' services.

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

For the year ended 31 December 2020, the Group did not provide loans, quasi-loans and other dealings in favour of directors.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for the last five years.

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**4,598,703**	1,348,592	7,172,037	3,027,741	1,943,579
(Loss)/Profit before tax expenses	**(809,561)**	(1,082,071)	(658,465)	185,691	(908,562)
Income tax (expense)/credit	**(346,945)**	20,673	(321,711)	(56,534)	(213,666)
(Loss)/Profit for the year	**(1,156,506)**	(1,061,398)	(980,176)	129,157	(1,122,228)

ASSETS AND LIABILITIES

	At 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**14,711,841**	18,153,275	18,468,047	24,360,875	21,235,753
Total liabilities	**(14,407,054)**	(16,482,719)	(15,679,804)	(20,433,635)	(17,964,365)
Non-controlling interests	**(233,525)**	(61,143)	(74,386)	(140,452)	(27,289)
Balance of shareholders' funds	**71,262**	1,609,413	2,713,857	3,786,788	3,244,099