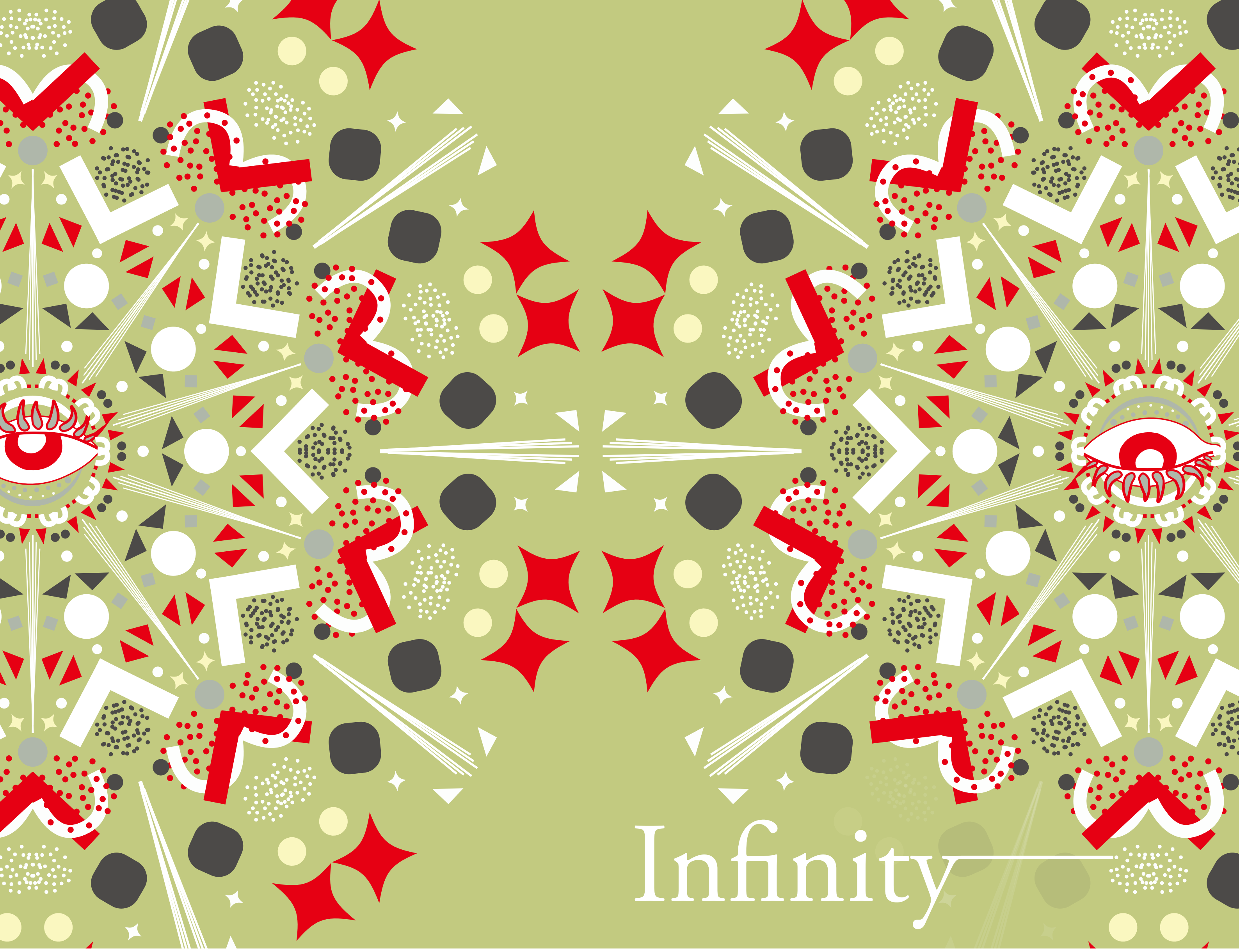



# 2020 Annual Report

Stock Code: 01777.HK

花樣年控股集團有限公司
FANTASIA HOLDINGS GROUP CO., LIMITED

A Leader in Providing Joyful, Colorful and Meaningful Living Space and Experience.

# 目錄 CONTENTS

## DIRECTORS

### Executive Directors

Mr. Pan Jun *(Chairman and Chief Executive Officer)*
Ms. Zeng Jie, Baby
Mr. Ke Kasheng
Mr. Zhang Huiming
Mr. Chen Xinyu

### Non-Executive Directors

Mr. Liao Qian

### Independent Non-Executive Directors

Mr. Ho Man
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

## COMPANY SECRETARY

Ms. Luo Shuyu

## AUTHORIZED REPRESENTATIVES

Mr. Pan Jun
Ms. Luo Shuyu

## AUDIT COMMITTEE

Mr. Ho Man *(Committee Chairman)*
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

## REMUNERATION COMMITTEE

Mr. Guo Shaomu *(Committee Chairman)*
Mr. Pan Jun
Mr. Ho Man
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP

## NOMINATION COMMITTEE

Mr. Pan Jun *(Committee Chairman)*
Ms. Zeng Jie, Baby
Mr. Ho Man
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

## AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

## PRINCIPAL BANKERS

China Minsheng Bank Corp., Ltd.
Industrial and Commercial Bank of China Limited
Ping An Bank Co., Ltd.
China Everbright Bank Co., Ltd.

## LEGAL ADVISORS

As to Hong Kong Law
Sidley Austin

As to PRC Law
Commerce & Finance Law Offices

As to Cayman Islands Law
Conyers Dill & Pearman

## REGISTERED OFFICE

Cricket Square Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## CORPORATE HEAD OFFICE IN HONG KONG

Room 1202–03
New World Tower 1
16-18 Queen's Road Central
Hong Kong

## CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

Block A, Funian Plaza
Shihua Road and Zijing Road
Interchange in Futian Duty-free Zone
Shenzhen 518048
Guangdong Province
China

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

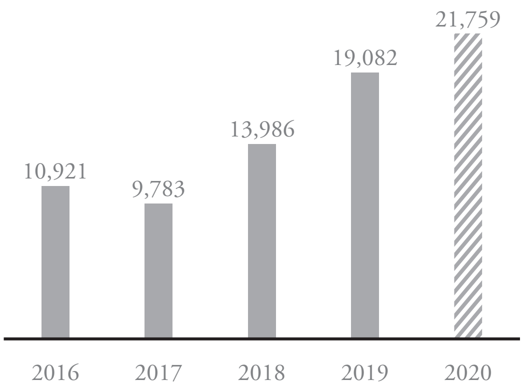
## LISTING INFORMATION

The Company's Share Listing
Ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 1777

## WEBSITE

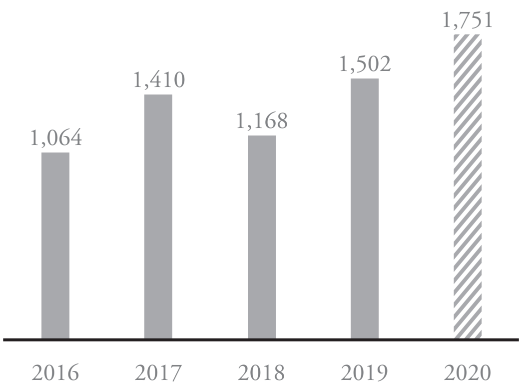
http://www.cnfantasia.com

Revenue (in RMB' million)





Net Profit (in RMB' million)





| | 2016 (RMB'000) | 2017 (RMB'000) | 2018 (RMB'000) | 2019 (RMB'000) | 2020 (RMB'000) |
|---|---|---|---|---|---|
| Total assets | 49,752,263 | 68,956,740 | 94,446,071 | 95,599,959 | 105,550,206 |
| Gross profit | 3,528,482 | 2,897,604 | 4,183,966 | 5,337,361 | 5,344,169 |
| Profit attributable to owners of the Company | 805,736 | 1,154,316 | 728,339 | 873,644 | 977,420 |
| Basic earnings per share (RMB cents) | 13.98 | 20.03 | 12.64 | 15.15 | 16.94 |
| Revenue | 10,920,638 | 9,782,568 | 13,986,133 | 19,081,577 | 21,758,844 |
| Total liabilities | 36,631,528 | 51,258,709 | 74,991,562 | 75,007,971 | 81,226,564 |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| No. | Award-winning Unit | Award | Issuing Authority |
|---|---|---|---|
| 1 | Fantasia | Top 100 Real Estate Companies of China (Ranked 50th) | China Index Academy |
| 2 | Fantasia | 2021 Top 100 Real Estate Companies of China – TOP 10 in Resilience | China Index Academy |
| 3 | Fantasia | 2021 Top 100 Real Estate Companies of China – TOP 10 in Financing Capacity | China Index Academy |
| 4 | Fantasia | List of Top 100 Real Estate Companies of China in 2020 | Guandian Property Academy |
| 5 | Fantasia | 2020 TOP 10 Listed Real Estate Companies of China in Terms of Solvency | Guandian Property Academy |
| 6 | Fantasia | China's Top 500 Real Estate Developers 2020 | China Real Estate Association |
| 7 | Fantasia | 2020 Top 100 Real Estate Listed Companies of China | China Real Estate Association |
| 8 | Fantasia | TOP 50 Most Valuable Real Estate Brands in China 2020 (Ranked 23rd) | China Index Academy |
| 9 | Fantasia | 2020 China Leading Real Estate Brands in Urban Renewal (Ranked 4th) | China Index Academy |
| 10 | Fantasia | 2021 China Outstanding Real Estate Companies in Urban Renewal | China Index Academy |
| 11 | Fantasia | Golden Intelligence Award — 2020 Best China Real Estate Listed Companies in Terms of Product Services | JRJ.com |
| 12 | Fantasia | 2020 Best 10 of South China Real Estate Developers Brand Value | China Real Estate Association |


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| No. | Award-winning Unit | Award | Issuing Authority |
|---|---|---|---|
| 13 | Fantasia | 2020 Outstanding Real Estate Companies in Terms of Operation Efficiency | hexun.com |
| 14 | Fantasia | 2020 Outstanding Urban Renewal Service Providers | China Business Journal |
| 15 | Fantasia | 2020 Outstanding Real Estate Brands in Promoting Development of the Guangdong-Hong Kong-Macao Greater Bay Area | Shenzhen Media Group |
| 16 | Fantasia | Best IR Team | Golden Kylin Value List of Hong Kong Listed Stocks |
| 17 | Fantasia | Top 100 Hong Kong Listed Companies – Small Enterprise Award | Finet |
| 18 | Fantasia | Bronze Winner | International Academy of Communication Arts and Sciences/ MerComm,Inc |
| 19 | Fantasia | Sliver Winner | International Academy of Communication Arts and Sciences/ MerComm,Inc |
| 20 | Fantasia Commercial | 2020 TOP 100 China Commercial Property Developers (Ranked 56th) | Guandian Property Academy |
| 21 | Fantasia Commercial | TOP 30 China Commercial Property Developers in Terms of Innovation Capability | Guandian Property Academy |
| 22 | Chengdu Fantasia • Family Is All | Kinpan Award – 15th Best Property Development Award | kinpan.com |
| 23 | Nanjing Fantasia • Huahaoyuan | Kinpan Award – 15th Best Demonstration Property Project Award | kinpan.com |

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| No. | Award-winning Unit | Award | Issuing Authority |
|---|---|---|---|
| 24 | Chengdu Fantasia • Grande Valley Phase 8 (Yundi) | Kinpan Award – 15th Best Residential Property Award | kinpan.com |
| 25 | Suzhou Fantasia • Oriental Bay | Kinpan Award – 15th Best Villa Award | kinpan.com |
| 26 | Nanjing Fantasia • Huahaoyuan | Kinpan Award – 15th Best Pre-sale Property Project Award | kinpan.com |
| 27 | Kunming Fantasia • Luhu International Project | Aesthetics Vogue Award – Top 10 Outstanding Residence for the Year | Aesthetics Vogue Award |
| 28 | Kunming Fantasia • Luhu International Project | Aesthetics Vogue Award – Extreme Architectural Aesthetics Award of Excellence | Aesthetics Vogue Award |
| 29 | Chengdu Fantasia • Zhihui City | Innovative Experience Space Silver Award | Aesthetics Vogue Award |
| 30 | Wuhan Fantasia • Xuhui • Hanzheng Street the First | Innovative Conceptual Design Award of Excellence | Aesthetics Vogue Award |
| 31 | Fantasia • Ruantong • Xingfu Wanxiang | Internet Popularity Award | Aesthetics Vogue Award |
| 32 | Fantasia • Ruantong • Xingfu Wanxiang | Space Design Award of Excellence | Aesthetics Vogue Award |
| 33 | Fantasia • Ruantong • Xingfu Wanxiang | Architectural Design Award of Excellence | Aesthetics Vogue Award |
| 34 | Kaisa • Fantasia • Guangyayuan | Innovative Conceptual Design Award of Excellence | Aesthetics Vogue Award |
| 35 | Fantasia • Huayang Jinjiang | Space Design Award of Excellence | Aesthetics Vogue Award |

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| No. | Award-winning Unit | Award | Issuing Authority |
|---|---|---|---|
| 36 | Lively Foodie Restaurant | Soft Furnishing Design Award of Excellence | Aesthetics Vogue Award |
| 37 | Fantasia • Good Time | Architectural Design Award of Excellence | Aesthetics Vogue Award |
| 38 | Chengdu Fantasia • Kanjinzhao | Interior Design Golden Award | China Real Estate & Design Award |
| 39 | Chengdu Fantasia • Zhihui City | Interior Design Award of Excellence | China Real Estate & Design Award |
| 40 | Chengdu Fantasia Headquarters (Hua Er Yang Yang) | Interior Design Award of Excellence | China Real Estate & Design Award |
| 41 | Guilin Fantasia • Luhu International Project | Nomination for Guangsha Prize | Ministry of Housing and Urban-Rural Development |
| 42 | Shenzhen Fantasia • Xuhui • Good Time | Outstanding Landmark Residential Property Project for the Year in Shenzhen | Shenzhen Media Group |
| 43 | Chengdu Hongtang Shopping Mall | Award for Commercial Value in the Region | Red Star News, Chengdu Economic Daily |
| 44 | Fantasia • Wunan396 | Outstanding Property Project Award of Fine Space Grand Ceremony | The Economic Observer |
| 45 | Fantasia • Wunan396 | 2020 Top 10 High-end Property Projects in Shanghai | CRIC Research |
| 46 | Fantasia • Luwan68 | 2020 Most Anticipated Urban Renewal Projects | The Paper |
| 47 | Fantasia • Zhi Art Museum | "New Tourism • Fashionable Chengdu" Tourism Destination | Chengdu Tourism Standards Committee |

Dear Shareholders,

I am pleased to present to our shareholders the annual results review of Fantasia Holdings Group Co., Limited ("Fantasia" or the "Company", together with its subsidiaries the "Group") for the year ended 31 December 2020 as well as its prospects.

## I. RESULTS AND DIVIDENDS

In 2020, the Group recorded revenue of approximately RMB21,759 million, representing an increase of 14.0% compared to last year. The Group's net profit for the year was approximately RMB1,751 million, representing an increase of 16.6% compared to last year. To reward the Company's shareholders for their support, the Board of Directors of the Company proposed a dividend of HK7.05 cents per share in respect of the year 2020, subject to shareholders' approval at the upcoming annual general meeting of the Company.

## II. REVIEW FOR 2020

In 2020, faced with the complex and challenging domestic and international environment, in particular the severe impact brought by the COVID-19 pandemic, the central government adhered to the general principle of "promoting progress while maintaining stability", and achieved remarkable results in the coordinated national efforts in pandemic containment and promotion of social and economic development. The PRC economy maintained steady recovery and became the first major economy to record positive growth around the world, with the economic aggregate reaching a new height of RMB100 trillion.

As for real estate industry, the outbreak of the COVID-19 pandemic had some impact on sale performance for the first quarter of 2020. However, as the sales market gradually improved since the second quarter, the overall growth in sales beat market expectation, among which sales of residential properties across the country recorded a new high of RMB17.36 trillion and grew by 8.7% year-on-year, continuing to demonstrate the importance of the real estate industry for the development of the domestic economy.

In face of crises including the rampant spread of the pandemic and economic downturn, with the mentality of restarting a business, the Group continuously deepened the dual business drivers of "property development" and "community service". Adhering to the strategies of "targeted investment, high efficiency, stable finance and safe community", the Group achieved substantial progress in various businesses.

On-site photo of sales office of Shenzhen Fantasia Xuhui Good Time

## Investment: targeted land acquisition and strengthened urban renewal

In 2020, the Group seized opportunities at the land market to acquire 20 parcels of quality land located in Nanjing, Hangzhou, Chengdu, Beijing, Shaoxing, Foshan and other cities, with a total GFA of the new projects amounting to 3.35 million sq.m., laying a solid foundation for future sales growth of the Group.

In terms of investment strategy, the Group upheld the key motto of "targeted investment" to significantly improve the Group's investment capability: firstly, sticking to the "5+N" urban investment strategy, the Group focused on the five major areas including the Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing Metropolitan Area, Central China Metropolitan Area, Yangtze River Delta Metropolitan Area and Bohai Rim Metropolitan Area, and selected 20+ quality cities for further development; secondly, the Group stepped up efforts to acquire high-turnover projects through public auctions to achieve fast recovery and roll-over development of cash flow, and also acquired profitable projects through diverse ways such as acquisition and urban renewal projects; thirdly, efforts have been made to optimize the investment decision-making process and determine the quantitative financial metrics for investments to improve the accuracy of project analysis; and fourthly, the Group enhanced cooperation with leading enterprises of various industries to improve operation efficiency through collaboration with strong business partners and utilization of their respective advantages.

In terms of urban renewal business, acting as a pioneer in the area, the Group has built up its business presence in urban renewal sector. During the Reporting Period, the Group's first urban renewal project – Pingshan Good Time in Shenzhen was officially launched and received warm welcome from the market. The Group obtained the approval as executing entity of the Meilin Yuehua Project in Futian, Shenzhen, marking our success in acquiring land for another urban renewal project. In addition, the Group was accredited as the "China Leading Real Estate Brands in Urban Renewal" by China Index Academy.

## Operation: efficient operation and product upgrading

In 2020, faced with the negative impact brought by the COVID-19 pandemic, the Group proactively implemented responsive measures and achieved excellent sales performance. The Group recorded contracted sales of approximately RMB49,207 million and contracted sales area of 3,347,260 sq.m. in the year, up by 35.9% and 4.3% YoY, respectively, successfully achieving the sales goal for the year.

An important goal of the Group's efforts in enhancing operation is to promote operation efficiency. To facilitate efficient operation, by focusing on improving "cash flow + profit margin", the Group implemented

the integrated operation mechanism, and expedited project development by strengthening schedule control of the entire process of project development. In 2020, the cycle from land acquisition to launch of project was shortened to 7.4 months, achieving fast recovery and roll-over development of cash flow. To facilitate efficient sale transactions, the Group facilitated rapid improvement in the overall performance of the marketing department and sales staff by establishing a platform to empower its working system, and pushed forward the implementation of appraisal and incentives system, significantly mobilizing the employees' initiatives for better results through enhancement of assessment system, implementation of incentive system and dismissal of employees with poor performance.

Product is an important competitive edge of Fantasia. Our effort to create greater product premium through improvement of product quality is also crucial for our future success in the real estate industry. Since 2020, Fantasia has achieved a precise product positioning through in-depth customer research and analysis, and developed three product lines (i.e. "joyful", "tasteful" and "meaningful") and their respective product standards. We endeavored to maintain product standards through design management of projects such as Shenzhen Good Time Project under the "joyful" series, Shaoxing Spring Lake (紹興春風十裡) Project and Foshan Guangyayuan Project under the "tasteful" series and Shanghai Wunan 396 Project under the "meaningful" series, which received warm response from the customers upon launch.

On-site photo of Fantasia Grande Valley

On-site photo of Foshan Kaisa · Fantasia · Guangyayuan Project

## Finance: healthy development and continuous optimization

The Group is always committed to pursuing healthy development. In 2020, the Group took active measures to manage its debt level. As at the end of December 2020, the net gearing ratio of the Group was 75.0%, maintaining at a healthy level of the industry. While maintaining a healthy debt level, the Group adhered to the overall philosophy of "controlling total debt and cutting financing costs" and proactively optimized its financial structure. The Group also made good use of the domestic and overseas capital markets, and proactively expanded financing channels such as banks and issuance of corporate bonds, so as to further optimize its capital structure.

Due to its outstanding operation and financial performance, the Group gained high recognition from the investors. During the period, the yield curve of its USD bonds at the secondary market showed a declining trend, with the decrease in the yield significantly outperforming the market. The Group proactively seized the market opportunities for bond issuance and successfully completed several issuances of offshore USD bonds, with financing costs showing a declining trend. During the period, due to the outstanding financial position of the Group, Fitch Ratings, Standard & Poor's and Moody's (all being international rating agencies) maintained the Group's credit rating and "Stable" outlook rating, demonstrating the recognition of the Group's business development and confidence in the Group's financial position by the international capital market.

## Community: outstanding performance in pandemic containment and improvement of service quality

In 2020, sticking to the strategy of "adhering to original mission, consolidating principal businesses, promoting synergetic development of online and offline businesses", Colour Life Services Group Co., Limited ("Colour Life"), a subsidiary of the Group, consolidated basic businesses, improved service quality and developed landmark projects, in an effort to improve customer satisfaction and promote community care. Meanwhile, Colour Life streamlined, optimized, consolidated and restructured its management structure to drive development of all business lines, and reformed its remuneration and incentives mechanism to mobilize employees' initiatives in promoting business expansion. During the period, Colour Life also achieved steady development of its value-added business by cooperating with JD.com and 360.com, two technology giants, to jointly explore value-added services. While promoting cooperation with these business partners, Colour Life explored diversified types of community services such as community advertisement, community vehicle insurance and lease business, making property management services a much more important part of the owner's life.

After the outbreak of the pandemic, the Group took proactive measures for pandemic prevention and containment, and provided residents with best services. Our efforts to fight against the pandemic have won recognition from the residents and the government, which helped to promote community care and achieved remarkable results in pandemic containment. In addition, Colour Life also deployed innovative technologies in the fight against the pandemic, including the anti-pandemic vehicles developed by JD.com and the electronic pandemic platform, demonstrating its prompt response and technology advantages. The pandemic is an important test for the potential of property management companies. Our joint efforts to fight against the pandemic offered the property management company a chance to enhance communication with the owners and build up mutual trusts in each other, which also helped to improve owners' satisfaction and strengthen the brand recognition of the Group, laying a solid foundation for the Group for future expansion of community business.

Art Exhibition Hall of Fantasia Wunan 396 Project

## III. PROSPECTS

Looking forward to 2021, given the ongoing uncertainties in the development of the pandemic around the world, the global economy will remain plagued with the economic woes brought by the pandemic. Due to the highly complicated domestic and international development environment, the economic development of the PRC will be under certain pressure. However, currently China is still in an important period of strategic opportunities for development, the PRC economy is expected to maintain a steady and positive development momentum in the long run. In 2021, it is expected that the government will adhere to the general principle of "promoting progress while maintaining stability" for its macro policy and continue to implement proactive fiscal policy and prudent monetary policy, while the real estate industry will adhere to the policy of "houses are for living and not for speculation" and the property market will maintain steady and healthy development.

In 2021, adhering to the vision of "becoming an interesting, tasteful, resourceful leader in living space and experience", and upholding the spirit of second startup, the Group will focus on the dual business driver strategy of "real estate + community", and elevate its overall quality to develop its core competence by: (i) implementing "efficient operation". The Group will strengthen the development of operation system, enhance operation efficiency to improve profit margin and cash flow, and implement reward and penalty system to promote organizational vitality; (ii) conducting "targeted investment". The Group will focus on extending our business presence in cities with huge potential within the five major urban agglomerations, acquire lands through public auctions to accelerate project turnover, and also secure profitable projects through urban renewal projects; (iii) adopting "sound financial policies". The Group will exercise sound debt management to optimize debt structure, and diversify financing channels to reduce financing costs; (iv) providing "satisfactory services". The Group will provide customers with outstanding basic property management services and value-added services to achieve scale business growth and improve customer satisfaction.

We are confident that through the aforesaid efforts, Fantasia will continue to provide customers with better products and services, and create greater return for the shareholders and investors.

## IV. APPRECIATION

The development and sound performance of Fantasia cannot be achieved without the trust and support of shareholders, bondholders and business partners, and the unremitting efforts made by all employees. I would like to take this opportunity to extend my sincere gratitude to all of you on behalf of the Board of Directors!

**Pan Jun**
*Chairman*
25 March 2021

# FINANCIAL REVIEW

## Revenue

Revenue of the Group mainly consists of revenue derived from the (i) property development, (ii) lease of investment properties, (iii) provision of property operation, (iv) provision of hotel accommodation services, and (v) property project management and other related services, manufacturing and sales of fuel pumps and provision of travel agency services. For the year ended 31 December 2020, revenue of the Group amounted to approximately RMB21.759 billion, representing an increase of 14.0% from approximately RMB19.082 billion in 2019. Profit for the year attributable to the owners of the Company was approximately RMB977 million, representing an increase of 11.9% from approximately RMB874 million in 2019.

## Property Development

The Company recognised revenue from property development when the customer obtains control of the completed property and the Group has present right to payment and the collection of consideration is probable. Revenue from property development represents proceeds from the sales of the Group's properties held for sale. Revenue derived from property development increased by 24.3% to approximately RMB16.444 billion in 2020 from approximately RMB13.226 billion in 2019, which was primarily due to the property projects located in Chengdu and the Yangtze River Delta Area were completed and delivered during the year.

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Total Revenue** | **GFA sold** | **Average Selling Price** | Total Revenue | GFA sold | Average Selling Price |
| | **RMB'000** | **Square meters** | **RMB/Square meters** | RMB'000 | Square meters | RMB/Square meters |
| Chengdu Xiangmendi | **2,757,636** | **308,399** | **8,942** | 12,940 | 1,202 | 10,765 |
| Chengdu Jiatianxia | **2,323,869** | **183,238** | **12,682** | 3,278,922 | 344,504 | 9,518 |
| Cixi Seasonal Mansion | **2,217,999** | **203,644** | **10,892** | – | – | – |
| Huizhou Jiatianxia | **1,567,767** | **138,081** | **11,354** | – | – | – |
| Suzhou Oriental Bay | **1,543,992** | **94,228** | **16,386** | – | – | – |
| Chengdu Zhihui City | **1,082,954** | **148,436** | **7,296** | 1,545,070 | 202,304 | 7,637 |
| Guilin Lakeside Eden Community | **979,029** | **164,323** | **5,958** | 725,059 | 109,175 | 6,641 |
| Chengdu Kanjinzhao | **931,380** | **92,751** | **10,042** | – | – | – |
| Ziyang Love Forever | **814,289** | **131,929** | **6,172** | – | – | – |
| Chengdu Grande Valley | **798,004** | **110,367** | **7,230** | 311,722 | 32,785 | 9,508 |
| Huizhou Zijin Huafu | **337,995** | **28,115** | **12,022** | 348,043 | 28,788 | 12,090 |
| Tianjin Jiatianxia | **244,930** | **16,728** | **14,642** | – | – | – |
| Kunming Luhu International | **178,859** | **40,965** | **4,366** | 457,373 | 62,023 | 7,374 |
| Nanjing Fantasia Town | **165,071** | **23,512** | **7,021** | 747,248 | 100,126 | 7,463 |
| Chengdu Longnian Plaza | **160,810** | **33,792** | **4,759** | 299,453 | 45,326 | 6,607 |
| Chengdu MIC Plaza | **142,611** | **5,918** | **24,098** | 3,542,992 | 155,982 | 22,714 |
| Yuechange No.9 Garden | **58,070** | **9,474** | **6,129** | 929,527 | 66,133 | 14,055 |
| Wuhan Love Forever | **23,123** | **9,984** | **2,316** | 5,048 | 1,060 | 4,762 |
| Huizhou Fantasia Special Town | **10,493** | **1,788** | **5,869** | 8,361 | 1,386 | 6,032 |
| Nanjing Xinian Center | – | – | – | 111,874 | 5,827 | 19,199 |
| Shenzhen Lenian Plaza | – | – | – | 57,837 | 2,502 | 23,116 |
| Suzhou Xinian Plaza | – | – | – | 50,945 | 2,393 | 21,289 |
| Suzhou Taihu Tiancheng | – | – | – | 13,441 | 922 | 14,578 |
| Huizhou TCL Project | – | – | – | 13,210 | 1,459 | 9,054 |
| Huizhou Love Forever | – | – | – | 8,091 | 1,369 | 5,910 |
| Wuhan Fantasia Town | – | – | – | 7,513 | 1,868 | 4,022 |
| Chengdu Fantasia Town | – | – | – | 3,632 | 364 | 9,978 |
| Others | **105,304** | | | 748,045 | | |
| | **16,444,185** | | | 13,226,346 | | |

On-site photo of show house of Wuhan Fantasia Xiangmendi Project

Property Investment

Revenue generated from property investment decreased by 13.7% to approximately RMB172 million in 2020 from approximately RMB200 million in 2019. Such decrease was primarily due to less area of investment properties leased externally.

Property Operation Services

Revenue derived from property operation services decreased by 6.7% to approximately RMB4,352 million in 2020 from approximately RMB4,666 million in 2019, primarily due to the decrease in the scope of both the value-added services and engineering services provided in 2020.

Hotel Operations

Revenue derived from hotel accommodation services decreased by 19.1% to approximately RMB100 million in 2020 from approximately RMB123 million in 2019.

Gross Profit and Margin

Gross profit increased by 0.1% to approximately RMB5,344 million in 2020 from approximately RMB5,337 million in 2019, while the Group's gross profit margin was 25% in 2020 as compared with the gross profit margin of 28% in 2019. The decrease in gross profit margin was mainly because that the projects brought forward to this year mainly aimed to rigid demand and the gross profit margin of the apartments and parking spaces of certain properties brought forward was

lower. In addition, the increase in construction costs due to the delay of construction progress during the outbreak of COVID-19 also further reduced the gross profit margin.

### Other Income, Gain and Losses

In 2020, the Group recorded net other gain of approximately RMB2,698 million (2019: approximately RMB1,329 million). Such a difference was mainly attributable to the net foreign exchange gain (including hedging effect) of approximately RMB1,598 million (2019: net foreign exchange loss of approximately RMB258 million) from the senior notes denominated at USD.

### Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 5.3% to approximately RMB495 million in 2020 from approximately RMB470 million in 2019, mainly due to the increase in advertising expenses for the property projects under pre-sale stage.

### Administrative Expenses

The Group's administrative expenses increased by 21.3% to approximately RMB1,653 million in 2020 from approximately RMB1,362 million in 2019. This increase was mainly due to the rising staff cost as a result of operation expansion of the Group.

### Finance Costs

The Group's finance costs increased by 58.5% to approximately RMB2,903 million in 2020 from approximately RMB1,832 million in 2019. The increase in finance costs was mainly due to the increase in average balance of interest-bearing liabilities.

### Income Tax Expenses

The Group's income tax expenses decreased by 4.6% to approximately RMB2,175 million in 2020 from approximately RMB2,281 million in 2019. The decrease was mainly due to the decrease in corporate income tax as a result of decrease in gross profit of property sales as compared with last year.

### Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by 11.9% from approximately RMB874 million in 2019 to approximately RMB977 million in 2020.

## Liquidity, Financial Resources and Capital Structure

### Cash Position

As at 31 December 2020, the Group's total bank balances and cash were approximately RMB28,631 million (2019: approximately RMB23,044 million), representing an increase of 24.2% as compared to that as at 31 December 2019. A portion of the Group's cash is restricted bank deposits that are mainly restricted for use of property development.

### Net Gearing Ratio

The net gearing ratio was 75.0% as at 31 December 2020 as compared to 73.5% as at 31 December 2019, representing an increase of 1.5%. The net gearing ratio was measured by net debt (total of borrowings, senior notes and bonds and asset-backed securities issued, net of bank balances and cash and restricted/pledged bank deposits) over total equity.

### Capital Structure

During the year ended 31 December 2020, the Company issued 2,540,120 ordinary shares of HK$0.10 each upon exercise of share options at a total consideration of RMB2,011,000. The exercise prices of the share options during the year ranged from HK$0.8 to HK$0.836 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

### Borrowings and Charges on the Group's Assets

As at 31 December 2020, the Group had an aggregate borrowings, senior notes and bonds and asset-backed securities issued of approximately RMB11,196 million (31 December 2019: approximately RMB13,985 million), approximately RMB35,648 million (31 December 2019: approximately RMB24,083 million) and approximately RMB20 million (31 December 2019: RMB105 million), respectively. Amongst the borrowings, approximately RMB3,690 million (31 December 2019: approximately RMB6,430 million) will be repayable within one year and approximately RMB7,506 million (31 December 2019: approximately RMB7,555 million) will be repayable after one year. Amongst the senior notes and bonds, approximately RMB14,490 million (31 December 2019: approximately RMB4,964 million) will be repayable within one year and approximately RMB21,158 million (31 December 2019: approximately RMB19,120 million) will be repayable after one year.

As at 31 December 2020, a substantial part of the borrowings was secured by land use rights, properties and bank deposits. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group through pledging their shares.

### Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank balances, borrowings and lease liabilities, the Group does not have any other material direct exposure to foreign exchange fluctuations. The Group has adopted foreign currency hedging instruments to achieve better management over foreign exchange effect to its operation for both years.

### Commitments

As at 31 December 2020, the Group had committed payment for the construction and property development amounting to approximately RMB10,644 million (2019: RMB13,792 million).

### Contingent Liabilities

(a) As at 31 December 2020, the Group had provided guarantees amounting to approximately RMB12,843 million (2019: approximately RMB12,483 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate.

(b) The Group provided guarantees on several basis covering its respective shares of outstanding obligations under the bank borrowings incurred by the joint ventures and associates for developing their projects. As at 31 December 2020, the Group's aggregate shares of such guarantees provided in respective of loans borrowed by these joint ventures amounted to approximately RMB1,683 million and associates amounted to approximately RMB853 million.

In the opinion of the Directors, the possibility of the default of the purchasers is remote and the fair value of guarantee contracts is insignificant at the inception and at the end of each reporting date.

### Employees and Remuneration Policies

As at 31 December 2020, excluding the employees of communities managed on a commission basis, the Group had approximately 35,965 employees (31 December 2019: approximately 33,431 employees). Total staff costs, including the Directors' emoluments, for the year ended 31 December 2020 amounted to approximately RMB2,503 million (2019: approximately RMB2,390 million). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

The Company adopted the share option scheme on 27 October 2009. As at 31 December 2020, a total of 142,660,000 share options were granted and nil (2019: 4,204,000) share options had lapsed while 2,540,000 (2019: 4,726,000) share options had been exercised during the year. As at 31 December 2020, the number of outstanding share options was 72,558,000.

## DIVIDEND

The Directors recommended the payment of a final dividend at the rate of RMB5.93 cents per share, equivalent to HK$7.05 cents payable on Wednesday, 28 July 2021, to all persons registered as holders of shares of the Company on Tuesday, 8 June 2021, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account.

The proposed final dividend shall be declared in RMB and distributed in Hong Kong dollars. The final dividend to be distributed in Hong Kong dollars will be converted from RMB at the average median parity rate of RMB1.00 to Hong Kong dollar 1.19 as announced by the People's Bank of China on 25 March 2021.

## BUSINESS REVIEW

### Property Development

#### Contracted Sales

In 2020, faced with the negative impact of COVID-19 on the macroeconomy and the real estate industry, the Group returned satisfactory results by making prompt adjustments to its strategies, expanding customer base through online marketing platforms, facilitating work resumption and sales at the offline sales offices, seizing the opportunities arising from the recovery of the property market since the second quarter and accelerating destocking.

During the Reporting Period, the Group achieved total contracted sales of approximately RMB49.207 billion and contracted sales area of 3,347,260 sq.m., of which, approximately RMB41.886 billion was derived from the contracted sales of residences with contracted sales area of 2,946,243 sq.m., accounting for approximately 85.1% and 88.0% of the total contracted sales and total contracted sales area of properties of the Group in 2020, respectively; and approximately RMB7.321 billion was derived from contracted sales of urban complexes with contracted sales area of 401,017 sq.m., representing approximately 14.9% and 12.0% of total contracted sales and total contracted sales area of properties of the Group in 2020, respectively.

**Contracted sales amount and area attributable to different product categories in 2020**

| Categories | Amount | | Area | |
|---|---|---|---|---|
| | (RMB million) | % | (sq.m.) | % |
| Residences | 41,886 | 85.1 | 2,946,243 | 88.0 |
| Urban Complexes | 7,321 | 14.9 | 401,017 | 12.0 |
| Total | 49,207 | 100.0 | 3,347,260 | 100.0 |

During the Reporting Period, the contracted sales contribution to the Group was mainly derived from sales in 21 cities, including Chengdu, Ningbo, Wuhan, Nanjing, Shenzhen, Shanghai and Tianjin, and also from approximately 53 projects, including Ningbo Chaoyue Nantang, Ningbo Fenglinfu, Huayang Jinjiang at Chengdu, Chengdu Jiangshan, Wuhan Huahaoyuan, Shenzhen Jiatianxia, Shenzhen Good Time, Beijing Guoxiangfu and Guilin Lakeside Eden. The Group continued to extend its presence across the Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing Metropolitan Area, Central China Metropolitan Area, Yangtze River Delta Metropolitan Area and Bohai Rim Metropolitan Area in order to continuously expand its vertical strategic move in each metropolitan area and focus on key cities to achieve sustainable development.

**Contracted sales amount and area in each region in 2020**

| Categories | Amount | | Area | |
|---|---|---|---|---|
| | (RMB million) | % | (sq.m.) | % |
| Guangdong-Hong Kong-Macao Greater Bay Area | 3,708 | 7.5 | 170,317 | 5.1 |
| Chengdu-Chongqing Metropolitan Area | 15,506 | 31.5 | 1,571,263 | 46.9 |
| Central China Metropolitan Area | 6,646 | 13.5 | 407,620 | 12.2 |
| Yangtze River Delta Metropolitan Area | 16,360 | 33.2 | 706,295 | 21.1 |
| Bohai Rim Metropolitan Area | 5,985 | 12.2 | 464,810 | 13.9 |
| Overseas | 1,002 | 2.1 | 26,955 | 0.8 |
| Total | 49,207 | 100.0 | 3,347,260 | 100.0 |

## Guangdong-Hong Kong-Macao Greater Bay Area

As one of the most open and economically dynamic regions in China, Guangdong-Hong Kong-Macao Greater Bay Area has an important strategic position in China's overall development. In 2020, the Group proactively seized the historic significant opportunity to build an internationally first-class bay area and a world-class urban agglomeration, sparing no effort to promote the project development in the Guangdong-Hong Kong-Macao Greater Bay Area. Seizing on the opportunity of urban renewal, the Group will extensively participate in the construction and development of the cities within the Guangdong-Hong Kong-Macao Greater Bay Area. During the Reporting Period, the Group launched a urban renewal project – Shenzhen Good Time in Shenzhen, which received warm response from the market. Meanwhile, the Group also secured two new projects in Foshan City, further complementing our strategic business presence in the Greater Bay Area.

During the Reporting Period, the Group recorded total contracted sales of RMB3.708 billion and total contracted sales area of 170,317 sq.m. in Shenzhen, Huizhou and other cities in the Guangdong-Hong Kong-Macao Greater Bay Area, contributing to approximately 7.5% and 5.1% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2020.

On-site photo of Shenzhen Fantasia Jiatianxia Project

## Chengdu-Chongqing Metropolitan Area

As an important economic hub in South-western China, the Chengdu-Chongqing Metropolitan Area shows its robust market demand for real estate and is one of the earliest important strategic markets of the Group. The Group has become one of the most influential brand developers in the region. In 2020, the Group continued to achieve good sales for its prominent projects in Chengdu such as Huayang Jinjiang and Jiangshan, acquired a number of parcels of quality land in Chengdu during the Period, and extended our business into Chongqing City for the first time by securing a new project there, further strengthening its leading edge in the region.

During the Reporting Period, the Group recorded total contracted sales of RMB15.506 billion and total contracted sales area of 1,571,263 sq.m. in Chengdu, Ziyang, Kunming, Guilin and other cities in the Chengdu-Chongqing Metropolitan Area, contributing to approximately 31.5% and 46.9% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2020.

## Central China Metropolitan Area

As the geographical center of the country, Central China Metropolitan Area is increasingly becoming an important force for the rise of Central China with its advantages of convenient transportation and developed economy. In early 2020, the outbreak of the COVID-19 epidemic delivered a serious blow to Wuhan City, and the property market was also hit hard. The Group proactively implemented responsive measures to fight against the epidemic, and reopened its sales offices in the city in April 2020. In addition, the Group launched products that cater to the rigid and improvement-oriented demands of Wuhan residents, such as Wuhan Huahaoyuan Project, further improving its name recognition and brand reputation among the customers in the regional market. During the Reporting Period, the Group also extended its business into Zhengzhou City for the first time by securing a new project there and recorded sales during the year, steadily expanding its strategic business presence in Central China Metropolitan Area.

During the Reporting Period, the Group recorded total contracted sales of RMB6.646 billion and total contracted sales area of 407,620 sq.m. in cities such as Wuhan and Zhengzhou in the Central China Metropolitan Area, contributing to approximately 13.5% and 12.2% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2020.

## Yangtze River Delta Metropolitan Area

The Yangtze River Delta Metropolitan Area is one of the most economically dynamic hubs in China. The Group has paid close attention to the core cities with high growing potential in the region for a long time. During the fourth quarter of 2019 to 2020, the Group acquired a number of parcels of land in Ningbo, Nanjing, Hangzhou, Shaoxing and other cities. In particular, the Group launched Ningbo Chaoyue Nantang, Ningbo Fenglinfu, Nanjing Huahaoyuan, Hangzhou Duiyuetian, Shaoxing Chunfengshili and other projects in 2020, which received warm response from the local residents, driving the excellent sales performance of the Group in the Yangtze River Delta Metropolitan Area in 2020. In particular, the high-end projects launched by the Group in Shanghai such as Wunan 396 and Fantasia Luwan 68 have become the benchmark high-end residential projects in the local market, significantly improving the name recognition and brand reputation of the Group in the Yangtze River Delta Metropolitan Area.

During the Reporting Period, the Group recorded total contracted sales of RMB16.360 billion and total contracted sales area of 706,295 sq.m. in Ningbo, Nanjing, Hangzhou, Shaoxing, Shanghai, Suzhou and other cities in the Yangtze River Delta Metropolitan Area, contributing to approximately 33.2% and 21.1% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2020.

## Bohai Rim Metropolitan Area

Bohai Rim Metropolitan Area is the most important economic hub in Northern China, playing an agglomeration, radiation, service and mobilization role in the national and regional economy and possessing great development potential. In 2020, the Group rapidly promoted the construction and sales of projects in the region, and also secured two quality projects in Beijing, of which Beijing Guoxiangfu has recorded sales during the year, further expanding its influence in the region.

During the Reporting Period, the Group recorded total contracted sales of RMB5.985 billion and total contracted sales area of 464,810 sq.m. in Beijing, Tianjin and other cities in the Bohai Rim Metropolitan Area, contributing to approximately 12.2% and 13.9% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2020.

## Newly Commenced Projects

During the Reporting Period, the Group commenced development of 28 projects or phases of projects with a total planned GFA of approximately 3,896,444 sq.m..


On-site photo of Huizhou Fantasia Jiatianxia Project

**Breakdown of newly commenced projects in 2020**

| Project serial number | Project name | Project location | Nature of land | Company's interest | Expected completion date | Total GFA of newly commenced projects (sq.m.) |
|---|---|---|---|---|---|---|
| **Guangdong-Hong Kong-Macao Greater Bay Area** | | | | | | |
| 1 | Huizhou Jiatianxia | Huiyang District, Huizhou | Residential and commercial land use | 100.00% | 2021 | 3,888 |
| 2 | Huizhou Kangcheng Siji | Zhongkai District, Huizhou | Residential and commercial land use | 100.00% | 2022 | 76,685 |
| 3 | Shenzhen Good Time | Pingshan District, Shenzhen | Residential and commercial land use | 20.00% | 2022 | 334,439 |
| 4 | Foshan Yunjing | Shunde District, Foshan | Residential land use | 35.00% | 2022 | 90,623 |
| 5 | Foshan Guangyayuan | Nanhai District, Foshan | Residential land use | 49.00% | 2022 | 224,231 |
| **Chengdu-Chongqing Metropolitan Area** | | | | | | |
| 6 | Chengdu Grande Valley | Pujiang County, Chengdu | Residential and commercial land use | 70.00% | 2022 | 160,990 |
| 7 | Chengdu Jiangshan | Qingbaijiang District, Chengdu | Residential and commercial land use | 55.00% | 2022 | 213,152 |
| 8 | Chengdu Yinweilai | Pidu District, Chengdu | Residential and commercial land use | 50.00% | 2022 | 67,459 |
| 9 | Chengdu Biyun Tianxi | Tianfu New District, Chengdu | Residential and commercial land use | 50.00% | Completion by phases between 2022 and 2023 | 239,657 |
| 10 | Chengdu Haoweilai (Formerly known as Xinjin 84 mu Project) | Xinjin County, Chengdu | Residential and commercial land use | 100.00% | 2023 | 123,456 |
| 11 | Chengdu Xifu Hongyun | Pujiang County, Chengdu | Residential and commercial land use | 30.00% | 2023 | 174,546 |
| 12 | Chengdu Chunyu Xi'an | Pidu District, Chengdu | Residential and commercial land use | 40.00% | 2022 | 81,441 |
| 13 | Chengdu Xiangmendi Shijia (Formerly known as Pidu District 30 mu Project) | Pidu District, Chengdu | Residential and commercial land use | 50.00% | 2022 | 59,244 |
| 14 | Ziyang Love Forever | Hi-tech District, Ziyang | Residential and commercial land use | 91.00% | 2023 | 146,615 |
| 15 | Land G of Guilin Lakeside Eden | Lingui District, Guilin | Residential and commercial land use | 100.00% | 2022 | 103,061 |
| **Central China Metropolitan Area** | | | | | | |
| 16 | Wuhan Jinshanghua | Jiang'an District, Wuhan | Residential and commercial land use | 100.00% | 2021 | 60,368 |
| 17 | Zhengzhou Good Time | Shangjie District, Zhengzhou | Residential and commercial land use | 51.00% | 2022 | 149,785 |

| Project serial number | Project name | Project location | Nature of land | Company's interest | Expected completion date | Total GFA of newly commenced projects (sq.m.) |
|---|---|---|---|---|---|---|
| **Yangtze River Delta Metropolitan Area** | | | | | | |
| 18 | Ningbo Chaoyue Nantang | Haishu District, Ningbo | Residential land use | 33.00% | 2022 | 205,151 |
| 19 | Ningbo Fenglinfu | Fenghua District, Ningbo | Residential land use | 34.00% | 2022 | 157,318 |
| 20 | Nanjing Huahaoyuan | Jiangbei New District, Nanjing | Residential land use | 65.00% | 2022 | 79,806 |
| 21 | Hangzhou Duiyuetian | Jianggan District, Hangzhou | Residential land use | 100.00% | 2022 | 99,651 |
| 22 | Shaoxing Spring Breeze (Formerly known as Shaoxing Jinghu Project) | Yuecheng District, Shaoxing | Residential land use | 49.00% | 2023 | 388,857 |
| 23 | Nantong Guangqi Garden | Rugao, Nantong City | Residential land use | 9.99% | 2023 | 89,183 |
| **Bohai Rim Metropolitan Area** | | | | | | |
| 24 | Beijing Guoxiangfu | Miyun District, Beijing | Residential land use | 22.50% | 2022 | 177,524 |
| 25 | Tianjin Love Forever | Wuqing District, Tianjin | Residential land use | 60.00% | 2021 | 13,207 |
| 26 | Tianjin Jinshanghua | Wuqing District, Tianjin | Residential land use | 51.00% | 2021 | 8,331 |
| 27 | Zhangjiakou Xingfu Wanxiang | Huailai County, Zhangjiakou | Commercial service land use | 55.00% | 2022 | 197,069 |
| 28 | Qingdao Blue Sky | Jiaozhou, Qingdao | Residential land use | 53.00% | Completion by phases between 2022 and 2023 | 170,707 |

## Completed Projects

During the Reporting Period, the Group completed a total of 18 projects or phases of projects with a total GFA of approximately 2,964,563 sq.m..

**Breakdown of completed projects in 2020**

| Region | Total completed GFA |
|---|---|
| | (sq.m.) |
| Guangdong-Hong Kong-Macao Greater Bay Area | 410,230 |
| Chengdu-Chongqing Metropolitan Area | 1,863,741 |
| Yangtze River Delta Metropolitan Area | 517,098 |
| Bohai Rim Metropolitan Area | 173,494 |

## Projects Under Construction

As at 31 December 2020, the Group had 45 projects or phases of projects under construction with a total GFA of 8,001,071 sq.m..

**Breakdown of projects under construction as at 31 December 2020**

| Project serial number | Project name | Project location | Nature of land | Company's interest | Expected completion date | Total GFA under construction |
|---|---|---|---|---|---|---|
| | | | | | | (sq.m.) |
| **Guangdong-Hong Kong-Macao Greater Bay Area** | | | | | | |
| 1 | Shenzhen Jiatianxia | Dapeng New District, Shenzhen | Residential and commercial land use | 10.00% | 2022 | 116,682 |
| 2 | Shenzhen Good Time | Pingshan District, Shenzhen | Residential and commercial land use | 20.00% | 2022 | 334,439 |
| 3 | Huizhou Jiatianxia | Huiyang District, Huizhou | Residential and commercial land use | 100.00% | 2021 | 60,474 |
| 4 | Huizhou Kangcheng Siji | Zhongkai District, Huizhou | Residential and commercial land use | 100.00% | 2022 | 76,685 |
| 5 | Foshan Yunjing | Shunde District, Foshan | Residential land use | 35.00% | 2022 | 90,623 |
| 6 | Foshan Guangyayuan | Nanhai District, Foshan | Residential land use | 49.00% | 2022 | 224,231 |
| **Chengdu-Chongqing Metropolitan Area** | | | | | | |
| 7 | Chengdu Grande Valley | Pujiang County, Chengdu | Residential and commercial land use | 70.00% | Completion by phases between 2021 and 2022 | 388,045 |
| 8 | Chengdu Dragon Era International Center | Pidu District, Chengdu | Commercial land use | 100.00% | 2021 | 63,449 |
| 9 | Chengdu Zhihui City | Chongzhou, Chengdu | Residential and commercial land use | 100.00% | 2021 | 419,536 |
| 10 | Chengdu Jiatianxia | Shuangliu District, Chengdu | Residential and commercial land use | 60.00% | 2021 | 395,382 |
| 11 | Chengdu Jiangshan | Qingbaijiang District, Chengdu | Residential and commercial land use | 55.00% | Completion by phases between 2021 and 2022 | 464,638 |
| 12 | Chengdu Yinweilai | Pidu District, Chengdu | Residential and commercial land use | 50.00% | 2022 | 67,459 |

| Project serial number | Project name | Project location | Nature of land | Company's interest | Expected completion date | Total GFA under construction |
|---|---|---|---|---|---|---|
| | | | | | | (sq.m.) |
| 13 | Chengdu Biyun Tianxi | Tianfu New District, Chengdu | Residential and commercial land use | 50.00% | Completion by phases between 2022 and 2023 | 239,657 |
| 14 | Chengdu Haoweilai (Formerly known as Xinjin 84 mu Project) | Xinjin County, Chengdu | Residential and commercial land use | 100.00% | 2023 | 123,456 |
| 15 | Chengdu Xifu Hongyun | Pujiang County, Chengdu | Residential and commercial land use | 30.00% | 2023 | 174,546 |
| 16 | Chengdu Chunyu Xi'an | Pidu District, Chengdu | Residential and commercial land use | 40.00% | 2022 | 81,441 |
| 17 | Chengdu Xiangmendi Shijia (Formerly known as Pidu District 30 mu Project) | Pidu District, Chengdu | Residential and commercial land use | 50.00% | 2022 | 59,244 |
| 18 | Ziyang Love Forever | Hi-tech District, Ziyang | Residential and commercial land use | 91.00% | 2023 | 146,615 |
| 19 | Kunming Haoweilai (Formerly known as Kunming Lakeside Eden) | Taiping New Town, Kunming | Residential land use | 58.00% | 2023 | 285,771 |
| 20 | Land I of Guilin Lakeside Eden | Lingui District, Guilin | Residential and commercial land use | 70.00% | 2021 | 199,072 |
| 21 | Land H of Guilin Lakeside Eden | Lingui District, Guilin | Residential and commercial land use | 100.00% | 2021 | 248,680 |
| 22 | Land D2 of Guilin Lakeside Eden | Lingui District, Guilin | Residential and commercial land use | 70.00% | 2022 | 135,493 |
| 23 | Land G of Guilin Lakeside Eden | Lingui District, Guilin | Residential and commercial land use | 100.00% | 2022 | 103,061 |
| **Central China Metropolitan Area** | | | | | | |
| 24 | Wuhan Huahaoyuan | Jiang'an District, Wuhan | Residential and commercial land use | 100.00% | Completion by phases between 2021 and 2022 | 190,902 |
| 25 | Wuhan Gedian Jiangshan | Gedian Hi-tech District, Wuhan | Residential and commercial land use | 37.00% | Completion by phases between 2021 and 2022 | 268,668 |
| 26 | Wuhan Hankou Xingfu Wanxiang | Jiang'an District, Wuhan | Commercial land use | 30.60% | 2021 | 52,152 |
| 27 | Wuhan Blue Sky | Dongxihu District, Wuhan | Residential and commercial land use | 55.00% | 2021 | 184,809 |
| 28 | Wuhan Jinshanghua | Jiang'an District, Wuhan | Residential and commercial land use | 100.00% | 2021 | 60,368 |
| 29 | Zhengzhou Good Time | Shangjie District, Zhengzhou | Residential and commercial land use | 51.00% | 2022 | 149,785 |
| **Yangtze River Delta Metropolitan Area** | | | | | | |
| 30 | Nanjing Lishui Jiatianxia | Lishui Economic Development District, Nanjing | Residential and commercial land use | 100.00% | 2021 | 316,507 |
| 31 | Nanjing Huahaoyuan | Jiangbei New District, Nanjing | Residential land use | 65.00% | 2022 | 79,806 |
| 32 | Hangzhou 360 Project | Gongshu District, Hangzhou | Industrial and commercial land use | 44.00% | 2021 | 233,911 |
| 33 | Hangzhou Duiyuetian | Jianggan District, Hangzhou | Residential land use | 100.00% | 2022 | 99,651 |
| 34 | Ningbo Chaoyue Nantang | Haishu District, Ningbo | Residential land use | 33.00% | 2022 | 205,151 |
| 35 | Ningbo Fenglinfu | Fenghua District, Ningbo | Residential land use | 34.00% | 2022 | 157,318 |
| 36 | Shaoxing Spring Breeze (Formerly known as Shaoxing Jinghu Project) | Yuecheng District, Shaoxing | Residential land use | 49.00% | 2023 | 388,857 |
| 37 | Nantong Guangqi Garden | Rugao, Nantong City | Residential land use | 9.99% | 2023 | 89,183 |

| Project serial number | Project name | Project location | Nature of land | Company's interest | Expected completion date | Total GFA under construction |
|---|---|---|---|---|---|---|
| | | | | | | (sq.m.) |
| **Bohai Rim Metropolitan Area** | | | | | | |
| 38 | Beijing Guoxiangfu | Miyun District, Beijing | Residential land use | 22.50% | 2022 | 177,524 |
| 39 | Tianjin Jiatianxia | Wuqing District, Tianjin | Residential land use | 60.00% | 2021 | 154,411 |
| 40 | Tianjin Love Forever | Wuqing District, Tianjin | Residential land use | 60.00% | 2021 | 62,872 |
| 41 | Tianjin Jinshanghua | Wuqing District, Tianjin | Residential land use | 51.00% | 2021 | 137,418 |
| 42 | Baoding Mancheng | Mancheng District, Baoding | Residential land use | 51.00% | 2022 | 64,525 |
| 43 | Zhangjiakou Xingfu Wanxiang | Huailai County, Zhangjiakou | Commercial service land use | 55.00% | Completion by phases between 2021 and 2022 | 235,108 |
| 44 | Qingdao Blue Sky | Jiaozhou, Qingdao | Residential land use | 53.00% | Completion by phases between 2022 and 2023 | 170,707 |
| **Overseas** | | | | | | |
| 45 | Parkwood Collection | Singapore | Residential land use | 40% | 2022 | 22,759 |

## Projects Held for Development

As at 31 December 2020, the Group had a total of 21 projects or phases of projects held for development with a total GFA of approximately 3,508,215 sq.m..

**Breakdown of projects held for development as at 31 December 2020**

| Project serial number | Project name | Project location | Nature of land | Company's interest | Total GFA of projects held for development |
|---|---|---|---|---|---|
| | | | | | (sq.m.) |
| **Guangdong-Hong Kong-Macao Greater Bay Area** | | | | | |
| 1 | Shenzhen Meilin Yuehua Project | Futian District, Shenzhen | Emerging industrial land use | 26.01% | 126,610 |
| 2 | Huizhou Jiatianxia | Huiyang District, Huizhou | Residential and commercial land use | 100.00% | 33,985 |
| 3 | Foshan Yunjing | Shunde District, Foshan | Residential land use | 35.00% | 57,907 |
| 4 | Foshan Guangyayuan | Nanhai District, Foshan | Residential land use | 49.00% | 27,058 |

| Project serial number | Project name | Project location | Nature of land | Company's interest | Total GFA of projects held for development |
|---|---|---|---|---|---|
| | | | | | (sq.m.) |
| **Chengdu-Chongqing Metropolitan Area** | | | | | |
| 5 | Chengdu Grande Valley | Pujiang County, Chengdu | Residential and commercial land use | 70.00% | 433,787 |
| 6 | Chengdu Haoweilai (Formerly known as Xinjin 84 mu Project) | Xinjin County, Chengdu | Residential and commercial land use | 100.00% | 74,002 |
| 7 | Chengdu Xifu Hongyun | Pujiang County, Chengdu | Residential and commercial land use | 30.00% | 134,567 |
| 8 | Chengdu Shuangliu 105 mu Project | Shuangliu District, Chengdu | Residential and commercial land use | 5.00% | 186,000 |
| 9 | Chengdu Wenjiang 80 mu Project | Wenjiang District, Chengdu | Residential land use | 100.00% | 192,027 |
| 10 | Ziyang Love Forever | Yanjiang District, Ziyang | Residential and commercial land use | 91.00% | 146,640 |
| 11 | Chongqing Good Time | Shapingba District, Chongqing | Residential and commercial land use | 100.00% | 178,228 |
| 12 | Kunming Haoweilai (Formerly known as Kunming Lakeside Eden) | Taiping New Town, Kunming | Residential and commercial land use | 63.00% | 564,440 |
| 13 | Land G and A2 of Guilin Lakeside Eden | Lingui District, Guilin | Residential and commercial land use | 100.00% | 73,903 |
| **Central China Metropolitan Area** | | | | | |
| 14 | Wuhan Hanzheng Street Project | Qiaokou District, Wuhan | Residential and commercial land use | 50.00% | 321,290 |
| 15 | Phase II of Wuhan Jin Xiu Town | Hongshan District, Wuhan | Residential and commercial land use | 50.10% | 111,883 |
| **Yangtze River Delta Metropolitan Area** | | | | | |
| 16 | Ningbo Hangzhou Bay Jingcheng Mingshi | Hangzhou Bay New District, Ningbo | Residential land use | 90.00% | 76,769 |
| 17 | Ningbo Qiubi Project | Yinzhou District, Ningbo | Residential land use | 49.00% | 93,929 |
| 18 | Nantong Guangqi Garden | Rugao, Nantong City | Residential land use | 9.99% | 152,692 |
| **Bohai Rim Metropolitan Area** | | | | | |
| 19 | Beijing Mentougou Project | Mentougou District, Beijing | Residential and commercial land use | 40.00% | 61,626 |
| 20 | Tianjin Yingcheng Lake Project | Hangu District, Tianjin | Residential, tourism and commercial land use | 100.00% | 168,339 |
| 21 | Zhangjiakou Xingfu Wanxiang | Huailai County, Zhangjiakou | Commercial service land use | 55.00% | 292,533 |

## Land Bank

During the Reporting Period, the GFA of land bank for the Group's projects under construction and projects held for development amounted to approximately 11,509,286 sq.m..

### DETAILS OF LAND BANK

| Region | Projects under construction | Projects held for development | Aggregate GFA of land bank |
|---|---|---|---|
| | (sq.m.) | (sq.m.) | (sq.m.) |
| **Guangdong-Hong Kong-Macao Greater Bay Area** | **903,134** | **245,560** | **1,148,694** |
| Shenzhen | 451,121 | 126,610 | 577,731 |
| Huizhou | 137,159 | 33,985 | 171,144 |
| Foshan | 314,854 | 84,965 | 399,819 |
| **Chengdu-Chongqing Metropolitan Area** | **3,595,545** | **1,983,594** | **5,579,139** |
| Chengdu | 2,476,853 | 1,020,383 | 3,497,236 |
| Ziyang | 146,615 | 146,640 | 293,255 |
| Chongqing | 0 | 178,228 | 178,228 |
| Kunming | 285,771 | 564,440 | 850,211 |
| Guilin | 686,306 | 73,903 | 760,209 |
| **Central China Metropolitan Area** | **906,684** | **433,173** | **1,339,857** |
| Wuhan | 756,899 | 433,173 | 1,190,072 |
| Zhengzhou | 149,785 | 0 | 149,785 |
| **Yangtze River Delta Metropolitan Area** | **1,570,384** | **323,390** | **1,893,774** |
| Nanjing | 396,313 | 0 | 396,313 |
| Hangzhou | 333,562 | 0 | 333,562 |
| Ningbo | 362,469 | 170,698 | 533,167 |
| Shaoxing | 388,857 | 0 | 388,857 |
| Nantong | 89,183 | 152,692 | 241,875 |
| **Bohai Rim Metropolitan Area** | **1,002,565** | **522,498** | **1,525,063** |
| Beijing | 177,524 | 61,626 | 239,150 |
| Tianjin | 354,701 | 168,339 | 523,040 |
| Baoding | 64,525 | 0 | 64,525 |
| Zhangjiakou | 235,108 | 292,533 | 527,641 |
| Qingdao | 170,707 | 0 | 170,707 |
| Overseas | 22,759 | 0 | 22,759 |
| Singapore | 22,759 | 0 | 22,759 |
| **Total** | **8,001,071** | **3,508,215** | **11,509,286** |

Children of Fantasia Hope Primary School wearing donated white shoes

## COMMUNITY SERVICES

Colour Life, a community services provider of the Group, continued to lead the development trend of the community services industry. Leveraging on its outstanding third-party expansion capability, and through acquisitions and mergers, Colour Life achieved rapid expansion and also built up strong team strength and market advantage. As at 31 December 2020, the Total Contracted GFA of Colour Life reached 563.4 million sq.m. in 279 cities across the country, providing services for 2,841 communities.

During the Reporting Period, sticking to the strategy of "adhering to original mission, consolidating principal businesses, promoting synergetic development of online and offline businesses", Colour Life made adjustment and optimization to all business lines, achieving remarkable results.

Firstly, efforts have been made to improve service quality and develop landmark projects. During the Reporting Period, Colour Life strived to improve its service quality in various aspects by incorporating management details, service standards and residents' satisfaction as major business indicators, and developed landmark projects by upgrading hardware equipment and organizing a diverse range of community activities, in an effort to improve residents' satisfaction and promote community care.

Secondly, Colour Life made strenuous efforts to promote efficient management and drive development of all business lines. During the Reporting Period, Colour Life streamlined, optimized, consolidated and restructured its management structure, which is conducive to enhance resource utilisation and achieve synergetic effects. Meanwhile, Colour Life reformed its remuneration and incentives mechanism to mobilize employees' initiatives in promoting business expansion. In addition, Colour Life developed differentiated performance and management standards for various businesses and property management fee rates, with an aim to establish a flat, efficient and smooth business management system, so as to drive business development.

Thirdly, Colour Life formed alliances with technology giants to explore value-added services. During the Reporting Period, Colour Life achieved steady development of its value-added business by cooperating with JD.com and 360.com, two technology giants, to jointly explore value-added services. Through cooperation with these business partners, Colour Life launched intelligent community-based pandemic prevention platform and unmanned vehicle services during the pandemic. Colour Life also joined hands with JD.com to tap into the parcel locker business. In addition, Colour Life also explored diversified types of community services such as community advertisement, community vehicle insurance and lease business, making property management services a much more important part of the owner's life.

Fourthly, Colour Life did a very good job in fighting against the pandemic and flood, winning recognition from the society. Colour Life delivered an outstanding performance in pandemic containment throughout the past year with no case of mass infection reported in any community managed by it, winning recognition from the society and a number of awards. In addition, Colour Life deployed innovative technologies in the fight against the pandemic, including the unmanned anti-pandemic vehicles and anti-pandemic platform, demonstrating its prompt response and technology advantages. In the fight against the flood in summer, the outstanding performance by Colour Life was essential to ensure the safety of the residents. The achievements made in the fight against the pandemic and flood represent a new opportunity for value appreciation of the property management industry, and also help to improve residents' satisfaction.


Children of Fantasia Hope Primary School exhibiting their drawings

## EXECUTIVE DIRECTORS

**Mr. PAN Jun (潘軍)** ("Mr. Pan"), aged 50, is the chairman of the board (the "Board") of directors (the "Directors"), an executive director, the Chief Executive Officer, chairman of the nomination committee and a member of the remuneration committee of the Company. He is also the president of Fantasia Group (China) Company Limited ("Fantasia China Group"), chairman of Shenzhen Fantasia Property Group Limited (深圳市花樣年地產集團有限公司) and a non-executive director of Colour Life Services Group Co., Limited ("Colour Life"), a subsidiary of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 1778). Mr. Pan joined the Group in 1999. He is responsible for the overall operation of the Group's projects, formulation of the Group's business strategies, supervising the project planning and the management of the Group's operation and business. Prior to joining the Group, Mr. Pan had successively served as the project manager, manager of the marketing department, manager of the valuation department and assistant to general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司). Mr. Pan obtained a Bachelor's degree in Conservancy and Hydropower Engineering from Chengdu University of Science and Technology (成都科技大學) (now known as Sichuan University (四川大學)) in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

**Ms. ZENG Jie, Baby (曾寶寶)** ("Ms. Zeng"), is an executive director and a member of the nomination committee of the Company. Ms. Zeng is one of the controlling shareholders and the largest shareholder of the Company.

**Mr. KE Kasheng (柯卡生)** ("Mr. Ke"), aged 56, is the executive director of the Company and the executive director of Fantasia China Group. Mr. Ke is responsible for the coordination and development of the investment, financing and capital operation of Fantasia China Group.

Prior to joining the Company, Mr. Ke started his career at the Currency Issue Department of Guangdong Branch of People's Bank of China in July 1984 and held various positions in People's Bank of China and China Banking Regulatory Commission, including deputy chief and chief of the Currency Issue Department of Guangdong Branch of People's Bank of China from June 1989 to April 1992, deputy director of the General Office of Guangdong Branch of People's Bank of China from April 1992 to April 1996, director of the Comprehensive Planning Division of Guangdong Branch of People's Bank Of China from April 1996 to November 1996, president of Shantou Branch of People's Bank of China from November 1996 to April 2000, director of the Internal Audit Division and vice president of Guangzhou Branch of People's Bank of China from April 2000 to July 2003, member of the preparation team and deputy director of the Guangdong Office of China Banking Regulatory Commission from July 2003 to May 2006, and director of the Non-banking Financial Institution Regulatory Department of China Banking Regulatory Commission from May 2006 to October 2012, an executive director and the president of China Huarong Asset Management Co. Ltd. from October 2012 to September 2017. Currently, Mr. Ke is an independent non-executive director of COFCO Trust Co., Ltd., the chairman of the Central University of Finance and Economics Education Foundation; president of Beijing Shengbao Tongda Electrical Engineering Co., Ltd. (北京盛寶通達電氣工程有限公司) and director of Shanghai New Huang Pu Industrial Group CO., LTD., whose shares are listed on Shanghai Stock Exchange (stock code: 600638.SH)). Mr. Ke obtained a bachelor's degree from the Central Institute of Finance and Economics (now known as the Central University of Finance & Economics) in July 1984, a master's degree in business operation from the Aichi University of Japan in March 1995, and obtained a EMBA degree from Cheung Kong Graduate School of Business in September 2007.

**Mr. ZHANG Huiming**（張惠明）("Mr. Zhang"), aged 42, is the executive director of the Company and the executive director, vice president and chief financial officer of Fantasia China Group. He is responsible for the overall financial management, capital management, investment and operational management of the Group.

Prior to joining the Group, Mr. Zhang served as assistant to the chairman of the board and president, director of the finance center of the real estate group, vice president of the real estate group and general manager of the finance center and strategic investment center of Agile Group Holdings Limited from February 2014 to February 2019. During the period from July 1999 to January 2014, Mr. Zhang served various roles in CITIC Group including deputy general manager of the financial planning department of CITIC Real Estate headquarter and the assistant general manager and project general manager of Guangzhou branch of the CITIC Group. Mr. Zhang obtained a bachelor's degree in economics from University of International Business and Economics in 2002.

**Mr. CHEN Xinyu**（陳新禹）("Mr. Chen"), aged 52, is the executive director and chief financial officer of the Company. He is primarily responsible for capital operation and planning management, investor relations of Company and management of the information disclosure matters. Mr. Chen is also an executive director of Colour Life, a subsidiary of the Company whose shares are listed on the Stock Exchange (stock code: 1778), an executive director and general manager of the finance and capital center and the investment management department of Fantasia China Group.

Prior to joining the Group, Mr. Chen was the deputy general manager of the investment relations and finance department of Country Garden Group form March 2015 to May 2019. Before that, Mr. Chen worked as the investment director in China Overseas Qingyi Care Services Co., Ltd.（中海親頤養老服務有限公司, an analyst in Seagate Global Advisors LLC., Redondon Beach and the bond portfolio manager in Godesk LLC., Elsegando in USA. Mr. Chen was the director of the finance department of China State Construction Engineering Corporation Limited. Mr. Chen graduated from Shijiazhuang Tiedao Institute and holds a master's degree in corporate finance from Xi'an Jiaotong University and a MBA degree from the University of Illinois in Chicago. Mr. Chen has nearly 30 years of experience in investment, capital market and corporate financing field.

## NON-EXECUTIVE DIRECTORS

**Mr. LIAO Qian**（廖騫）("Mr. Liao"), aged 40, is the non-executive director of the Company. Mr. Liao is the secretary of the board of directors and vice chairman of the investment management committee of TCL Technology Group Corporation (formerly known as TCL Corporation,"TCL Corporation"), a substantial shareholder of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance. Shares of TCL Corporation are listed on the Shenzhen Stock Exchange. Mr. Liao joined TCL Corporation in March 2014 as the officer of the board of directors. He was subsequently appointed as the secretary of the board of directors of TCL Corporation in April 2014 and a member of the executive committee of TCL Corporation in December 2014. Currently, Mr. Liao is also the chairman and non-executive director of China Display Optoelectronics Technology Holdings Limited, the shares of which are listed on the Stock Exchange. He is also an independent director of Shenzhen Jiawei Photovoltaic Lighting Co., Ltd., whose shares are listed on Shenzhen Stock Exchange; and the vice-chairman of Tianjin 712 Communication and Broadcasting Co., Limited, whose shares are listed on Shanghai Stock Exchange. Prior to joining TCL Corporation, Mr. Liao served various roles in Guotai Junan Securities Co., Ltd. from August 2006 to February 2014, including the senior manager and general manager of the financial advisory department and a director of the institutional business department at its Shenzhen headquarter. He was primarily responsible for the investment banking and capital market businesses in Hong Kong and the People's Republic of China.

Mr. Liao graduated from Fuzhou University with a bachelor degree in economics in 2002, and obtained a master degree of laws from Yunnan University in 2006. Mr. Liao also holds a Chinese legal professional qualification certificate.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. HO Man（何敏）**（"Mr. Ho"), aged 51, is an independent non-executive director of the Company. He is also the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company respectively. Mr. Ho has over 20 years of experience in private equity investment and financial industry and is currently the managing director of an investment holding company. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu-based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong-based private fund management company during January 2010 to December 2013 and was the managing director and head of China growth and expansion capital of CLSA Capital Partners from August 1997 to October 2009.

Currently, Mr. Ho serves an independent non-executive director of CIMC-TianDa Holdings Company Limited, Fu Shou Yuan International Group Limited, Magnus Concordia Group Limited, Wanjia Group Holdings Limited and Grand Ocean Advanced Resources Company Limited, the shares of each of which are listed on the Main Board of the Stock Exchange.

Mr. Ho was awarded an Executive Master of Business Administration degree from Tsinghua University and holds a master's degree in finance from the London Business School. He is a Chartered Financial Analyst.

**Dr. LIAO Jianwen（廖建文）**（"Dr. Liao"), aged 53, is an independent non-executive director of the Company. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Company respectively. Dr. Liao has extensive business research and teaching experience in United States, Hong Kong and the PRC. He is well-known for his cross-discipline research, teaching and consultancy in relation to the strategy, innovation and entrepreneurship disciplines, extensive working experience encompassing North American and Asian regions, and has pioneering experience in biotechnology industry during his early years. Dr. Liao has been an associate dean and professor of managerial practice in strategy and innovation at Cheung Kong Graduate School of Business（長江商學院）since January 2012. Prior to that, he was an associate professor at Stuart School of Business in Illinois Institute of Technology from 2006 to 2012. In 2001, he was also a visiting professor at Hong Kong University of Science and Technology. He received a Doctorate degree in business administration from Southern Illinois University at Carbondale (USA) in August 1996, a Master's degree in economics from Renmin University of China（中國人民大學）in February 1991, and a Bachelor's degree in industry engineering from Northeastern University（東北大學）(formerly known as Northeastern Institute of Technology（東北工學院）) in July 1988. Currently, he is also an independent non-executive director of Colour Life, a subsidiary of the Company, the shares of which are listed on the Stock Exchange; and chief strategy officer of JD Group, a company listed on both the NASDAQ Stock Exchange and the Stock Exchange.

**Ms. WONG Pui Sze, Priscilla,** JP（王沛詩）（"Ms. Wong"), aged 60, is an independent non-executive director of the Company. She is also a member of each of the audit committee, remuneration committee and nomination committee of the Company respectively. Ms. Wong was appointed Justice of the Peace in 2005. She is a member of Chinese People's Political Consultative Conference, Shanghai Committee in the People's Republic of China. In Hong Kong, Ms. Wong serves as the chairperson of the Employee Compensation Assistance Fund Board, Chairperson of the Minimum Wage Commission, a member of the Council and the Court of the University of Hong Kong, the convenor to the Financial Reporting Review Panel, a trustee of the Board of Trustees of the Hospital Authority Charitable Foundation, a member of the Hospital Authority Board, a member of the Hospital Governing Committee of the Prince of Wales Hospital, a member of Hong Kong Bar Association Special Committee on Overseas Admissions (Civil) and an independent non-executive director of Sinopec Kantons Holdings Limited, the shares of which are listed on the Stock Exchange. She holds a Bachelor of Law (Hons) degree from University of Hong Kong and a Master of Laws degree from the London School of Economics and Political Science of the University of London. Ms. Wong was called to the Bar in Hong Kong in 1985 and is a practising barrister in Hong Kong. She is a mediator of Centre for Effective Dispute Resolution and an arbitrator of China International Economic and Trade Arbitration Commission. Ms. Wong is also an advocate and solicitor admitted in Singapore.

**Mr. GUO Shaomu**（郭少牧）("Mr. Guo"), aged 55, is an independent non-executive director of the Company. He is also the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company. He has over 13 years of experience in investment banking industry in Hong Kong. From February 2000 to February 2001, Mr. Guo served as an associate director of corporate finance of Salomon Smith Barne, an investment bank principally engaged in providing financial services (an investment banking arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution works of the China team. From March 2001 to September 2005, Mr. Guo served as an associate director of global investment banking of HSBC Investment Banking, an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and director of the real estate team of J.P. Morgan Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was primarily responsible for the marketing works covering the real estate sector in China. From April 2007 to April 2013, Mr. Guo served as a director and managing director of the real estate team of Morgan Stanley Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region. Currently, Mr. Guo is an independent non-executive director of Galaxycore Inc., a leading China-based fabless image sensor company targeting the global mobile device and consumer electronics market. He is also an independent non-executive director of Yida China Holdings Limited, Ganglong China Property Group Limited and Sunkwan Properties Group Limited, all of which are listed companies in Hong Kong. Mr. Guo obtained a bachelor's degree in electrical engineering from Zhejiang University in July 1989, a master's degree in computer engineering from University of Southern California in May 1993 and a master's degree in business administration from the School of Management of Yale University in May 1998.

## SENIOR MANAGEMENT

**Ms. ZHANG Xiaofang (張曉芳)**, aged 52, is the vice president, chief human resources officer and general manager of human resources of Fantasia China Group, where she is in charge of the human resources function of the Fantasia China Group and Shenzhen FuNian Jet Aviation Co., Ltd., a subsidiary of the Company. Ms. Zhang joined the Group in December 2016. Prior to joining the Group, she served as the vice president of 深圳前海復星瑞哲資產管理有限公司 (Shenzhen Qianhai Fosun Ruizhe Asset Management Co., Ltd.*) from November 2014 to January 2016, vice president and acting chief executive officer of Chinalin Securities Co., Ltd. (華林證券股份有限責任公司) from August 2011 to September 2013. From April 1999 to July 2011, she served in various positions in the Ping An Group, including assistant to general manager of administrative planning department of Heilongjiang branch company Ping An Life Insurance, general manager of human resources center (staff service division) of Ping An Insurance, general manager of human resources department of Ping An Securities. Ms. Zhang obtained her bachelor's degree in library science from Heilongjiang University (黑龍江大學) in the PRC in July 1990.

**Mr. CHEN Xiangming (陳湘明)**, aged 51, is the president of Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團股份有限公司) ("Home E&E"), a subsidiary of the Company, where he is responsible for its overall operation and management. He also holds directorships in a number of subsidiaries of the Company. Mr. Chen has over 20 years of experience in property management industry. He joined the Group in 2012 and served as the general manager of Home E&E from July 2012 to July 2015, and has been the president of Home E&E since November 2015. From September 2016 to December 2017, Mr. Chen concurrently acted as the president of Wanxiangmei Property Management Co., Ltd. (萬象美物業管理有限公司) ("WXM") and was responsible for the overall management of WXM. Prior to joining the Group, Mr. Chen served as the general manager of 深圳市抱樸物業服務有限公司 (Shenzhen Baopu Property Service Co., Ltd.*) from July 2011 to July 2012, general manager of Shenzhen Tairan Real Estate Management Service Co., Ltd. (深圳市泰然物業管理服務有限公司) from April 2007 to July 2011, general manager of 深圳市卓越物業管理有限責任公司 (Shenzhen Excellence Property Management Co., Ltd.*) from June 2006 to April 2007, and deputy general manager of Shenzhen Caishenghuo Property Management Co., Ltd. (深圳市彩生活物業管理有限公司) from September 2002 to June 2006. Mr. Chen completed his tertiary education in safety engineering from Hunan University Hengyang Campus (湖南大學衡陽分校) in the PRC in July 1992.

**Mr. QIU Zhidong (邱志東)**, aged 54, is the president of 花樣年商業旅遊文化發展(深圳)有限公司 (Fantasia Commercial Tourism Cultural Development (Shenzhen) Co., Ltd.*) ("Fantasia Commercial"), a subsidiary of the company. Mr. Qiu joined the Group in June 2013 and is responsible for the daily operation and management of Fantasia Commercial. Prior to joining the Group, he was the vice president of Shenzhen Jinguanghua Industry Group Co., Ltd. (深圳金光華實業集團有限公司) from December 2005 to June 2013, a managing director of Shenzhen Jinguanghua Commercial Co., Ltd. (深圳市金光華商業有限公司) from February 2003 to December 2005, general manager of Shenzhen Xiandai Youyi Co., Ltd. (深圳市現代友誼股份有限公司) and 深圳市友誼城百貨有限公司 (Shenzhen Youyi City Stores Co., Ltd.*) from February 1997 to February 2003. The principal activities of all these companies are provision of commercial property management. Mr. Qiu obtained a Master's degree in Business Administration from Hong Kong Baptist University in December 2003 and a Bachelor's degree in Computer Science from Hanshan Normal University (韓山師範學院) in Guangdong Province in 1988.

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 55 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income on page 75.

## BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement, Financial Review and Business Review sections respectively from pages 8 to 14, 15 to 19 and 19 to 31 of this Annual Report. The future development of the Group's business is discussed throughout this Annual Report including in the Chairman's Statement from pages 8 to 14 of this Annual Report. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the Corporate Governance Report and the Environmental, Social and Governance Report (the "ESG Report"), which will be published separately.

## ESG REPORT

As a corporate citizen, the Group has always been committed to promoting the sustainable development of business, the environment and even the community. For the strategy and performance of the Group in relation to sustainable development, please refer to the ESG Report to be published separately. The ESG Report will be uploaded to the websites of the Company and the Stock Exchange as close as possible to, and in any event no later than three months after, the publication of this annual report.

## DIVIDEND

The Directors recommended the payment of a final dividend at the rate of RMB5.93 cents per share, equivalent to HK7.05 cents payable on Wednesday, 28 July 2021, to all persons registered as holders of shares of the Company on Tuesday, 8 June 2021, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account.

The proposed final dividend shall be declared in RMB and distributed in Hong Kong dollars. The final dividend to be distributed in Hong Kong dollars will be converted from RMB at the average median parity rate of RMB1.00 to Hong Kong dollar 1.19 as announced by the People's Bank of China on 25 March 2021.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Friday, 28 May 2021, the register of members of the Company will be closed on Monday, 24 May 2021 to Friday, 28 May 2021, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21 May 2021.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Thursday, 3 June 2021 to Tuesday, 8 June 2021, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 2 June 2021.

## SHARE CAPITAL

Details of change in the share capital of the Company during the year are set out in note 41 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

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

## DISTRIBUTIVE RESERVES OF THE COMPANY

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2020 are set out in note 56 to the consolidated financial statements.

The Company's reserves available for distribution represent the share premium, shares held under Share Award Scheme, accumulated losses and capital reserve. As at 31 December 2020, there was no reserve available for distribution (as at 31 December 2019: nil). Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to provisions of its articles of association and provided that immediately following the distribution or payment of dividend the Company is able to pay its debt as they fall due in the ordinary course of business.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:
Mr. Pan Jun (Chairman and Chief Executive Officer)
Ms. Zeng Jie, Baby
Mr. Ke Kasheng
Mr. Zhang Huiming
Mr. Chen Xinyu

Non-executive Directors:
Mr. Li Dong Sheng (retired on 29 May 2020)
Mr. Liao Qian (retired on 29 May 2020 and appointed on 17 December 2020)

Independent Non-executive Directors:
Mr. Ho Man
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

In accordance with Article 83 of the Articles of Association (the "Articles"), Mr. Liao Qian shall hold office to the forthcoming annual general meeting ("AGM") and, being eligible, offer himself for re-election at the AGM. In accordance with Article 84 of the Articles, Ms. Zeng Jie, Baby, Mr. Ho Man, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu shall retire from office by rotation and, being eligible, offer themselves for re-election at the AGM. A circular containing the biographical details of the Director candidates, the explanatory statement on buyback of the shares of the Company and the notice of the AGM will be sent to shareholders of the Company.

No Director proposed for re-election at the AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to code provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2020 is set out below:

| | **Number of individuals** |
|---|---|
| Nil to HK$1,000,000 | 5 |
| HK$1,000,001 to HK$2,000,000 | 8 |
| HK$2,000,001 to HK$3,000,000 | 9 |
| HK$3,000,001 to HK$4,000,000 | 7 |
| Above HK$4,000,000 | 10 |
| | 39 |

Details of the remuneration of each of the Directors for the year ended 31 December 2020 are set out in note 12 to the consolidated financial statements.

On-site photo of Fantasia Luhu International Project

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Company, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained 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 Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities in the Stock Exchange (the "Listing Rules") were as follows:

(i) Long positions in the shares and underlying shares of the Company:

| Director | Nature of interest | Interest in ordinary shares of the Company | Interest in underlying Shares of the Company | Approximate percentage of interest in the Company as at 31 December 2020 |
|---|---|---|---|---|
| Ms. Zeng Jie, Baby | Interest of controlled corporation | 3,314,090,500[(1)] | – | 57.43% |
| | Beneficial owner | – | 9,980,000[(2)] | 0.17% |
| Mr. Pan Jun | Beneficial owner | – | 9,980,000[(2)] | 0.17% |
| Mr. Ho Man | Beneficial owner | – | 1,600,000[(2)] | 0.03% |

Notes:

(1) Fantasy Pearl International Limited ("Fantasy Pearl") is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"). Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

(2) The relevant Director was granted options to subscribe for such number of shares of the Company under the Scheme (as defined under the sub-section headed "Share Option Scheme" in the "Corporate Governance and Other Information" section below) on 29 August 2011.

(3) As at 31 December 2020, the number of issued shares of the Company was 5,770,210,424.

(ii) Long positions in the debentures of the Company:

– USD300,000,000 aggregate principal amount of its 7.95% senior notes due 2022 ("2022 USD Notes")

| Director | Nature of interest | Amount of debentures of the Company held | Approximate percentage of the interest in the 2022 USD Notes as at 31 December 2020[1] |
|---|---|---|---|
| Mr. Guo Shaomu | Beneficial owner | USD200,000 | 0.067% |

Note:

(1) The percentage of the interest in the 2022 USD Notes is based on the aggregate principal amount of USD300,000,000.

(iii) Long positions in associated corporations:

A. Fantasy Pearl

| Director | Nature of interest | Number of shares | Description of shares | Approximate percentage of interest in the associated corporation as at 31 December 2020 |
|---|---|---|---|---|
| Ms. Zeng Jie, Baby | Interest of controlled corporation | 80[1] | Ordinary | 80% |
| Mr. Pan Jun | Interest of controlled corporation | 20[2] | Ordinary | 20% |

Notes:

(1) These are shares held by Ice Apex in Fantasy Pearl and Ice Apex is wholly owned by Ms. Zeng Jie, Baby.

(2) These are shares held by Graceful Star in Fantasy Pearl and Graceful Star is wholly owned by Mr. Pan Jun.

B. Colour Life Services Group Co., Limited ("Colour Life")

| Director | Nature of interest | Number of shares | Description of shares | Approximate percentage of interest in the associated corporation as at 31 December 2020 |
|---|---|---|---|---|
| Ms. Zeng Jie, Baby | Interest of controlled corporation [(1)(2)(3)] | 982,640,851 | Ordinary | 67.54% |
| Mr. Pan Jun | Beneficial owner | 1,755,440[(4)] | Ordinary | 0.12% |
| Dr. Liao Jianwen | Beneficial owner | 710,000[(4)] | Ordinary | 0.05% |

Note:

(1) The interests are held as to 756,245,031 shares by the Company, as to 224,163,455 shares by Splendid Fortune Enterprise Limited ("Splendid Fortune") and as to 2,232,365 shares by Fantasy Pearl.

(2) The Company is owned as to 57.43% by Fantasy Pearl, which is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Accordingly, Ms. Zeng Jie, Baby is deemed to be interested in the shares of Colour Life held by the Company for the purpose of Part XV of the SFO.

(3) Splendid Fortune is 67.36% owned by Fantasy Pearl and 32.64% owned by Colour Success Limited. Accordingly, Ms. Zeng Jie, Baby is deemed to be interested in the shares of Colour Life held by Splendid Fortune for the purpose of Part XV of the SFO.

(4) These represent share options granted by Colour Life subject to vesting schedules.

C. Shenzhen Caizhiyun Network Technology Co., Ltd. ("Caizhiyun Network")

| Director | Nature of interest | Amount of equity interest held | Approximate percentage of interest in the associated corporation as at 31 December 2020 |
|---|---|---|---|
| Mr. Pan Jun | Beneficial owner | RMB7,000,000[(1)] | 70% |

Note:

(1) Caizhiyun Network is owned as to 70% by Mr. Pan Jun and 30% by Mr. Tang Xuebin. The financial results of Caizhiyun Network have been consolidated and accounted for as a subsidiary of Colour Life by virtue of certain structured contracts, details of which are disclosed in the section headed "History, Reorganization and the Group Structure" in Colour Life's prospectus dated 17 June 2014.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") which became effective on 27 October 2009 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include Directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to any individual in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive directors. Where any option granted to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll). As at the date of this annual report, the total number of outstanding shares which may be issued under the Share Option Scheme is approximately 72,558,000, representing 1.3% of the total number of shares of the Company in issue.

An offer of the grant of an option under the Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 per option to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a Share.

The summary below sets out the details of movement of options granted as at 31 December 2020 pursuant to the Share Option Scheme:

| Name | Date of grant | Exercise price | Closing price of the shares on the date of grant | Balance as at 1 January 2020 | Granted during the year | Exercisable/ exercised during the year | Cancelled/ lapsed during the year | Balance as at 31 December 2020 | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Number of share option | | | | | |
| | | HK$ | HK$ | | | | | | |
| Mr. Pan Jun | 29 August 2011 | 0.836 | 0.82 | 4,990,000 | – | – | – | 4,990,000 | (2) |
| | 16 October 2012 | 0.8 | 0.77 | 4,990,000 | – | – | – | 4,990,000 | (3) |
| Ms. Zeng Jie, Baby | 29 August 2011 | 0.836 | 0.82 | 4,990,000 | – | – | – | 4,990,000 | (2) |
| | 16 October 2012 | 0.8 | 0.77 | 4,990,000 | – | – | – | 4,990,000 | (3) |
| Mr. Ho Man | 29 August 2011 | 0.836 | 0.82 | 800,000 | – | – | – | 800,000 | (2) |
| | 16 October 2012 | 0.8 | 0.77 | 800,000 | – | – | – | 800,000 | (3) |
| Other employees | 29 August 2011 | 0.836 | 0.82 | 13,963,200 | – | 720,000 | 1,074,600 | 27,936,500 | (1) |
| | 29 August 2011 | 0.836 | 0.82 | 8,520,200 | – | 1,400,000 | – | 5,885,000 | (2) |
| | 16 October 2012 | 0.8 | 0.77 | 28,744,300 | – | 420,120 | 2,359,400 | 40,115,700 | (3) |
| Total | | | | 75,097,720 | – | 2,540,120 | 3,434,000 | 73,937,200 | |

Notes:

(1) The share options are exercisable during the following periods:
   (a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from 29 August 2011 to 28 August 2021 and after the grantee has satisfied the vesting conditions specified by the Board;
   (b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board; and
   (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board.

(2) The share options are exercisable during the following periods:
   (a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from 29 August 2011 to 28 August 2021;
   (b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021; and
   (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021.

(3) The share options are exercisable during the following periods:
   (a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from 16 October 2012 to 15 October 2022 and after the grantee has satisfied the vesting conditions specified by the Board;
   (b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 16 October 2012 to 15 October 2022 and after the grantee has satisfied the vesting conditions specified by the Board; and
   (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 16 October 2012 to 15 October 2022 and after the Grantee has satisfied the vesting conditions specified by the Board.

Colour Life adopted a share option scheme ("Colour Life Share Option Scheme") by the written resolutions of the Shareholders passed on 11 June 2014. The terms of the Colour Life Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The Colour Life Share Option Scheme is a share incentive scheme and is established to recognize, acknowledge and reward eligible participants who have contributed to the Colour Life Group and to encourage eligible participants to work towards enhancing the value of Colour Life. Eligible participants of the Colour Life Share Option Scheme include directors of Colour Life and employees of the Colour Life Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Colour Life Group who the board of directors of Colour Life (the "Colour Life Board") considers, in its sole discretion, have contributed or will contribute to the Colour Life Group. Subject to earlier termination by Colour Life in general meeting or by the Colour Life Board, the Colour Life Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The total number of shares of Colour Life in respect of which options may be granted under the Colour Life Share Option Scheme is not permitted to exceed 10% in nominal amount of the aggregate of shares of Colour Life in issue, unless with the prior approval from Colour Life's shareholders. The maximum number of shares of Colour Life in respect of which options may be granted under the Colour Life Share Option Scheme to any individual in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of shares of Colour Life issue, unless with the prior approval from Colour Life's shareholders and with such participants and his associates abstaining from voting. Options granted to any director, chief executive or substantial shareholder of Colour Life, or any of their respective associates, shall be subject to the prior approval of the independent non-executive directors of Colour Life. Where any option granted to a substantial shareholder or an independent non-executive director of Colour Life, or any of their respective associates, would result in the shares of Colour Life issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares of Colour Life in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares of Colour Life, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the shareholders of Colour Life (voting by way of poll). As at the date of this annual report, the total number of outstanding shares which may be issued under the Colour Life Share Option Scheme is approximately 67,788,000, representing 4.7% of the total number of shares of Colour Life in issue.

An offer of the grant of an option under the Colour Life Share Option Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 per option to Colour Life as consideration. Options may be exercised in accordance with the terms of the Colour Life Share Option Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Colour Life Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the shares of Colour Life on the date of grant, (ii) the average closing price of the shares of Colour Life for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share of Colour Life. An option may be exercised in accordance with the terms of the Colour Life Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Colour Life Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Colour Life Share Option Scheme. Subject to earlier termination by Colour Life in general meeting or by the Colour Life Board, the Colour Life Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The summary below sets out the details of movement of options granted as at 31 December 2020 pursuant to the Colour Life Share Option Scheme:

| | | | Number of share options | | | | | |
|---|---|---|---|---|---|---|---|---|
| Name of grantee | Date of grant | Exercise price | Balance as at 1 January 2020 | Granted during the year | Exercised during the year | Cancelled/ lapsed during the year | Balance as at 31 December 2020 | Notes |
| | | HK$ | | | | | | |
| **Directors** | | | | | | | | |
| Mr. Pan Jun | 29 September 2014 | 6.66 | 547,790 | – | – | – | 547,790 | (1) |
| | | | 347,650 | – | – | – | 347,650 | (2) |
| | 30 April 2015 | 11.00 | 180,000 | – | – | – | 180,000 | (3) |
| | 18 March 2016 | 5.764 | 180,000 | – | – | – | 180,000 | (4) |
| | 27 November 2018 | 4.11 | 500,000 | – | – | – | 500,000 | (6) |
| Mr. Huang Wei | 27 November 2018 | 4.11 | 500,000 | – | – | – | 500,000 | (6) |
| Mr. Tang Xuebin | 29 September 2014 | 6.66 | 547,790 | – | – | – | 547,790 | (1) |
| | | | 347,650 | – | – | – | 347,650 | (2) |
| | 30 April 2015 | 11.00 | 103,500 | – | – | – | 103,500 | (3) |
| | 18 March 2016 | 5.764 | 100,000 | – | – | – | 100,000 | (4) |
| | 27 November 2018 | 4.11 | 500,000 | – | – | – | 500,000 | (6) |
| Mr. Zhou Hongyi | 30 April 2015 | 11.00 | 180,000 | – | – | – | 180,000 | (3) |
| | 18 March 2016 | 5.764 | 180,000 | – | – | – | 180,000 | (4) |
| | 27 November 2018 | 4.11 | 200,000 | – | – | – | 200,000 | (6) |
| Mr. Tam Chun Hung, Anthony | 29 September 2014 | 6.66 | 150,000 | – | – | – | 150,000 | (1) |
| | 30 April 2015 | 11.00 | 180,000 | – | – | – | 180,000 | (3) |
| | 18 March 2016 | 5.764 | 180,000 | – | – | – | 180,000 | (4) |
| | 27 November 2018 | 4.11 | 200,000 | – | – | – | 200,000 | (6) |
| Dr. Liao Jianwen | 29 September 2014 | 6.66 | 150,000 | – | – | – | 150,000 | (1) |
| | 30 April 2015 | 11.00 | 180,000 | – | – | – | 180,000 | (3) |
| | 18 March 2016 | 5.764 | 180,000 | – | – | – | 180,000 | (4) |
| | 27 November 2018 | 4.11 | 200,000 | – | – | – | 200,000 | (6) |
| Mr. Xu Xinmin | 29 September 2014 | 6.66 | 150,000 | – | – | – | 150,000 | (1) |
| | 30 April 2015 | 11.00 | 180,000 | – | – | – | 180,000 | (3) |
| | 18 March 2016 | 5.764 | 180,000 | – | – | – | 180,000 | (4) |
| | 27 November 2018 | 4.11 | 200,000 | – | – | – | 200,000 | (6) |
| Sub-total | | | 6,544,380 | – | – | – | 6,544,380 | |
| **Employees of the Colour Life Group** | 29 September 2014 | 6.66 | 12,502,160 | – | – | (3,927,210) | 8,574,950 | (1) |
| | | | 13,556,479 | – | – | (3,548,145) | 10,008,334 | (2)&(5) |
| | 30 April 2015 | 11.00 | 16,700,295 | – | – | (4,282,859) | 12,417,436 | (3) |
| | 18 March 2016 | 5.764 | 18,005,038 | – | – | (4,927,234) | 13,077,804 | (4) |
| | 27 November 2018 | 4.11 | 17,164,720 | – | – | – | 17,164,720 | (6) |
| Sub-total | | | 77,928,692 | – | – | (16,685,448) | 61,243,244 | |
| **Total** | | | **84,473,072** | – | – | **(16,685,448)** | **67,787,624** | |

Notes:

(1) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the date on which the share options were granted; (ii) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; and (iii) and the remaining one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016. The exercise period of these share options will expire on 28 September 2024.

(2) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 29 September 2017. The exercise period of these share options will expire on 28 September 2024.

(3) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 30 April 2016; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 30 April 2017; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 30 April 2018. The exercise period of these share options will expire on 29 April 2025.

(4) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 18 March 2017; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 18 March 2018; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 18 March 2019. The exercise period of these share options will expire on 17 March 2026.

(5) The exercise period of 150,000 share options granted to Mr. Zeng Liqing, who resigned as non-executive director of Colour Life on 21 April 2015, has been extended at the discretion of the board of Colour Life.

(6) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 27 November 2019; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 27 November 2020; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 27 November 2021.

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

### Senior Notes and Bonds

On 6 January 2020, the Company issued senior notes due 2023 with principal amount of USD450,000,000 at a coupon rate of 10.875% per annum (the "10.875% Senior Notes Due 2023) for the purpose of refinancing certain of its indebtedness. The offer and the concurrent new issue were completed on 21 January 2020. The 10.875% Senior Notes Due 2023 are listed and traded on The Singapore Exchange Securities Trading Limited. Further details relating to the offer to purchase for cash of the 2021 Notes and the issue of the 10.875% Senior Notes Due 2023 are disclosed in the announcements of the Company dated 6 January 2020, 15 January 2020 and 22 January 2020. During the year ended 31 December 2020, a total of USD450,000 in principal amount of the 10.875% Senior Notes Due 2023 representing approximately 10% of the total outstanding 10.875% Senior Notes Due 2023 were repurchased and have been cancelled upon the completion of repurchase.

On 25 February 2020, Colour Life Services Group Co., Limited ("Colour Life"), a non-wholly owned subsidiary of the Company, issued senior notes due 2021 with principal amount of USD100,000,000 at a coupon rate of 8% per annum ("Colour Life 100M Senior Notes Due 2021") for the purpose of refinancing certain of its indebtedness.

On 2 June 2020, the Company issued senior notes due 2023 with principal amount of USD300,000,000 at a coupon rate of 11.875% per annum (the "11.875% Senior Notes Due 2023) for the purpose of refinancing certain of its indebtedness. Further details relating to new issue of the 11.875% Original Notes Due 2023 are disclosed in the announcement of the Company dated 3 June 2020.

On 22 July 2020, Colour Life issued senior notes due 2021 with principal amount of USD130,000,000 at a coupon rate of 10% per annum ("Colour Life 130M Senior Notes Due 2021") for the purpose of refinancing certain of its indebtedness.

On 29 July 2020, the Company issued senior notes due 2023 with principal amount of USD350,000,000 at a coupon rate of 9.25% per annum (the "9.25% Senior Notes Due 2023") for the purpose of refinancing certain of its indebtedness. Further details relating to new issue of the 9.25% Senior Notes Due 2023 are disclosed in the announcement of the Company dated 30 July 2020.

On 17 August 2020, the Company issued additional 7.95% senior notes due 2022 with principal amount of USD200,000,000 (the"7.95% Additional Senior Notes Due 2022"), which is consolidated and form a single series with the USD300,000,000 7.95% senior notes due 2022 issued on 5 July 2017, for the purpose of refinancing certain of its indebtedness. Further details relating to the issue of the 7.95% Additional Senior Notes Due 2022 are disclosed in the announcement of the Company dated 17 August 2020.

On 8 September 2020, the Company issued senior notes due 2020 with principal amount of USD100,000,000 at a coupon rate of 5.5% per annum (the "5.5% Senior Notes Due 2020") for the purpose of refinancing certain of its indebtedness. The 5.5% Senior Notes Due 2020 was fully redeemed upon maturity.

On 8 September 2020, Fantasia Group (China) Company Limited（花樣年集團（中國）有限公司）("Fantasia China"), a wholly-owned subsidiary of the Company established in the PRC has completed the issue of domestic corporate bonds (the "Domestic Bonds") in the principal amount of RMB2.5 billion at the coupon rate of 7.5% per annum, with maturity of three years. The Domestic Bonds has been listed on the Shanghai Stock Exchange. Further details relating to the public issue of the first tranche of domestic bonds are disclosed in the announcement of the Company dated 8 September 2020.

On 14 October 2020, the Company issued senior note due 2023 with principal amount of USD200,000,000 at a coupon rate of 9.875% per annum (the "9.875% Senior Notes Due 2023) for the purpose of refinancing certain of its indebtedness. Further details relating to the offer to purchase for cash of the 8.375% Senior Notes Due 2021 and the issue of the 9.875% Original Notes Due 2023 are disclosed in the announcements of the Company dated 14 October 2020, 20 October 2020, 27 October 2020 and 30 October 2020.

On 25 November 2020, Fantasia China has completed the issue of domestic corporate bonds (the "Additional Domestic Bonds") in the principal amount of RMB1,542.4 million at the coupon rate of 7.5% per annum, which is consolidated and form a single series with the Domestic Bonds issued on 8 September 2020. The Additional Domestic Bonds has been listed on the Shanghai Stock Exchange.

On-site photo of Shanghai Fantasia Luwan 68 Project

Opening ceremony of Summer Camp of Fantasia Hope Primary School

On 4 December 2020, the Company issued additional 9.875% senior notes due 2023 with principal amount of USD120,000,000 (the"9.875% Additional Senior Notes Due 2023"), which is consolidated and form a single series with the 9.875% Senior Notes Due 2023 issued on 19 October 2020, for the purpose of refinancing certain of its indebtedness. Further details relating to the issue of the 9.875% Additional Senior Notes Due 2023 are disclosed in the announcement of the Company dated 7 December 2020.

On 7 December 2020, the Company issued senior notes due 2021 with principal amount of USD50,000,000 at a coupon rate of 6.0% per annum (the "6.0% Senior Notes Due 2021") for the purpose of refinancing certain of its indebtedness.

On 18 December 2020, the Company issued senior notes due 2021 with principal amount of USD150,000,000 at a coupon rate of 6.95% per annum (the 6.95% Senior Notes Due 2021) for the purpose of refinancing certain of its indebtedness. Further details relating to issue of the 6.95% Senior Notes Due 2023 are disclosed in the announcement of the Company dated 23 December 2020.

On 28 December 2020, the Company issued senior notes due 2021 with principal amount of USD100,000,000 at a coupon rate of 6.95% per annum (the "6.95% Additional Senior Notes Due 2021"), which is consolidated and form a single series with the 6.95% Senior Notes Due 2021 issued on 18 December 2020, for the purpose of refinancing certain of its indebtedness.

During the year ended 31 December 2020, a total of USD119,571,000 in principal amount of the 8.375% senior notes due 2021 which were issued by the Company on 8 March 2018 (the "8.375% Senior Notes Due 2021"), representing approximately 19.9% of the total outstanding amount of 8.375% Senior Notes Due 2021 were repurchased and have been cancelled upon the completion of repurchase.

During the year ended 31 December 2020, a total of USD250,000 in principal amount of the 7.95% senior notes due 2022 which were issued by the Company on 5 July 2017 (the "7.95% Senior Notes Due 2022"), representing approximately 0.1% of the total outstanding amount of 7.95% Senior Notes Due 2022 were repurchased and have been cancelled upon the completion of repurchase.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## MATERIAL ACQUISITIONS AND DISPOSALS

On 14 December 2020, the Company, 深圳市花樣年地產集團有限公司 (Shenzhen Fantasia Property Group Co., Limited) ("Shenzhen Fantasia"), a wholly-owned subsidiary of the Company, and 深圳市金地盈投資有限公司(Shenzhen Jindiying Investment Co., Ltd.) ("Shenzhen Jindiying") entered into an agreement with 中融國際信託有限公司 (Zhongrong International Trust Co., Ltd.) ("ZRITC"), a financial institute registered in the PRC, pursuant to which ZRITC agreed to acquire from Shenzhen Fantasia 70% of the equity interest in Shenzhen Jindiying for RMB792 million. The disposal of the equity interest in Shenzhen Jindiying to ZRITC constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Please refer to the Company's announcement dated 14 December 2020 for further details of the transaction.

Save as disclosed, for the year ended 31 December 2020, the Group did not have any other material acquisition or disposal of subsidiaries, associates or assets.

## SIGNIFICANT INVESTMENTS

Save as disclosed in the section headed Material Acquisitions and Disposals, the Company had no other significant investments held during the year under review.

## BORROWINGS

Details of the borrowings of the Group are set out in note 35 of the consolidated financial statements.

## DIRECTOR'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 52 to the consolidated financial statements, no significant contract, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACT

No management contracts in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

On-site photo of Huizhou Fantasia Jiatianxia Project

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name of Shareholders | Nature of interest | Number of shares | Approximate percentage of interest in our Company as at 31 December 2020 |
|---|---|---|---|
| Fantasy Pearl | Beneficial owner | 3,314,090,500 (L) | 57.43% |
| Ice Apex[1] | Interest of controlled corporation | 3,314,090,500 (L) | 57.43% |
| TCL Technology Group Corporation[2](formerly known as TCL Corporation) | Interest of controlled corporation | 1,012,740,000 (L) | 17.55% |
| CITIC Securities Company Limited[3] | Interest of controlled corporation<br>Interest of controlled corporation | 286,572,300 (L)<br>465,679,500 (S) | 4.97%<br>8.07% |

(L) denotes long position
(S) denotes short position

Notes:

(1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

(2) As at 31 December 2020, Li Rong Development Limited held 1,012,740,574 shares of the Company representing 17.55% interest in the Company. Li Rong Development Limited is wholly owned TCL Technology Investments Limited which is in turn wholly owned by TCL Technology Group Corporation. TCL Technology Group Corporation is deemed to be interested in the shares held by Li Rong Development Limited for the purpose of Part XV of the SFO.

(3) A total of 286,572,300 shares in long position and 465,679,500 shares in short position were held by CSI Capital Management Limited directly. CSI Capital Management Limited is wholly owned by CITIC CLSA Global Markets Holdings Limited. CITIC CLSA Global Markets Holdings Limited is wholly owned by CLSA B.V. CLSA B.V. is wholly owned by CITIC Securities International Company Limited. CITIC Securities International Company Limited is wholly owned by CITIC Securities Company Limited. CITIC Securities Company Limited is deemed to be interested in the shares held by CSI Capital Management Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as of 31 December 2020, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

## MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the reporting period, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or suppliers. The Company does not consider that the Company is in reliance or dependent on any major customers or suppliers for its success.

## CONTINUING CONNECTED TRANSACTION

The Company has entered into the following continuing connected transaction during the year ended 31 December 2020:

### 1. Provision of Network and Advertising Services by Shenzhen Colour Life Network Service Co., Ltd. ("Shenzhen Colour Life Network Service") to the Group

On 27 June 2018, Shenzhen Colour Life Network Service entered into the cooperation agreement with Shenzhen Colour Pay in respect of the e-Platform Services, pursuant to which Shenzhen Colour Life Network Service will through its e-platforms of Caizhiyun (彩之雲) and colourlife.com allow the users to register with the qianshenhua.com (錢生花) e-platform of Shenzhen Colour Pay to procure products and services, including the P2P services for the procurement of products and the Colour Easy Loan Services, a e-finance services offered by Shenzhen Colour Pay to customers. The cooperation agreement has a term of two financial years ending on 31 December 2019, and subject to the annual caps of not exceeding RMB75.0 million and RMB80.0 million for each of the years ending 2018 and 2019 respectively.

The e-Platform Service cooperation agreement entered into between Shenzhen Colour Life Network Service and Shenzhen Colour Pay on 27 June 2018 expired on 31 December 2019. On 31 December 2019, Shenzhen Colour Pay Network Technology Co., Ltd. entered into the 2020 E-Platform Service Cooperation Agreement with Shenzhen Colour Life Network Service, pursuant to which Shenzhen Colour Life Network Service will through its e-platforms of Caizhiyun (彩之雲) and Colourlife.com allow the registered users of the Group's e-platform to register with the qianshenhua.com (錢生花) e-platform of Shenzhen Colour Pay to procure products and services, including the P2P services for the procurement of products and the Colour Easy Loan Services, a e-finance services offered by Shenzhen Colour Pay to customers. The 2020 E-Platform Service Cooperation Agreement has a term of three years commencing from 1 January 2020 and ending on 31 December 2022, and subject to the annual caps of not exceeding RMB90.0 million, RMB100.0 million and RMB110.0 million for each of the years ending 31 December 2020, 2021 and 2022 respectively.

For the year ended 31 December 2020, the amounts paid/payable to the Group for the e-Platform Services amounted to RMB23.6 million (31 December 2019: RMB72.3 million), which was within the annual cap of RMB90.0 million (31 December 2019: RMB80.0 million) for the same period.

2. Structured Contracts

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)), value-added telecommunications service is subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider in the PRC.

Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. Colour Life's PRC legal advisor (the "Legal Advisor") has advised that the community leasing, sales and other services provided by Shenzhen Color Life Network Service Co., Ltd. ("Shenzhen Colour Life Network Service") through the Colour Life website constitute value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investors shall contribute no more than 50% of the registered capital of a value-added telecommunications services provider and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunication services industry (the "Qualification Requirement").

Based on consultations with the relevant personnel responsible for the approval of value-added telecommunications services at MIIT and the Guangdong Communications Administration Bureau (廣東省通信管理局), the Legal Advisor has advised that in order to demonstrate that it has satisfied the Qualification Requirement, a foreign investor shall provide the competent PRC authority with its telecommunications services business operating license issued by the relevant authority at its place of registration (equivalent of the ICP License issued by the Ministry of Industry and Information Technology of the PRC (the "MIIT") and its financial reports of the most recent three years. However, the MIIT did not specify during the Legal Advisor's consultations what would constitute "a good track record" and "relevant operational experience" and there are no specific written guidelines in this regard or in respect of whether and what type of documentation is required to establish the requisite credentials in cases where there is no telecommunications service business licensing regime in the jurisdiction or country in which the foreign investor provides the relevant telecommunication services.

As for the legality of the contractual arrangements, the Legal Advisor, after taking reasonable actions and steps to reach its legal conclusions including consulting the MIIT where the representative stated that there is no regulation enforceable or promulgated by the MIIT which prohibits or restricts the operation of value-added telecommunication businesses by foreign investors through contractual arrangements such as the Structured Contracts, are of the view that each of the Structured Contracts individually and collectively do not violate any of the applicable PRC laws and regulations. Legal Advisor is also of the view that the MIIT is the competent regulatory authority to give such assurance and interpret the Structured Contracts.

Based on the above-mentioned restriction under the relevant laws and regulations of the PRC, the Colour Life Group is not entitled to acquire the equity interest in Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network"). To enable the Colour Life Group to continue to manage and operate the online business of Shenzhen Caizhiyun Network and be entitled to all the economic benefits generated from such online business of Shenzhen Caizhiyun Network, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network, Mr. Pan and Mr. Tang entered into the exclusive management and operation agreement, the call option agreement, the shareholders' rights entrustment agreement, the equity pledge agreement and the power of attorney (collectively the "Structured Contracts") on 16 June 2014 such that the Colour Life Group are entitled to all the economic benefits generated from online community leasing, sales and other services business of Shenzhen Caizhiyun Network (the "Contractual Arrangement"). The Structured Contracts have an initial term of 10 years which is renewable for a successive term of 10 years. Colour Life is exploring various opportunities in building up our community leasing, sales and other services business operations overseas for the purposes of being qualified as early as possible, to acquire the entire equity interest of Shenzhen Caizhiyun Network if and when the restrictions under the relevant PRC law on foreign ownership in value-added telecommunication enterprises are lifted. For details of the Structured Contracts, please refer to the section headed "History, Reorganization and the Group Structure – The Structured Contracts" in Colour Life's prospectus dated 17 June 2014.

Upon signing of the Structured Contracts, Shenzhen Caizhiyun Network was treated as a wholly-owned subsidiary of Colour Life and the accounts of which are consolidated with those of the Company. Given the registered capital of Shenzhen Caizhiyun Network is held as to 70% by Mr. Pan, being the chairman of the Company, an executive director and a substantial shareholder of the Company, the chairman and an executive director of Colour Life, and as to 30% by Mr. Tang, being a non-executive director and a substantial shareholder of Colour Life, Mr. Pan and Mr. Tang are therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Save for the exclusive management and operation agreement which involves the payment of a service fee by Shenzhen Caizhiyun Network to Shenzhen Colour Life Network Service on an annual basis, each of the Structured Contracts does not involve payment of any consideration.

The Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated in the Company, through the Colour Life Group, as if it was the Company's subsidiary resulting in all economic benefits of its business flowing to the Company. Through the appointment by Shenzhen Colour Life Network Service of all directors and senior management of Shenzhen Caizhiyun Network, the Directors believe that Shenzhen Colour Life Network Service is able to effectively supervise, manage and operate the business operations, expansion plans, financial policies and assets of Shenzhen Caizhiyun Network, and at the same time, ensure due implementation of the Structured Contracts. According to Hong Kong Financial Reporting Standards, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although the Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable the Company, through Colour Life, to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by Colour Life's People's Republic of China (the "PRC") legal advisor. Colour Life Group derives economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to the residents in the residential communities that Colour Life manages or provides consultancy services to. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Caizhiyun Network, the Group is able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as the Company's subsidiary, through Colour Life, and its financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the Contractual Arrangements amounted to approximately RMB25.8 million for the year ended 31 December 2020 and approximately RMB2.8 million as of 31 December 2020, respectively.

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof.

The Company had applied and the SEHK had granted a waiver that the Structured Contracts are exempt from the annual cap and independent shareholders' approval requirements under Rules 14A.36 and 14A.53 of the Listing Rules.

Mr. Pan and Mr. Tang may potentially have a conflict of interest with the Group. Both of Mr. Pan and Mr. Tang have undertaken to Shenzhen Colour Life Network Service that during the period when the Contractual Arrangement remains effective, (i) unless otherwise agreed to by Shenzhen Colour Life Network Service in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Shenzhen Caizhiyun Network or any of its affiliates; and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Shenzhen Colour Life Network Service (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Shenzhen Colour Life Network Service has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Shenzhen Colour Life Network Service.

Furthermore, the Group conducts its business operation in the PRC through Shenzhen Caizhiyun Network by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws. As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

To ensure proper implementation of the Structured Contracts, Colour Life also takes the following measures:

(a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts was reviewed by the Colour Life Board on a regular basis which will be no less frequent than on a quarterly basis;

(b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) was discussed at such regular meetings which was no less frequent than on a quarterly basis;

(c) the relevant business units and operation divisions of the Colour Life Group reported regularly, which was no less frequent than on a monthly basis, to the senior management of Colour Life on the compliance and performance conditions under the Structured Contracts and other related matters;

(d) the compliance department of Colour Life monitored the proper implementation and Mr. Pan's and Mr. Tang's compliance with the Structured Contracts; and

(e) also, pursuant to the exclusive management and operation agreement, the bank accounts of Shenzhen Caizhiyun Network were operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal is currently kept by the compliance department.

The Board confirmed that there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and its impact on the issuer group.

The board also confirmed that there is no unwinding of Structured Contracts or failure to unwind when the restrictions that led to the adopted of Structured Contracts are removed.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company, namely Mr. Ho Man, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu have reviewed the Structured Contracts and confirmed that the Structured Contracts have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, has confirmed in its a letter to the Board that nothing has come to their attention that causes them to believe that the continuing connected transaction abovementioned:

(i) has not been approved by the Board;

(ii) are not in accordance with the pricing policies of the Company if the transactions involve provision of goods and services by the Company;

(iii) have not been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the respective annual caps.

## RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020, certain Directors and companies controlled by certain Directors entered into transactions with the Group which are disclosed in note 52 "Related Party Transactions" to the consolidated financial statements of the Group. Save for those transactions disclosed in the section headed "Continuing Connected Transaction", the Board confirmed that none of these related party transactions constitutes a disclosable connected transaction as defined under chapter 14A of the Listing Rules.

## INTERESTS IN COMPETITORS

None of the Directors or chief executive of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

## EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2020.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the reporting period, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

## DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "Dividend Policy").

According to the Dividend Policy, the Company intends to declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the financial situation, the liquidity of cash flow, the investment needs and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

## PRE-EMPTIVE RIGHTS

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

## CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

## 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, such as the Listing Rules and the Revised Hong Kong Financial Reporting Standards. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

## PUBLIC FLOAT

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

## FIVE YEAR'S FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five fiscal years is set out on page 3 of this annual report.

## SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

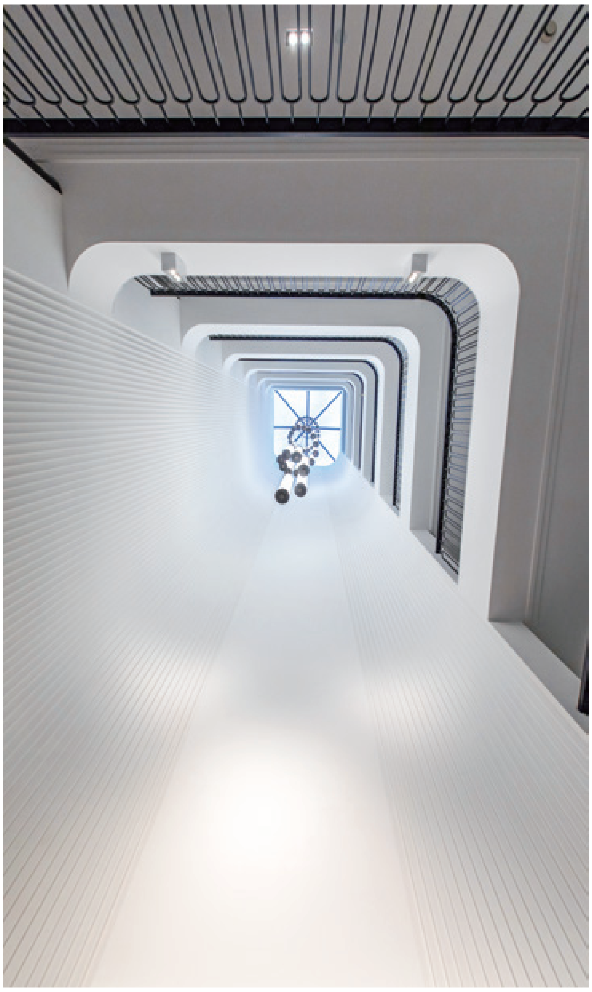
Details of significant events occurring after the end of the reporting period are set out in note 57 to the consolidated financial statements.

## AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

For and on behalf of the Board
**Pan Jun**
*Chairman*

Hong Kong, 25 March 2021



On-site photo of public area of Fantasia Wunan 396 Project

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("Corporate Governance Code") contained in Appendix 14 to the Listing Rules. For the period throughout the year ended 31 December 2020, the Board is of the view that the Company has complied with the code provisions under the Corporate Governance Code save and except for code provisions A.2.1 which will be explained below.

In respect of the code provision A.2.1 of the Corporate Governance Code, Mr. Pan Jun is the chairman of the Board and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Pan and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all the Directors and all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

## THE BOARD

### Responsibilities

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

Further, the Board is in charge of the task of maximizing the financial performance of the Company, formulating strategies and management policies of the Group, approving strategic objectives and is responsible for providing the shareholders with a long-term return with stable and continuous growth.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

### Composition and qualification requirements

The Board currently comprises of five executive directors, being Mr. Pan Jun (Chairman), Ms. Zeng Jie, Baby, Mr. Ke Kasheng, Mr. Zhang Huiming and Mr. Chen Xinyu, one non-executive director, being Mr. Liao Qian and four independent non-executive directors, being Mr. Ho Man, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu. Biographical details of each Director are set out on pages 32 to 36.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board.

Save as disclosed herein, throughout the year ended 31 December 2020 and up to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Company is of the view that all the independent non-executive directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

On-site photo of show house of Tianjin Fantasia Jinshanghua Project

## Board meetings and annual general meeting

The Board meets on a regular basis and five board meetings and one annual general meeting for the year ended 31 December 2020 were held during the year. The individual attendance record is as follows:

| Directors | No. of Board meetings attended/ No. of Board meetings held | AGM |
|---|---|---|
| Executive Directors | | |
| Mr. Pan Jun | 5/5 | 1/1 |
| Ms. Zeng Jie, Baby | 5/5 | 1/1 |
| Mr. Ke Kasheng | 5/5 | 1/1 |
| Mr. Zhang Huiming | 5/5 | 1/1 |
| Mr. Chen Xinyu | 5/5 | 1/1 |
| Non-executive Directors | | |
| Mr. Li Dong Sheng (retired on 29 May 2020) | 2/5 | 0/1 |
| Mr. Liao Qian (retired on 29 May 2020 and appointed on 17 December 2020) | 4/5 | 0/1 |
| Independent Non-executive Directors | | |
| Mr. Ho Man | 5/5 | 1/1 |
| Dr. Liao Jianwen | 5/5 | 1/1 |
| Ms. Wong Pui Sze, Priscilla, JP | 5/5 | 1/1 |
| Mr. Guo Shaomu | 5/5 | 1/1 |

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by Directors.

## Appointment and re-election of Directors

All executive directors have entered into service contracts with the Company for a specific term of three years, all non-executive directors have entered into letters of appointment with the Company for a specific term of three years, and all independent non-executive directors have entered into letters of appointment with the Company for a specific term of three years. One-third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with our Company's Articles of Association. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election and those of the other Directors who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting and be eligible for re-election. Any Director appointed pursuant to the aforesaid Article shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

## Internal control

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system of the Group. It has carried out reviews of the existing implemented system and procedures, including control measures of financial and operational compliance and risk management functions of the Group twice per annum.

### Directors' Training and professional development

All directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable induction programme and on-going training and professional development programme for the Directors. Accordingly, the Company will arrange an induction programme for newly appointed director before his/her formal appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements being a newly appointed director. The Company further arranges an on-going training and professional development seminar for Directors.

During the year ended 31 December 2020, all Directors were provided with monthly newsletter on the Group's business, operations and financial matters as well as updates, if any, on applicable legal and regulatory and market changes to facilitate the discharge of their responsibilities. The Company had also regularly circulated reading materials on the amendments to or updates on the relevant laws, rules and regulations to all Directors as part of their training materials in the continuous professional development plan of the Company and the Company confirmed that all Directors read the training materials. Continuing briefings and professional development for directors will be arranged whenever necessary.

All Directors had provided the Company Secretary with their training records for the year ended 31 December 2020.

### Indemnification of Directors and officers

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and chief executive officer of our Company is Mr. Pan Jun. The reasons for the two roles are being performed by the same individual are set out on the section "Corporate Governance Code" of this report.

## BOARD COMMITTEES

To enhance the effectiveness of the management of the Company, the Board has established three committees, namely the audit committee, the nomination committee and the remuneration committee to monitor corresponding aspects of the Company's affairs. The composition and the roles and functions of each committee are summarised as follows.

### Audit Committee

The Company has established the audit committee (the "Audit Committee") in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Audit Committee on 22 December 2015 and 27 March 2019. The revised terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The annual results and the half-yearly results of the Company have been reviewed by the Audit Committee.

Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of the system of internal control of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines is necessary and to perform investigations. The terms of reference of the Audit Committee, which described its authority and duties, are available on the Company's website.

The Audit Committee currently comprises four independent non-executive directors, including Mr. Ho Man,, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu, while Mr. Ho Man is the chairman of the Audit Committee. During the year ended 31 December 2020, the Audit Committee held two meetings. The individual attendance record is as follows:

| Directors | No. of meetings attended/ No. of meetings held |
|---|---|
| Mr. Ho Man (Committee chairman) | 2/2 |
| Dr. Liao Jianwen | 2/2 |
| Ms. Wong Pui Sze, Priscilla, JP | 2/2 |
| Mr. Guo Shaomu | 2/2 |

The major roles and functions of the Audit Committee are to review and monitor the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit.

The Audit Committee also performs the Company's corporate governance functions including:

(a) to develop and review the Company's policies and practices on corporate governance;

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

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

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

(e) to review the Company's compliance with the Corporate Governance Code and disclosures in this corporate governance report.

During the reporting period, the Audit Committee had been provided with the Group's financial statements, internal controls reports and other necessary financial information to consider, review and access significant issues arising from the financial statements, internal controls and work conducted. The Audit Committee also recommended the appointment of external auditors for the Company.

## Remuneration Committee

The Company has established the remuneration committee (the "Remuneration Committee") in compliance with the Listing Rules. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Remuneration Committee on 12 March 2012. The revised terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee currently comprises an executive director, Mr. Pan Jun, and four independent non-executive directors, Mr. Guo Shaomu, Mr. Ho Man, Dr. Liao Jianwen and Ms. Wong Pui Sze, Priscilla, JP, while Mr. Guo Shaomu is the chairman of the Remuneration Committee. During the year ended 31 December 2020, the Remuneration Committee held one meeting. The individual attendance record is as follows:

| Directors | No. of meetings attended/ No. of meetings held |
|---|---|
| Mr. Guo Shaomu (Committee chairman) | 1/1 |
| Mr. Pan Jun | 1/1 |
| Mr. Ho Man | 1/1 |
| Dr. Liao Jianwen | 1/1 |
| Ms. Wong Pui Sze, Priscilla, JP | 1/1 |

The Remuneration Committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive directors and senior management member(s) with reference to the Company's objectives from time to time.

During the year ended 31 December 2020, the Remuneration Committee reviewed, and determined the remuneration package of the Directors and senior management. The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Emolument policy of the Report of the Directors" and note 12 to the financial statements.

## Nomination Committee

The Company has established the nomination committee (the "Nomination Committee") in compliance with the Listing Rules to fulfill the functions of reviewing the structure of and nominating suitable candidates to the Board. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Nomination Committee on 30 August 2013 and 27 March 2019. The revised terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises two executive directors, Mr. Pan Jun and Ms. Zeng Jie, Baby and four independent non-executive directors, Mr. Ho Man, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu, with Mr. Pan Jun as the chairman of the committee. During the year ended 31 December 2020, the Nomination Committee held one meeting. The individual attendance record is as follows:

| **Directors** | **No. of meetings attended/ No. of meetings held** |
|---|---|
| Mr. Pan Jun (Committee chairman) | 1/1 |
| Ms. Zeng Jie, Baby | 1/1 |
| Mr. Ho Man | 1/1 |
| Dr. Liao Jianwen | 1/1 |
| Ms. Wong Pui Sze, Priscilla, JP | 1/1 |
| Mr. Guo Shaomu | 1/1 |

The Nomination Committee shall perform the following duties:

(a) ensure that the Board and its committees consist of directors with the appropriate balance of skills, diversity and knowledge of the Company to enable it to discharge its duties effectively;

(b) assist the Board in succession planning for the Board and senior management;

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

(d) draw up, review and update, as appropriate, the diversity policy for the Board's approval having due regard to the requirements of the Listing Rules, review and update the objectives that the Board has set for implementing such policy;

(e) develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for Directors for the Board's approval. Such criteria include but are not limited to the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(f) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(g) assess the independence of INEDs to determine their eligibility;

(h) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors and senior management, in particular the chairman and the chief executive officer, taking into account all factors which the Nomination Committee considers appropriate including the challenges and opportunities facing the Group and skills and expertise required in the future and ensure that senior management succession planning is discussed at the Board at least once annually;

(i) keep under review the leadership needs and leadership training and development programmes of the Group, with a view to ensuring the continued ability of the Group to function effectively and compete in the market;

(j) evaluate the needs for, and monitor the training and development of, directors;

(k) develop the procedures for the performance evaluation of the Board committees:

  (i) review and assess the skills, knowledge and experience required to serve on various Board committees, and make recommendations on the appointment of members of Board committees and the chairman of each committee;

(ii) recommend candidates to the Board to fill vacancies or new positions on the Board committees as necessary or desirable;

(iii) review the feedback in respect of the role and effectiveness of the Board committees arising from the evaluation of the Board and/or any Board committees and make recommendations for any changes;

(l) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment;

(m) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(n) ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly the expectations of them in terms of time commitment, committee service and involvement outside Board meetings;

(o) review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval;

(p) do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

(q) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

The Nomination Committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the Nomination Committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge with reference to the "Board Diversity Policy" adopted by the Board on 29 August 2013 and the requirements under the Listing Rules. The Board has adopted a board diversity policy (the "Board Diversity Policy") on 29 August 2013 which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

## Summary of the Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

## Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

## Monitoring and Reporting

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy.

The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skill and experience appropriate for the business of the Company.

Based on the above criteria, members of the Nomination Committee have also reviewed the composition of the Board which is determined by directors' skills and experience appropriate to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

During the year ended 31 December 2020, the Nomination Committee accessed the independence of the independent non-executive directors and the Directors to be re-elected at the 2020 annual general meeting of the Company before putting forth for discussion and approval by the Board, and also reviewed the composition of the Board.

## AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2020 is set out in the section headed "Independent Auditors' Report" in this annual report.

During the year, the total remuneration in respect of statutory audit services and non-audit services paid to the Company's auditors, Messrs. Touche Tohmatsu amounted to approximately RMB5,700,000 and RMB10,310,000 respectively.

## INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in order to safeguard the Group's assets and shareholders' interests. The Board will conduct regular review regarding internal control systems of the Group.

During the year ended 31 December 2020, the Audit Committee reviewed and discussed with the Group's internal audit team and the senior management on the adequacy and effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. The Audit Committee further made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board, to identify and manage potential risks of the Group. Besides, the Audit Committee and the Board will also perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

In respect of the year ended 31 December 2020, the Board considered the internal control and risk management system effective and adequate. No significant areas of concern that might affect shareholders were identified during the Relevant Period.

Non-audit services included (i) review of the Company's interim results for the six months ended 30 June 2020; (ii) professional services for the continuing connected transactions of the Company; and (iii) assurance services for Company's bond issuances.

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out on page 67 of the "Independent Auditors' Report" in this annual report.

## COMPANY SECRETARY

In compliance with Rule 3.28 of the Listing Rules, the Company Secretary is a full time employee and has the day-to-day knowledge of the Company's affairs. She is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary confirmed that she has taken no less than 15 hours of relevant professional training.

## SHAREHOLDERS RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures by which enquiries may be put to the Board

Shareholders are provided with contact details of the Company, such as website, telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board or the Company Secretary through the above means. If shareholders have any enquiries in respect of their shareholdings and entitlements to dividend, they may contact Computershare Hong Kong Investor Services Limited, our share registrar from time to time.

## INVESTOR RELATIONS

### Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2020.

### Effective Communication with Shareholders and Investors

As a showpiece of the Company facing the capital market, the Board believes that a transparent and timely disclosure of the Group's latest information will enable the shareholders and investors to have better understanding on the Group's operations and strategies. The Company recognises the importance of maintaining effective investor relations with the existing and potential investors. To enhance the communication between the Company and the investors, as well as to maintain the transparency of the Company, the team of Investor Relations engages in providing effective ways for shareholders and investors to obtain latest company information. In addition to the issue of monthly and quarterly newsletters and interim and annual financial reports, the Company's website at "www.cnfantasia.com" also acts as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. The Company will also actively correspond to any enquiries raised by the shareholders and investors through emails and phone calls. Meanwhile, the Company has also arranged company meetings, telephone conferences, investors meetings, luncheons and site visits, held a number of non-deal road shows and actively participated in a couple of global investors conferences and forums held by investment banks.

The Board also considers that general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee normally attend the annual general meetings and other shareholders' meetings of the Company to reply questions raised.

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnfantasia.com) immediately after the relevant general meetings.

Deloitte. 德勤

**TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED**
*(incorporated in Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 247, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of properties for sale** | |
| We identified the valuation of properties for sale as a key audit matter due to the significant estimates involved in the determination of net realisable value (the "NRV") of the properties for sale. As disclosed in note 27 to the consolidated financial statements, the Group had properties under development for sale of RMB24,598,642,000 and completed properties for sale of RMB8,111,088,000 (collectively referred to as the "properties for sale") as at 31 December 2020, which are situated in the People's Republic of China (the "PRC"). Certain residential properties and carparks of the Group are not located in the downtown with the slim profit margins which indicate possible potential impairment loss on the properties for sale.<br><br>As disclosed in note 4 to the consolidated financial statements, the properties for sale are stated at the lower of cost and the NRV. The NRV is determined by reference to the estimated selling prices of the properties for sale, which takes into account a number of factors including the latest market prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC, less estimated selling expenses and estimated cost to completion.<br><br>The management assessed the NRV of the properties with possible potential impairment indication with reference to the valuations carried out by an independent qualified professional valuer not connected with the Group ("the Valuer"). Based on the management's analysis of the property for sale, no write-downs were considered to be necessary in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. | Our procedures in relation to assessing management's assessment of the valuation of properties for sale included:<br><br>• Assessing the management's process of reviewing the budgeted cost of the properties for sales and the determination of the NRV of properties for sales;<br><br>• Evaluating the reasonableness of the estimated cost to completion of the properties under development for sale, on a sample basis, by comparing it to the actual development cost of similar completed properties and comparing the adjustments made by the management to current market data;<br><br>• Assessing the appropriateness of the estimated selling prices of the properties for sale used by the management with reference to the latest market prices achieved in the same projects or by comparable properties, including an evaluation of the appropriateness of the comparable properties used by the management of the Group based on our knowledge of the Group's business and the PRC real estate industry;<br><br>• Obtaining the valuation reports provided by the Valuer for the residential properties and carparks with possible potential impairment indication and comparing the carrying amounts of the aforesaid residential properties and carparks to the corresponding valuation amounts;<br><br>• Assessing the competence, capabilities and objectivity of the Valuer; and<br><br>• Obtaining the detailed work of the Valuer on the residential properties and carparks with possible potential impairment indication to evaluate the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in the PRC. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Recoverability of trade receivables** | |
| We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations, in evaluating the expected credit loss ("ECL") of trade receivables which may affect the carrying value at the end of the reporting period.<br><br>As disclosed in note 4 to the consolidated financial statements, the management used provision matrix or individual assessment to calculate the ECL of trade receivables and the provision rates are based on debtors' aging and taken into consideration the historical default rates and the forward-looking information. As disclosed in note 30 to the consolidated financial statements, the carrying amount of trade receivables is RMB1,803,735,000 as at 31 December 2020, after net off the allowance for impairment losses of RMB68,915,000, and the allowance for impairment losses of RMB19,077,000 was recognised in profit or loss for the year end 31 December 2020. | Our procedures in relation to assessing the recoverability of trade receivables included:<br><br>• Obtaining an understanding on how the management assess the ECL of trade receivables by apply the ECL model;<br><br>• Testing the integrity of information used by management about the trade receivables which are assessed for ECL individually, on a sample basis, to the source documents, including the terms set out in the sales and purchase agreements, mortgage approval documents from the banks to substantiate the unconditional approval of mortgage facilities granted by the banks to the property buyers regarding the sale by mortgage, bank statements and bank slips regarding the sale by instalments;<br><br>• Testing the integrity of information used by management to develop the provision matrix, including the aging analysis, on a sample basis, to the source documents, including invoices and demand notes;<br><br>• Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rate, probability of default by its customers and forward-looking information; and<br><br>• Evaluating the disclosures regarding the impairment assessment of the trade receivables in note 46 to the consolidated financial statements. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

**Valuation of investment properties**

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the estimates associated with determining the fair value. As disclosed in note 17 to the consolidated financial statements, the investment properties of the Group mainly represent commercial buildings, offices and carparks located in the PRC and carried at RMB10,298,393,000 as at 31 December 2020, including completed investment properties of RMB8,699,993,000 and investment properties under construction of RMB1,598,400,000, which represent 9.8% of the Group's total assets. Gain from change in fair value of investment properties of RMB129,399,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

All of the Group's investment properties are stated at fair value based on valuations performed by the Valuer. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 17 to the consolidated financial statements. The valuations of the completed investment properties are dependent on certain key inputs, including term yield, reversionary yield and adjustment made to account for differences in location. The valuations of investment properties under construction are dependent on gross development values, developer's profit, marketing costs, construction costs to completion, and market unit sales price.

Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included:

- Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement;
- Evaluating the appropriateness of the Valuer's valuation approach to assess if they are consistent with the requirements of HKFRSs and industry norms;
- Obtaining the detailed work of the Valuer, particularly the key inputs to the valuation on completed investment properties including but not limited to the comparable market prices of properties, term yield and reversionary yield of rental income; and the key inputs to the valuation on investment properties under construction including but not limited to the gross development values, developer's profit, marketing costs, construction costs to completion;
- Evaluating the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in the PRC;
- Obtaining the latest budget for construction and other costs of investment properties under construction and checking to the information obtained by the Valuer for the valuation; and
- Evaluating the sensitivity analysis prepared by the management on the key inputs to evaluate the magnitude of their impacts on the fair values and assessing the appropriateness of the disclosures relating to these sensitivity analysis.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of goodwill** | |
| We identified the impairment assessment of goodwill arising on acquisition of property operation businesses through acquisition of subsidiaries as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amount of the cash-generating units to which goodwill has been allocated.<br><br>As disclosed in note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating units to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated. As disclosed in note 22 to the consolidated financial statements, the carrying amount of goodwill of property operation business was RMB2,329,732,000 representing 2.2% of total assets of the Group, the balance of impairment was RMB31,516,000 as at 31 December 2020 and no impairment loss was recognised by the management of the Group during the year ended 31 December 2020. | Our procedures in relation to the impairment assessment of goodwill included:<br><br>• Discussing with the management to understand the key estimations made by the management in the impairment assessment of goodwill including the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated;<br><br>• Evaluating the reasonableness of the growth rates and expected future cash inflows/outflows, including revenue, gross profit and operating expenses estimated, based on the Group's historical financial performance;<br><br>• Evaluating the appropriateness of discount rates applied in the forecast by comparing them to economic and industry data; and<br><br>• Evaluating the reasonableness of the financial budgets approved by the management and the cash flow projections by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognised from sales of completed properties** | |
| We identified revenue recognised from sales of completed properties as a key audit matter as it is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income.<br><br>The Group's revenue from sales of completed properties for the year ended 31 December 2020 amounted to RMB16,382,795,000, which is disclosed in note 5 to the consolidated financial statements, representing 75.3% of the Group's total revenue. As disclosed in note 5 to the consolidated financial statements, revenue from sales of properties is recognised when control of completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable. | Our procedures in relation to revenue recognised from sales of completed properties included:<br><br>• Obtaining an understanding of and assessing the effectiveness of the Group's internal control over the process of transferring the control of completed properties to the customers and determining the point of time at which revenue from sales of properties is recognised;<br><br>• Inspecting, on a sample basis, the terms set out in the sale and purchase agreements to understand the point that the customers obtain the control of the completed properties and the Group has present right to payment and the collection of the consideration is probable; and<br><br>• Evaluating whether the control of completed properties have been transferred to the customers by checking, on a sample basis, to the terms of the sale and purchase agreements, the relevant completion certificate for construction work, the delivery notice sent to the customers and the settlement status of the consideration. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lam Chi Hong.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
25 March 2021

For the year ended at 31 December 2020

| | NOTES | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Revenue | | | |
| Contracts with customers | 5 | 21,586,402 | 18,881,799 |
| Leases | | 172,442 | 199,778 |
| Total revenue | | 21,758,844 | 19,081,577 |
| Cost of sales and services | | (16,414,675) | (13,744,216) |
| Gross profit | 6 | 5,344,169 | 5,337,361 |
| Other income | 7 | 240,461 | 139,944 |
| Other gains and losses | 7 | 2,457,241 | 1,189,403 |
| Impairment losses under expected credit loss model, net of reversal | 8 | (98,522) | (139,628) |
| Change in fair value of investment properties | 17 | 129,399 | (6,165) |
| Recognition of change in fair value of completed properties for sale upon transfer to investment properties | 17 | – | (1,110) |
| Selling and distribution expenses | | (494,623) | (469,538) |
| Administrative expenses | | (1,652,591) | (1,361,840) |
| Finance costs | 9 | (2,902,766) | (1,831,761) |
| Share of results of associates | | 31,420 | 10,738 |
| Share of results of joint ventures | | 2,642 | (29,626) |
| Net gain on disposal of subsidiaries | 43 | 869,283 | 944,903 |
| Profit before tax | 11 | 3,926,113 | 3,782,681 |
| Income tax expense | 10 | (2,174,797) | (2,280,776) |
| Profit for the year | | 1,751,316 | 1,501,905 |
| **Other comprehensive income (expense)** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Fair value change on hedging instruments designated as cash flow hedges | | 10,706 | 439 |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Fair value gain on equity instruments designated at FVTOCI | | 2,866 | 5,483 |
| Deferred taxation effect | | (716) | (1,371) |
| | | 2,150 | 4,112 |
| Other comprehensive income for the year, net of income tax | | 12,856 | 4,551 |
| Total comprehensive income for the year | | 1,764,172 | 1,506,456 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 977,420 | 873,644 |
| Other non-controlling interests | | 773,896 | 628,261 |
| | | 1,751,316 | 1,501,905 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 989,244 | 876,208 |
| Other non-controlling interests | | 774,928 | 630,248 |
| | | 1,764,172 | 1,506,456 |
| Earnings per share – basic (RMB cents) | 14 | 16.94 | 15.15 |
| Earnings per share – diluted (RMB cents) | 14 | 16.85 | 15.08 |

At 31 December 2020

| | NOTES | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | 1,216,526 | 2,172,059 |
| Right-of-use assets | 16 | 697,905 | 1,049,134 |
| Investment properties | 17 | 10,298,393 | 11,924,404 |
| Interests in associates | 18 | 3,562,881 | 757,497 |
| Interests in joint ventures | 19 | 3,369,445 | 2,686,998 |
| Equity instruments designated at fair value through other comprehensive income ("FVTOCI") | 21 | 54,582 | 60,086 |
| Goodwill | 22 | 2,329,732 | 2,398,921 |
| Intangible assets | 23 | 953,461 | 1,129,725 |
| Other receivables | 30 | 679,358 | 610,511 |
| Contract assets | 28 | 14,572 | 22,229 |
| Amounts due from related parties | 24 | 768,889 | 958,190 |
| Pledged bank deposits | 31 | 560,000 | 547,500 |
| Deposits paid for potential acquisitions of subsidiaries and investments in associates and joint ventures | 25 | 4,074,195 | 852,027 |
| Deferred tax assets | 26 | 746,467 | 710,650 |
| | | 29,326,406 | 25,879,931 |
| CURRENT ASSETS | | | |
| Properties for sale | 27 | 32,709,730 | 35,473,562 |
| Inventories | | – | 117,177 |
| Contract assets | 28 | 801,968 | 736,724 |
| Contract costs | 29 | 348,236 | 410,502 |
| Trade and other receivables | 30 | 9,097,375 | 7,864,902 |
| Tax recoverable | | 114,384 | 337,503 |
| Amounts due from related parties | 24 | 5,080,621 | 832,459 |
| Financial assets at fair value through profit or loss ("FVTPL") | 20 | – | 1,449,051 |
| Derivative financial instruments | 40 | – | 1,241 |
| Restricted/pledged bank deposits | 31 | 3,148,103 | 2,117,174 |
| Bank balances and cash | 31 | 24,923,383 | 20,379,733 |
| | | 76,223,800 | 69,720,028 |
| | | 105,550,206 | 95,599,959 |

At 31 December 2020

| | NOTES | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Trade and other payables | 32 | 7,926,045 | 8,398,790 |
| Contract liabilities | 33 | 17,264,645 | 19,160,338 |
| Derivative financial instruments | 40 | 193,780 | 13,759 |
| Amounts due to related parties | 34 | 817,461 | 843,853 |
| Tax liabilities | | 6,464,480 | 6,347,498 |
| Borrowings due within one year | 35 | 3,690,034 | 6,430,202 |
| Lease liabilities due within one year | 36 | 87,234 | 95,181 |
| Senior notes and bonds due within one year | 37 | 14,489,978 | 4,963,714 |
| Asset-backed securities issued | 38 | 20,206 | 87,483 |
| Provisions | 39 | 31,184 | 37,440 |
| | | 50,985,047 | 46,378,258 |
| NET CURRENT ASSETS | | 25,238,753 | 23,341,770 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 54,565,159 | 49,221,701 |
| NON-CURRENT LIABILITIES | | | |
| Derivative financial instruments | 40 | 688 | 18,945 |
| Deferred tax liabilities | 26 | 1,310,494 | 1,569,772 |
| Borrowings due after one year | 35 | 7,505,897 | 7,555,160 |
| Lease liabilities due after one year | 36 | 265,959 | 349,215 |
| Senior notes and bonds due after one year | 37 | 21,158,479 | 19,119,556 |
| Asset-backed securities issued | 38 | – | 17,065 |
| | | 30,241,517 | 28,629,713 |
| NET ASSETS | | 24,323,642 | 20,591,988 |
| CAPITAL AND RESERVES | | | |
| Share capital | 41 | 498,588 | 498,359 |
| Reserves | | 14,030,208 | 13,237,883 |
| Equity attributable to owners of the Company | | 14,528,796 | 13,736,242 |
| Non-controlling interests | | 9,794,846 | 6,855,746 |
| | | 24,323,642 | 20,591,988 |

The consolidated financial statements on pages 75 to 247 were approved and authorised for issue by the board of directors on 25 March 2021 and are signed on its behalf by:

**Mr. Pan Jun**
*Director*

**Mr. Chen Xinyu**
*Director*

| | Attributable to owners of the Company | | | | | | | | | | Attributable to non-controlling interests | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 (note i) | Special reserve RMB'000 (note ii) | Share options reserve RMB'000 (note iii) | Contribution reserve RMB'000 (note iv) | Statutory reserve and discretionary reserve RMB'000 (note v) | Revaluation reserve RMB'000 (note vi) | Hedging reserve RMB'000 | Accumulated profits RMB'000 | Sub-total RMB'000 | Share-based payments reserve of Colour Life RMB'000 (note iii) | Share-based payments reserve of Morning Star RMB'000 (note iii) | Other non-controlling interests RMB'000 | Sub-total RMB'000 | Total RMB'000 |
| At 1 January 2020 | 498,359 | 1,174,950 | 1,090,196 | 16,264 | 40,600 | 235,804 | 8,471 | 439 | 10,671,159 | 13,736,242 | 233,676 | 5,744 | 6,616,326 | 6,855,746 | 20,591,988 |
| Profit for the year | – | – | – | – | – | – | – | – | 977,420 | 977,420 | – | – | 773,896 | 773,896 | 1,751,316 |
| Fair value change on hedging instruments designated as cash flow hedges | – | – | – | – | – | – | – | 10,706 | – | 10,706 | – | – | – | – | 10,706 |
| Fair value gain on equity instruments designated at FVTOCI | – | – | – | – | – | – | 1,490 | – | – | 1,490 | – | – | 1,376 | 1,376 | 2,866 |
| Deferred taxation effect | – | – | – | – | – | – | (372) | – | – | (372) | – | – | (344) | (344) | (716) |
| Other comprehensive income for the year | – | – | – | – | – | – | 1,118 | 10,706 | – | 11,824 | – | – | 1,032 | 1,032 | 12,856 |
| Total comprehensive income for the year | – | – | – | – | – | – | 1,118 | 10,706 | 977,420 | 989,244 | – | – | 774,928 | 774,928 | 1,764,172 |
| Issue of shares upon exercise of share options of the Company | 229 | 3,792 | – | (1,911) | – | – | – | – | – | 2,110 | – | – | – | – | 2,110 |
| Dividend distributed to shareholders of the Company (note 13) | – | (288,384) | – | – | – | – | – | – | – | (288,384) | – | – | – | – | (288,384) |
| Dividend paid to non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | (26,112) | (26,112) | (26,112) |
| Contribution from non-controlling shareholders | – | – | – | – | – | – | – | – | – | – | – | – | 1,976,167 | 1,976,167 | 1,976,167 |
| Recognition of equity-settled share-based payments (note 49) | – | – | – | – | – | – | – | – | – | – | 6,698 | – | – | 6,698 | 6,698 |
| Acquisition of subsidiaries (note 42) | – | – | – | – | – | – | – | – | – | – | – | – | 432,764 | 432,764 | 432,764 |
| Acquisition of additional interests in subsidiaries from non-controlling shareholders (note ix) | – | – | (2,778) | – | – | – | – | – | – | (2,778) | – | – | (7,131) | (7,131) | (9,909) |
| Disposal of subsidiaries (note 43(a)) | – | – | – | – | – | – | – | – | – | – | – | – | (51,727) | (51,727) | (51,727) |
| Deemed disposal of partial interests in a subsidiary without loss of control (note 43(b)) | – | – | 81,924 | – | – | – | – | – | 4,694 | 86,618 | – | – | 103,802 | 103,802 | 190,420 |
| Disposal of partial interests in subsidiaries resulting in loss of control (note 43(c)) | – | – | – | – | – | – | – | – | – | – | – | – | (264,545) | (264,545) | (264,545) |
| Transfer | – | – | – | – | – | 85,586 | – | – | (79,842) | 5,744 | – | (5,744) | – | (5,744) | – |
| At 31 December 2020 | 498,588 | 890,358 | 1,169,342 | 14,353 | 40,600 | 321,390 | 9,589 | 11,145 | 11,573,431 | 14,528,796 | 240,374 | – | 9,554,472 | 9,794,846 | 24,323,642 |

For the year ended 31 December 2020

| | Attributable to owners of the Company | | | | | | | | | | Attributable to non-controlling interests | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 (note i) | Special reserve RMB'000 (note ii) | Share options reserve RMB'000 (note iii) | Contribution reserve RMB'000 (note iv) | Statutory reserve and discretionary reserve RMB'000 (note v) | Revaluation reserve RMB'000 (note vi) | Hedging reserve RMB'000 | Accumulated profits RMB'000 | Sub-total RMB'000 | Share options reserve of Colour Life RMB'000 (note iii) | Share options reserve of Morning Star RMB'000 (note iii) | Other non-controlling interests RMB'000 | Sub-total RMB'000 | Total RMB'000 |
| At 1 January 2019 | 497,945 | 1,366,840 | 930,451 | 17,320 | 40,600 | 144,235 | 6,346 | – | 9,959,791 | 12,963,528 | 220,115 | 5,628 | 6,265,238 | 6,490,981 | 19,454,509 |
| Profit for the year | – | – | – | – | – | – | – | – | 873,644 | 873,644 | – | – | 628,261 | 628,261 | 1,501,905 |
| Fair value change on hedging instruments designated as cash flow hedges | – | – | – | – | – | – | – | 439 | – | 439 | – | – | – | – | 439 |
| Fair value gain on equity instruments designated at FVTOCI | – | – | – | – | – | – | 2,834 | – | – | 2,834 | – | – | 2,649 | 2,649 | 5,483 |
| Deferred taxation effect | – | – | – | – | – | – | (709) | – | – | (709) | – | – | (662) | (662) | (1,371) |
| Other comprehensive income for the year | – | – | – | – | – | – | 2,125 | 439 | – | 2,564 | – | – | 1,987 | 1,987 | 4,551 |
| Total comprehensive income for the year | – | – | – | – | – | – | 2,125 | 439 | 873,644 | 876,208 | – | – | 630,248 | 630,248 | 1,506,456 |
| Issue of shares upon exercise of share options of the Company | 414 | 4,050 | – | (1,056) | – | – | – | – | – | 3,408 | – | – | – | – | 3,408 |
| Issue of shares upon exercise of share options of Colour Life (note vii) | – | – | 17 | – | – | – | – | – | (4) | 13 | (6) | – | 8 | 2 | 15 |
| Dividend distributed to shareholders of the Company (note 13) | – | (195,940) | – | – | – | – | – | – | – | (195,940) | – | – | – | – | (195,940) |
| Dividend paid to non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | (226,830) | (226,830) | (226,830) |
| Contribution from non-controlling shareholders | – | – | – | – | – | – | – | – | – | – | – | – | 42,579 | 42,579 | 42,579 |
| Recognition of equity-settled share-based payments (note 49) | – | – | – | – | – | – | – | – | – | – | 13,567 | 116 | 6,567 | 20,250 | 20,250 |
| Acquisition of subsidiaries (note 42) | – | – | – | – | – | – | – | – | – | – | – | – | 30,825 | 30,825 | 30,825 |
| Acquisition of additional interests in subsidiaries from non-controlling shareholders (note viii) | – | – | (9,882) | – | – | – | – | – | – | (9,882) | – | – | (453,813) | (453,813) | (463,695) |
| Disposal of subsidiaries (note 43(a)) | – | – | – | – | – | – | – | – | – | – | – | – | (14,035) | (14,035) | (14,035) |
| Deemed disposal of partial interests in subsidiaries without loss of control (note 43(b)) | – | – | 169,610 | – | – | – | – | – | (70,703) | 98,907 | – | – | 343,186 | 343,186 | 442,093 |
| Shares repurchased under the share award scheme Colour Life (note 49(d)) | – | – | – | – | – | – | – | – | – | – | – | – | (7,647) | (7,647) | (7,647) |
| Transfer | – | – | – | – | – | 91,569 | – | – | (91,569) | – | – | – | – | – | – |
| At 31 December 2019 | 498,359 | 1,174,950 | 1,090,196 | 16,264 | 40,600 | 235,804 | 8,471 | 439 | 10,671,159 | 13,736,242 | 233,676 | 5,744 | 6,616,326 | 6,855,746 | 20,591,988 |

Notes:

(i) Pursuant to article 16 of the Company's Article of Association, the Company is permitted to pay out dividend from share premium account.

(ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represented the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries after re-attribution.

(iii) Share options reserve represented the share-based payment under share option schemes of the Company, Colour Life Service Group Co., Limited ("Colour Life") and Morning Star Group Limited ("Morning Star"), both of which are subsidiaries of the Company.

(iv) Contribution reserve represented (a) the contribution/distribution to shareholders during the group reorganisation in 2009; (b) the difference between consideration paid and fair value of net assets acquired from related parties; (c) the difference between the consideration received and carrying amount of net assets disposed of to related parties during the Group reorganisation in 2009; and (d) the waiver of shareholder loans in 2009.

(v) The statutory reserve and discretionary reserve attributable to subsidiaries in the People's Republic of China (the "PRC") are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC until the reserve reaches 50% of the registered capital. These reserves can be used to offset accumulated losses, expand the scale of production and business and transfer to capital upon approval from the relevant authorities.

(vi) Revaluation reserve mainly represented surplus arose from (a) the transfer of owner-occupied property to investment properties at the date of change in use; and (b) the accumulated changes in fair value of the equity instruments designated at FVTOCI, net of income tax effect.

(vii) During the year ended 31 December 2019, 3,000 shares of Colour Life were issued upon the exercise of share options of Colour Life. The aggregated net proceeds received by Colour Life from the holders of share options of Colour Life was RMB15,000. The exercise of the share options of Colour Life resulted in the dilution of the Group's percentage of equity interests in Colour Life without loss of control. The difference of RMB17,000 between the aggregated net proceeds received by Colour Life, together with the share-based payments previously recgonised in share options reserve of Colour Life, and the change in share of net assets of Colour Life by non-controlling shareholders after taking into account of the relevant attributable accumulated profits of Colour Life, was credited to special reserve.

(viii) During the year ended 31 December 2020, the Group acquired additional interests in subsidiaries from the non-controlling shareholders at a total consideration of RMB9,909,000 (2019: RMB463,695,000). The difference of RMB2,778,000 (2019: RMB9,882,000) between the consideration paid by the Group and attributable equity interests in the subsidiaries was debited to special reserve.

For the year ended 31 December 2020

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before tax | 3,926,113 | 3,782,681 |
| Adjustments for: | | |
| Change in fair value of investment properties | (129,399) | 6,165 |
| Recognition of change in fair value of completed properties for sale upon transfer to investment properties | – | 1,110 |
| Change in fair value of financial assets at FVTPL | (677,894) | (385,958) |
| Amortisation of intangible assets | 138,685 | 143,043 |
| Depreciation of property, plant and equipment | 230,102 | 250,500 |
| Depreciation of right-of-use assets | 100,199 | 72,830 |
| Share-based payment expenses | 6,698 | 20,250 |
| Loss on disposal of property, plant and equipment | 5,915 | 2,075 |
| Gain on disposal of subsidiaries, associates and joint ventures | (869,283) | (1,056,478) |
| Gain on remeasurement of interests in associates and joint ventures | (193,995) | (989,748) |
| Impairment losses under expected credit loss model, net of reversal | 98,522 | 139,628 |
| Impairment of goodwill | – | 10,000 |
| Impairment of property, plant and equipment | 15,029 | – |
| Revaluation deficit of a property upon transfer to investment properties | – | 24,899 |
| Interest income | (154,776) | (121,816) |
| Finance costs | 2,902,766 | 1,831,761 |
| Loss on repurchase/early redemption of senior notes and bonds and asset-backed securities issued | 5,467 | 4,337 |
| Loss on modification of asset-backed securities issued | – | 1,380 |
| Net foreign exchange (gain) loss | (1,773,297) | 225,681 |
| Fair value change on hedging instruments | 174,890 | 31,902 |
| Share of results of associates | (31,420) | (10,738) |
| Share of results of joint ventures | (2,642) | 29,626 |
| Operating cash flows before movements in working capital | 3,771,680 | 4,013,130 |
| Increase in deposits paid for acquisitions of land use rights | – | 228,703 |
| Increase in properties for sale | (1,213,956) | (3,450,580) |
| Decrease in inventories | 42,623 | 427,230 |
| Decrease (increase) in trade and other receivables | 2,966,334 | (389,688) |
| Decrease (increase) in contract costs | 62,266 | (209,088) |
| Increase in contract assets | (58,859) | (309,941) |
| Increase (decrease) in trade and other payables | 4,954,473 | (1,331,316) |
| (Decrease) increase in contract liabilities | (2,304,196) | 5,304,530 |
| Increase (decrease) in provisions | 1,717 | (3,993) |
| Others | (1,179) | (2,625) |
| Cash generated from operations | 8,220,903 | 4,276,362 |
| Income tax paid | (1,161,349) | (2,002,673) |
| Interest paid | (3,507,511) | (3,614,332) |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES | 3,552,043 | (1,340,643) |

For the year ended 31 December 2020

| | NOTES | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| INVESTING ACTIVITIES | | | |
| Placement of restricted/pledged bank deposits | | (2,592,555) | (3,823,986) |
| Withdrawal of restricted/pledged bank deposits | | 1,443,270 | 3,507,180 |
| Settlement of consideration payables of acquisition of subsidiaries in prior years | | – | (14,000) |
| Settlement of consideration receivables of disposal of subsidiaries | | 24,301 | – |
| Purchases of property, plant and equipment | | (148,384) | (391,991) |
| Payments for right-of-use assets | | (17,048) | (74,148) |
| Proceeds from disposal of property, plant and equipment | | 182,955 | 13,458 |
| Additions to investment properties | | (810,997) | (795,389) |
| Proceeds from disposal of investment properties | | 1,289,422 | 542,423 |
| Purchases of financial assets at FVTPL | | (7,409) | (29,051) |
| Redemption of financial assets at FVTPL | | 35,354 | 1,093,154 |
| Purchases of equity instruments designated at FVTOCI | | 10 | (3,360) |
| Proceeds from disposal of equity instruments designated at FVTOCI | | 8,360 | 308 |
| Acquisition of associates and joint ventures | | (3,852) | (20,660) |
| Capital injection to associates and joint ventures | | (2,540,890) | (100,107) |
| Disposal of associates and joint ventures | | 1,848 | 793,397 |
| Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired) | 42(a) | 63,768 | – |
| Acquisition of property operation businesses (net of cash and cash equivalents acquired) | 42(b) | – | 6,954 |
| Deposits paid for potential acquisition of subsidiaries and investments in associates and joint ventures | | (3,799,733) | (718,268) |
| Deposit refunded for acquisition of subsidiaries | | 595 | – |
| Disposal of subsidiaries (net of cash and cash equivalent disposed of) | 43(a) | (46,910) | 109,460 |
| Deemed disposal of partial interests in a subsidiary without loss of control | 43(b) | 190,420 | – |
| Disposal of partial interests in subsidiaries resulting in loss of control | 43(c) | (1,448,186) | (100,480) |
| Dividend received from joint ventures and associates | | 540 | 49,152 |
| Interest received | | 107,562 | 121,816 |
| Advance of loan receivables | | (198,588) | (117,228) |
| Repayment of loan receivables | | 165,513 | 138,685 |
| Advances to related parties | | (6,356,314) | (1,790,926) |
| Repayment from related parties | | 2,819,554 | 509,587 |
| Deposit paid for acquisition of a property project | | – | (1,856) |
| NET CASH USED IN INVESTING ACTIVITIES | | (11,637,394) | (1,095,876) |

For the year ended 31 December 2020

| | NOTES | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| FINANCING ACTIVITIES | | | |
| Net proceeds from the issuance of senior notes and bonds | 37 | 19,344,195 | 7,443,309 |
| Repayment of senior notes and bonds | 37 | (5,554,627) | (6,197,492) |
| Repurchase/early redemption of senior notes and bonds | 37 | (889,584) | (1,841,030) |
| Repayment of principal receipts under securitisation arrangements | 38 | (85,740) | (85,750) |
| Repurchase of principal receipts under securitisation arrangements | 38 | – | (75,032) |
| New borrowings raised | | 8,461,135 | 5,300,236 |
| Repayment of borrowings | | (10,575,737) | (7,959,810) |
| Repayment of lease liabilities | | (130,786) | (81,358) |
| Issue of shares upon exercise of share options | 49 | 2,110 | 3,423 |
| Dividend paid to shareholders of the Company | | (288,384) | (195,940) |
| Dividend paid to non-controlling shareholders of the subsidiaries | | (26,112) | (226,830) |
| Placement of new shares of Colour Life | | – | 442,093 |
| Contributions from non-controlling shareholders of the subsidiaries | | 1,976,167 | 42,579 |
| Acquisition of additional interest in subsidiaries | | (9,909) | (463,695) |
| Repurchase of shares of Colour Life | | – | (7,647) |
| Advances from related parties | | 1,474,816 | 682,639 |
| Repayments to related parties | | (984,086) | (194,975) |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | | 12,713,458 | (3,415,280) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 4,628,107 | (5,851,799) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 20,379,733 | 26,222,584 |
| Effect of foreign exchange rate changes | | (84,457) | 8,948 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash | | 24,923,383 | 20,379,733 |

## 1. GENERAL

Fantasia Holdings Group Co., Limited (the "Company") is a limited liability company incorporated in Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong ("the SEHK"). Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling shareholder is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 55.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and the major subsidiaries.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

For the year ended 31 December 2020

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform*

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the consolidated financial statements of the Group as the Group's designated hedged items and assessment of hedge effectiveness are not affected by the interest rate benchmark reform.

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

For the year ended 31 December 2020

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and amendments to HKFRSs in issue but not yet effective (continued)

#### Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

#### Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

    (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

    (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

For the year ended 31 December 2020

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group's assessment of onerous contracts in relation to sales of developed properties.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The annual improvements make amendments to the following standards.

*HKFRS 9 Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

*HKFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting policies (continued)

Basis of consolidation (continued)

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

*Optional concentration test*

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets and liabilities is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

*Asset acquisitions*

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

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

*Business combinations*

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangement of the acquire or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

*Business combinations* (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### Acquisition of a subsidiary not constituting a business

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

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for the goodwill arising on the acquisition of associates and joint ventures is described below.

### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates and joint ventures (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- 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 customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

*Output method*

For property management services, value added services, hotel accommodation services and travel agency services, the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

*Input method*

For construction of properties and engineering services, the progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue from contracts with customers (continued)

Contract costs

*Incremental costs of obtaining a contract*

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (mainly sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

### Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of office premises and commercial properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (continued)

The Group as a lessee (continued)

*Right-of-use assets* (continued)

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within “investment properties”.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, 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 the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (continued)

The Group as a lessee (continued)

*Lease liabilities (continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

*Lease modification*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (continued)

The Group as lessor

*Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

*Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

*Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

*Lease modification*

Changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

### Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee Benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

### Share-based Payments

Equity-settled share-based payment transactions

*Shares/share options granted to employees*

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all the relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 *Income Taxes* (i.e. based on the expected manner as to how the properties will be recovered).

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right– of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

### Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets", if any, in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated profits.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties (continued)

Construction costs and interest expense incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating units) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Completed properties/properties under development for sale

Completed properties/properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, completed properties and properties under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to completed properties for sale upon completion.

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

#### Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of fuel pumps are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial assets (continued)

*Classification and subsequent measurement of financial assets* (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial assets (continued)

*Classification and subsequent measurement of financial assets* (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

*Impairment of financial assets and other items subject to impairment assessment under HKFRS 9*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from related parties, restricted/pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets, payments on behalf of residents and lease receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial assets (continued)

*Impairment of financial assets and other items subject to impairment assessment under HKFRS 9* (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (a) it has a low risk of default, (b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial assets (continued)

*Impairment of financial assets and other items subject to impairment assessment under HKFRS 9* (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial assets (continued)

*Impairment of financial assets and other items subject to impairment assessment under HKFRS 9* (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables arising from property operation services, sales of fuel pumps and lease receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Lifetime ECL for certain trade receivables and payments on behalf of residents included in other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of counterparties; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial assets (continued)

*Impairment of financial assets and other items subject to impairment assessment under HKFRS 9* (continued)

(v) Measurement and recognition of ECL (continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables, lease receivables, contract assets, other receivables (including payments on behalf of residents and loan receivables), amount due from a joint venture and financial guarantee contracts where the corresponding adjustment is recognised through a loss allowance account.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial liabilities and equity (continued)

*Financial liabilities at amortised cost*

Financial liabilities including trade and other payables, amounts due to related parties, borrowings, senior notes, bonds and asset-backed securities issued, are subsequently measured at amortised cost, using the effective interest method.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKFRS 9; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

*Derecognition/modification of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial liabilities and equity (continued)

*Senior notes and bonds and asset-backed securities issued*

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

Bonds and asset-backed securities issued by the subsidiaries of the Company that contain both liability and put option (which is closely related to the host contracts) are not separated into host contract and embedded derivatives on initial recognition. At the date of issue, the bonds and asset-backed securities issued are recognised at fair value.

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

Transaction costs that related to the issue of the senior notes and bonds and asset-backed securities issued are included in the carrying amount of the senior notes and bonds and asset-backed securities issued and amortised over the period of the senior notes and bonds and asset-backed securities issued using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

*Embedded derivatives*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

*Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Hedge accounting (continued)

*Cash flow hedges*

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As at 31 December 2020, the carrying amount of deferred taxation on investment properties is RMB1,280,845,000 (2019: RMB1,398,784,000).

### Key sources of estimation uncertainty

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

#### Determination of net realisable value of properties for sale

Properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB32,709,730,000 (2019: RMB35,473,562,000). Cost, including the cost of land, development expenditures, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable expenses, are allocated to each unit in each phase based on saleable gross floor area, using the weighted average method. The net realisable value is the estimated selling price (based on prevailing real estate market conditions in the PRC) less estimated selling expenses and estimated cost to completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be written down on the properties under development for sale and completed properties for sale.

For the year ended 31 December 2020

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

The investment properties of the Group amounting to RMB10,298,393,000 (2019: RMB11,924,404,000) are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation team's findings to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility and may cause further disruptions to the Group's businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Note 17 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

Estimated impairment of goodwill

Determining whether goodwill arising on acquisition of property operation business through acquisition of subsidiaries is impaired requires an estimation of the recoverable amount of the cash-generating units (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) based on five-year financial budgets approved by the management of the Group and a suitable discount rate in order to calculate the present value. The Group engages an independent valuer to assist the estimation. The valuation team of the Group works closely with the independent valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated. The cash flows beyond the five-year period are extrapolated using zero growth rate. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of expected future cash inflows due to unfavourableness, a material impairment loss may arise. As at 31 December 2020, the carrying amount of goodwill net of accumulated impairment loss of RMB31,516,000 (2019: RMB31,516,000) was amounted to RMB2,329,732,000 (2019: RMB2,329,732,000).

Estimated impairment of intangible assets

Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the cash-generating units to which intangible assets have been allocated exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value-in-use calculation requires the Group to estimate the future cash flows from the asset of cash-generating unit and a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2020, the carrying amount of intangible assets net of accumulated impairment loss was RMB953,461,000 (2019: RMB1,129,725,000).

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

#### Provision of ECL for contract assets and payments on behalf of residents included in trade and other receivables

The Group uses collective basis or individual assessment, where appropriate, to calculate ECL for the contract assets and payments on behalf of residents included in trade and other receivables except that contract assets relating to construction of properties are assessed for ECL individually. The estimated loss rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The collective basis is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. As at 31 December 2020, the gross carrying amounts of contract assets and payments on behalf of residents were RMB821,740,000 and RMB1,275,035,000 (2019: RMB762,881,000 and RMB1,072,620,000), respectively, and the balances of allowance for credit losses were RMB5,200,000 and RMB200,944,000 (2019: RMB3,928,000 and RMB152,026,000), respectively.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's contract assets and payments on behalf of residents are disclosed in note 46(b).

#### Provision of ECL for trade receivables (including lease receivables)

The Group uses provision matrix or individual assessment, where appropriate, to calculate ECL for the trade receivables except that trade receivables with significant balances and credit-impaired are assessed for ECL individually. The provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss pattern. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. As at 31 December 2020, the gross carrying amount of trade receivables was RMB1,872,650,000 (2019: RMB2,587,320,000) and the balance of allowance for credit losses was RMB68,915,000 (2019: RMB83,767,000).

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 46.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their LAT calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the LAT based on the management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with the local tax authorities.

As explained in above, the carrying amounts of investment properties are presumed to be recovered entirely through sale, as such deferred tax charge on the fair value change of investment properties has taken into account the LAT payable upon the disposal of these properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the tax losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies. As at 31 December 2020, the carrying amount of deferred tax assets recognised for unused tax losses was RMB169,048,000 (2019: RMB154,938,000). In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sales of the properties, these costs are accrued by the Group based on the management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phase based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of revenue from contracts with customers

**For the year ended 31 December 2020**

| Segments | Property development RMB'000 | Property agency services RMB'000 | Property operation services RMB'000 | Hotel operations RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Types of goods and services** | | | | | | |
| Property development | | | | | | |
| Sales of completed properties | 16,382,795 | – | – | – | – | 16,382,795 |
| Construction of properties | 61,390 | – | – | – | – | 61,390 |
| Property agency services | | | | | | |
| Provision of property agency services | – | 24,980 | – | – | – | 24,980 |
| Property operation services | | | | | | |
| Provision of property management services | – | – | 4,029,953 | – | – | 4,029,953 |
| Provision of value-added services | – | – | 257,567 | – | – | 257,567 |
| Provision of engineering services | – | – | 64,461 | – | – | 64,461 |
| Hotel operations | | | | | | |
| Provision of hotel accommodation services | – | – | – | 99,864 | – | 99,864 |
| Others | | | | | | |
| Property project management and other related services | – | – | – | – | 206,138 | 206,138 |
| Manufacturing and sales of fuel pumps | – | – | – | – | 420,063 | 420,063 |
| Provision of travel agency services | – | – | – | – | 39,191 | 39,191 |
| | 16,444,185 | 24,980 | 4,351,981 | 99,864 | 665,392 | 21,586,402 |
| **Timing of revenue recognition** | | | | | | |
| A point in time | 16,382,795 | 24,980 | – | – | 420,063 | 16,827,838 |
| Over time | 61,390 | – | 4,351,981 | 99,864 | 245,329 | 4,758,564 |
| | 16,444,185 | 24,980 | 4,351,981 | 99,864 | 665,392 | 21,586,402 |

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

| Segments | Property development RMB'000 | Property investment RMB'000 | Property agency services RMB'000 | Property operation services RMB'000 | Hotel operations RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Revenue disclosed in segment information (note 6)** | 16,444,185 | 232,660 | 24,980 | 4,599,431 | 100,116 | 809,110 | 22,210,482 |
| Elimination | – | (60,218) | – | (247,450) | (252) | (143,718) | (451,638) |
| Leases | – | (172,442) | – | – | – | – | (172,442) |
| **Revenue from contracts with customers** | 16,444,185 | – | 24,980 | 4,351,981 | 99,864 | 665,392 | 21,586,402 |

For the year ended 31 December 2020

## 5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

### (i) Disaggregation of revenue from contracts with customers (continued)

For the year ended 31 December 2019

| **Segments** | Property development RMB'000 | Property agency services RMB'000 | Property operation services RMB'000 | Hotel operations RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Types of goods and services** | | | | | | |
| Property development | | | | | | |
| Sales of completed properties | 12,866,088 | – | – | – | – | 12,866,088 |
| Construction of properties | 360,258 | – | – | – | – | 360,258 |
| Property agency services | | | | | | |
| Provision of property agency services | – | 94,332 | – | – | – | 94,332 |
| Property operation services | | | | | | |
| Provision of property management services | – | – | 4,051,304 | – | – | 4,051,304 |
| Provision of value-added services | – | – | 449,334 | – | – | 449,334 |
| Provision of engineering services | – | – | 164,932 | – | – | 164,932 |
| Hotel operations | | | | | | |
| Provision of hotel accommodation services | – | – | – | 123,478 | – | 123,478 |
| Others | | | | | | |
| Manufacturing and sales of fuel pumps | – | – | – | – | 433,348 | 433,348 |
| Provision of travel agency services | – | – | – | – | 338,725 | 338,725 |
| | 13,226,346 | 94,332 | 4,665,570 | 123,478 | 772,073 | 18,881,799 |
| **Timing of revenue recognition** | | | | | | |
| A point in time | 12,866,088 | 94,332 | – | – | 433,348 | 13,393,768 |
| Over time | 360,258 | – | 4,665,570 | 123,478 | 338,725 | 5,488,031 |
| | 13,226,346 | 94,332 | 4,665,570 | 123,478 | 772,073 | 18,881,799 |

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

| **Segments** | Property development RMB'000 | Property investment RMB'000 | Property agency services RMB'000 | Property operation services RMB'000 | Hotel operations RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Revenue disclosed in segment information (note 6)** | 13,235,284 | 204,505 | 94,332 | 4,754,576 | 123,478 | 772,073 | 19,184,248 |
| Elimination | (8,938) | (4,727) | – | (89,006) | – | – | (102,671) |
| Leases | – | (199,778) | – | – | – | – | (199,778) |
| **Revenue from contracts with customers** | 13,226,346 | – | 94,332 | 4,665,570 | 123,478 | 772,073 | 18,881,799 |

## 5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

### (ii) Performance obligations for contracts with customers

The Group recognises revenue from goods and services from the following major sources:

- Sales of completed properties;
- Construction of properties;
- Provision of property agency services;
- Provision of property management services;
- Provision of value-added services;
- Provision of engineering services;
- Provision of hotel accommodation services;
- Provision of property project management and other related services;
- Provision of travel agency services; and
- Manufacturing and sales of fuel pumps.

For sales of completed properties, the Group presold the properties under construction and receives deposits from customers. Revenue is recognised at a point in time when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

For construction of properties, the Group constructs the properties for customers. The construction revenue is recognised as performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for the construction based on the stage of completion of the contract using input method.

For provision of property agency services, agency commission is recognised at a point in time when a buyer and seller execute a legally binding sale agreement and performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

Property management services mainly include property management services under lump sum basis, commission basis and at pre-delivery stage and consultancy services. For property management services, the Group bills a fixed rate for services provided on a monthly/regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

## 5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

### (ii) Performance obligations for contracts with customers (continued)

For property management services income from properties managed under lump sum basis, the Group acts as principal and is primary responsible for providing the property management services to the property owners. As the property owners simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises the commission for providing the property management services to the property management offices of residential communities, which is calculated by certain percentage of the total property management fee charged to the property owners. As the property management offices of residential communities simultaneously receives and consumes the benefit provided by the Group's performance as the Group renders property management services, the Group recognises the fee received or receivables from property management offices of residential communities as its revenue for arranging and monitoring the services as provided by other suppliers to the property management offices of residential communities over time.

For property management services income at pre-delivery stage, the Group acts as principal and is primary responsible for providing the property management services for the property developers. As the property developers simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property developers as its revenue over time and all related property management costs as its cost of services.

For consultancy services income for residential communities under consultancy service arrangement included in property management services, where the Group acts as principal and is primary responsible for providing the consultancy services for the property management companies. The Group agrees the fee for services with the property management companies upfront. As the property management companies simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from the property management companies, as its revenue over time and all related property management costs as its cost of services.

For value-added services, the Group agrees the fixed rate for services with the customers upfront and issues the bill on a monthly/regular basis to the customers which varies based on the actual level of service completed in that month/period. As the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

For engineering services, the Group's performance creates or enhances an asset or work in progress that the customers control as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of satisfaction of the performance obligation.

## 5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

### (ii) Performance obligations for contracts with customers (continued)

For provision of hotel accommodation services, the Group agrees the fixed rate for services with the customers upfront. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

For provision of property project management and other related services, the Group pre-agrees the fixed project management fee income for project management services rendered with the customers. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, thus the revenue is recognised over time when the performance obligations are satisfied.

For provision of travel agency services, the Group agrees the fixed fee income for tour services provided by the Group with the customers upfront. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, thus the revenue is recognised over time when the performance obligations are satisfied.

For manufacturing and sales of fuel pumps, revenue is recognised at a point in time when the customer obtains the control of the fuel pumps, the Group has present right to payment and the collection of the consideration is probable.

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining unsatisfied performance obligations as at 31 December 2020 and the expected timing of recognising revenue are as follows:

| | **Sales of completed properties RMB'000** | **Construction of properties RMB'000** |
|---|---|---|
| Within one year | 11,795,810 | 90,230 |
| More than one year | 5,442,723 | – |

The transaction price allocated to the remaining unsatisfied performance obligations as at 31 December 2019 and the expected timing of recognising revenue are as follows:

| | **Sales of completed properties RMB'000** | **Construction of properties RMB'000** |
|---|---|---|
| Within one year | 9,572,600 | 159,039 |
| More than one year | 10,195,974 | 275,883 |

For the year ended 31 December 2020

## 5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers (continued)

The performance obligation of property agency services, property management services, value-added services, engineering services, hotel accommodation services, property project management and other related services, travel agency services and manufacturing and sales of fuel pumps are parts of the contracts that have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts in relation to these services is not disclosed.

### (iv) Leases

| | **2020** **RMB'000** | **2019** **RMB'000** |
|---|---|---|
| **For operating leases:** | | |
| Total revenue arising from leases | | |
| Operating lease income with fixed lease payments | 172,442 | 199,778 |

## 6. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision makers, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by different type of products sold and services rendered.

The Group has six reportable and operating segments, comprising of property development, property investment, property agency services, property operation services, hotel operation and others (including project management and other related services, travel agency services and manufacturing and sale of fuel pumps).

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of interest income, change in fair value of financial assets at FVTPL and derivative financial instruments, gain on remeasurement of interests in associates and joint ventures, net exchange gain (loss), loss on repurchase, early redemption and modification of senior notes, bonds and asset-backed securities issued, share-based payment expenses, finance costs, share of results of associates and joint ventures, gain on disposal of subsidiaries and associates, central administration costs and directors' salaries. This is a measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

Inter-segment revenues are charged at prevailing market rate.

## 6. SEGMENT INFORMATION (continued)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, equity instruments designated at FVTOCI, financial assets at FVTPL, deposits paid for potential acquisitions of subsidiaries and investments in associates and joint ventures, derivative financial instruments, amounts due from related parties, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

**For the year ended 31 December 2020**

| | Property development RMB'000 | Property investment RMB'000 | Property agency services RMB'000 | Property operation services RMB'000 | Hotel operations RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| Segment revenues | 16,444,185 | 232,660 | 24,980 | 4,599,431 | 100,116 | 809,110 | 22,210,482 |
| Segment results | 2,405,176 | 301,841 | (16,696) | 802,543 | (44,260) | 77,518 | 3,526,122 |
| Segment assets | 39,980,195 | 10,336,549 | 20,047 | 7,862,323 | 989,327 | 209,819 | 59,398,260 |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | |
| Additions to non-current assets (note) | 121,112 | 879,238 | 1,092 | 69,948 | 2,320 | 2,014 | 1,075,724 |
| Gain from change in fair value of investment properties | – | 129,399 | – | – | – | – | 129,399 |
| Impairment of property, plant and equipment | – | – | – | – | 15,029 | – | 15,029 |
| Amortisation of intangible assets | – | – | – | 137,811 | – | 874 | 138,685 |
| Depreciation of property, plant and equipment | 45,691 | 4,593 | 4,018 | 72,317 | 32,081 | 67,290 | 225,990 |
| Depreciation of right-of-use assets | 85,820 | – | – | 8,903 | 377 | – | 95,100 |
| Loss on disposal of property, plant and equipment | 1,960 | – | – | 972 | – | 2,983 | 5,915 |
| Impairment losses under credit loss model, net of reversal | 7,213 | – | – | 91,309 | – | – | 98,522 |

For the year ended 31 December 2020

## 6. SEGMENT INFORMATION (continued)

**For the year ended 31 December 2019**

| | Property development RMB'000 | Property investment RMB'000 | Property agency services RMB'000 | Property operation services RMB'000 | Hotel operations RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| Segment revenues | 13,235,284 | 204,505 | 94,332 | 4,754,576 | 123,478 | 772,073 | 19,184,248 |
| Segment results | 2,328,541 | 205,943 | 78,644 | 959,458 | (30,591) | (28,423) | 3,513,572 |
| Segment assets | 41,555,764 | 11,014,172 | 26,898 | 7,683,934 | 1,128,260 | 3,014,457 | 64,423,485 |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | |
| Additions to non-current assets (note) | 419,098 | 1,104,137 | 2,464 | 311,001 | 2,932 | 28,399 | 1,868,031 |
| Loss from change in fair value of investment properties | – | 6,165 | – | – | – | – | 6,165 |
| Recognition of loss from change in fair value of completed properties for sale upon transfer to investment properties | 1,110 | – | – | – | – | – | 1,110 |
| Revaluation deficit of a property upon transfer to investment properties | – | – | – | – | 24,899 | – | 24,899 |
| Impairment of goodwill | – | – | – | – | – | 10,000 | 10,000 |
| Amortisation of intangible assets | – | – | – | 139,546 | – | 3,497 | 143,043 |
| Depreciation of property, plant and equipment | 54,392 | 4,424 | 4,928 | 71,262 | 35,682 | 74,983 | 245,671 |
| Depreciation of right-of-use assets | 60,982 | – | – | 6,392 | 475 | – | 67,849 |
| Loss on disposal of property, plant and equipment | 1,623 | – | – | 452 | – | – | 2,075 |
| Impairment losses under credit loss model, net of reversal | 43,494 | – | – | 96,134 | – | – | 139,628 |

Note: Additions to non-current assets exclude interests in associates and joint ventures, equity instruments designated at FVTOCI, financial assets at FVTPL, deposits paid for acquisition of land use rights, deposits paid for potential acquisition of subsidiaries and investments in associates and joint ventures, other receivables (non-current) and deferred tax assets.

## 6. SEGMENT INFORMATION (continued)

Reconciliation:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Revenue:** | | |
| Total revenue for operating and reportable segments | 22,210,482 | 19,184,248 |
| Elimination of inter-segment revenues | (451,638) | (102,671) |
| Group's total revenue | 21,758,844 | 19,081,577 |
| **Total segment results** | 3,526,122 | 3,513,572 |
| Elimination of inter-segment results | (97,403) | (45,703) |
| Unallocated amounts: | | |
| Interest income | 154,776 | 121,816 |
| Net exchange gain (loss) | 1,773,297 | (225,681) |
| Fair value change on hedging instruments | (174,890) | (31,902) |
| Change in fair value of financial assets at FVTPL | 677,894 | 385,958 |
| Share-based payment expenses | (6,698) | (20,250) |
| Finance costs | (2,902,766) | (1,831,761) |
| Share of results of associates and joint ventures | 34,062 | (18,888) |
| Gain on disposal of subsidiaries and associates | 869,283 | 1,056,478 |
| Gain on remeasurement of interests in associates and joint ventures | 193,995 | 989,748 |
| Loss on repurchase/early redemption of senior notes and bonds | (5,467) | (4,337) |
| Loss on modification of asset-backed securities issued | – | (1,380) |
| Other unallocated expenses | (116,092) | (104,989) |
| Profit before tax | 3,926,113 | 3,782,681 |

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Assets: | | |
| Total assets for operating and reportable segments | 59,398,260 | 64,423,485 |
| Unallocated assets: | | |
| Interests in associates | 3,562,881 | 757,497 |
| Interests in joint ventures | 3,369,445 | 2,686,998 |
| Deposits paid for potential acquisitions of subsidiaries and investments in associates and joint ventures | 4,074,195 | 852,027 |
| Equity instruments designated at FVTOCI | 54,582 | 60,086 |
| Financial assets at FVTPL | – | 1,449,051 |
| Amounts due from related parties | 5,849,510 | 1,790,649 |
| Restricted/pledged bank deposits | 3,708,103 | 2,664,674 |
| Bank balances and cash | 24,923,383 | 20,379,733 |
| Other unallocated corporate assets | 609,847 | 535,759 |
| Group's total assets | 105,550,206 | 95,599,959 |

## 6. SEGMENT INFORMATION (continued)

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC and the United States of America (the "USA").

During the years ended 31 December 2020 and 2019, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

As the Group's segment liabilities are not regularly reviewed by the chief operating decision makers, the liabilities for each operating segment is therefore not presented.

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| *Additions to non-current assets* | | |
| Reportable segment total | 1,075,724 | 1,868,031 |
| Unallocated amount | 2,981 | 4,982 |
| Group's total | 1,078,705 | 1,873,013 |
| *Depreciation of property, plant and equipment* | | |
| Reportable segment total | 225,990 | 245,671 |
| Unallocated amount | 4,112 | 4,829 |
| Group's total | 230,102 | 250,500 |
| *Depreciation of right-of-use assets* | | |
| Reportable segment total | 95,100 | 67,849 |
| Unallocated amount | 5,099 | 4,981 |
| Group's total | 100,199 | 72,830 |

## 7. OTHER INCOME, GAINS AND LOSSES

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| Other income | | | |
| Interest income | | 154,776 | 121,816 |
| Partial exemption of PRC value-added tax | | 59,893 | 16,740 |
| Unconditional government grants | | 25,792 | 1,388 |
| | | 240,461 | 139,944 |
| Other gains and losses | | | |
| Change in fair value of financial assets at FVTPL | | 677,894 | 385,958 |
| Gain on remeasurement of interests in associates and joint ventures | 42/43(c) | 193,995 | 989,748 |
| Gain on disposal of an associate | 18(c) | – | 111,575 |
| Net exchange gain (loss) | | 1,773,297 | (225,681) |
| Fair value change on hedging instruments | | (174,890) | (31,902) |
| Loss on repurchase/early redemption of senior notes and bonds and asset-backed securities issued | | (5,467) | (4,337) |
| Loss on modification of asset-backed securities issued | | – | (1,380) |
| Loss on disposal of plant, property and equipment | | (5,915) | (2,075) |
| Revaluation deficit of a property upon transfer to investment properties | | – | (24,899) |
| Impairment of property, plant and equipment | | (15,029) | – |
| Impairment of goodwill | 22 | – | (10,000) |
| Others | | 13,356 | 2,396 |
| | | 2,457,241 | 1,189,403 |

## 8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Impairment loss recognised on | | |
| – trade and other receivables | (93,240) | (130,444) |
| – amount due from a related party | (4,010) | (8,606) |
| – contract assets | (1,272) | (578) |
| | (98,522) | (139,628) |

Details of impairment assessment are set out in note 46.

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## 9. FINANCE COSTS

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Interest on: | | |
| – bank and other borrowings | 1,044,242 | 1,294,709 |
| – senior notes and bonds | 2,956,468 | 2,382,217 |
| – lease liabilities | 27,441 | 35,745 |
| – asset-backed securities issued | 7,715 | 20,861 |
| | 4,035,866 | 3,733,532 |
| Imputed interest expenses arising from deposits received from sales of properties | 998,137 | 798,093 |
| | 5,034,003 | 4,531,625 |
| Less: Amount capitalised in properties under development for sale | (2,065,242) | (2,630,912) |
| Amount capitalised in investment properties under construction | (63,021) | (65,570) |
| Amount capitalised in construction in progress | (2,974) | (3,382) |
| | 2,902,766 | 1,831,761 |

During the year ended 31 December 2020, certain amounts of finance costs capitalised arose from the general borrowing pool and were calculated by applying the capitalisation rate of 10.2% (2019: 10.1%) per annum to expenditures on qualifying assets.

## 10. INCOME TAX EXPENSE

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current tax in the PRC | | |
| EIT | | |
| – Current year | 1,641,003 | 1,718,780 |
| – Over provision in respect of prior year | – | (28,886) |
| | 1,641,003 | 1,689,894 |
| LAT | 978,492 | 923,335 |
| | 2,619,495 | 2,613,229 |
| Deferred tax (note 26) | | |
| Credit to profit and loss | (444,698) | (332,453) |
| | 2,174,797 | 2,280,776 |

## 10. INCOME TAX EXPENSE (continued)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's EIT is calculated based on the applicable tax rate on assessable profits, if applicable.

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 cost of land use rights and all property development expenditures.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| Profit before tax | | 3,926,113 | 3,782,681 |
| Tax at PRC EIT rate of 25% (2019: 25%) | (a) | 981,528 | 945,670 |
| Tax effect of share of results of associates and joint ventures | | (8,516) | 4,722 |
| Tax effect of income not taxable for tax purpose | | (487,031) | (250,929) |
| Tax effect of expenses not deductible for tax purpose | (b) | 772,961 | 606,595 |
| Tax effect of tax losses not recognised | | 404,083 | 366,477 |
| Utilisation of tax losses previously not recognised | | (186,568) | (35,481) |
| LAT | | 978,492 | 923,335 |
| Tax effect of LAT | | (244,623) | (230,834) |
| Tax effect of tax rate differential of certain subsidiaries with preferential tax rate | (c) | (43,747) | (54,404) |
| Others | | 8,218 | 5,625 |
| Income tax expense for the year | | 2,174,797 | 2,280,776 |

Notes:

(a) Majority of the assessable profits of the Group were derived from subsidiaries situated in the PRC and the applicable EIT rate of those subsidiaries is 25%.

(b) The amounts for the years ended 31 December 2020 and 2019 mainly represented the tax effect of expenses incurred by offshore companies, including the interest on senior notes, share-based payment expenses, exchange loss, loss on repurchase, early redemption and modification of senior notes and bonds and asset-backed securities issued, change in fair value of derivative financial instruments, impairment of goodwill and professional fees.

(c) The different tax rates mainly come from certain PRC companies, which are regarded as advanced technology enterprise or engaged in the encouraged industries by local governments, are entitled to the PRC income tax at a preferential rate of 15% for both the years ended 31 December 2020 and 2019.

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## 11. PROFIT FOR THE YEAR

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Directors' emoluments (note 12) | 24,969 | 28,101 |
| Other staff's salaries and allowances | 2,340,807 | 2,128,785 |
| Retirement benefit scheme contributions | 130,447 | 213,725 |
| Share-based payments | 6,698 | 19,871 |
| Total staff costs | 2,502,921 | 2,390,482 |
| Less: Amount capitalised in properties under development for sale | (194,132) | (294,909) |
| | 2,308,789 | 2,095,573 |
| Auditor's remuneration | 5,700 | 5,600 |
| Depreciation of property, plant and equipment | 230,102 | 250,500 |
| Depreciation of right-of-use assets | 100,199 | 72,830 |
| Amortisation of intangible assets (included in cost of sales and services) | 138,685 | 143,043 |
| Loss on disposal of property, plant and equipment | 5,915 | 2,075 |
| Cost of properties sold recognised as an expense | 12,105,061 | 9,565,097 |

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS

The emoluments paid or payable to the directors and the chief executive disclosed pursuant to the applicable Listing Rules and CO were as follows:

| | Fees RMB'000 | Salaries and other benefits RMB'000 | Discretionary bonus RMB'000 | Retirement benefit scheme contributions RMB'000 | Share-based payments RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2020** | | | | | | |
| *Executive directors:* | | | | | | |
| Mr. Pan Jun (潘軍) (note i) | – | 4,162 | 1,800 | 38 | – | 6,000 |
| Ms. Zeng Jie, Baby (曾寶寶) | – | 4,162 | 1,800 | 38 | – | 6,000 |
| Mr. Ke Kasheng (柯卡生) (note iii) | – | 2,940 | 1,260 | – | – | 4,200 |
| Mr. Zhang Huiming (張惠明) (note iii) | – | 2,762 | 1,200 | 38 | – | 4,000 |
| Mr. Chen Xinyu (陳新禹) (note iii) | – | 2,504 | 1,080 | 16 | – | 3,600 |
| *Non-executive directors:* | | | | | | |
| Mr. Li Dongsheng (李東生) (note ii) | 99 | – | – | – | – | 99 |
| Mr. Liao Qian (廖騫) (note iv) | 110 | – | – | – | – | 110 |
| *Independent non-executive directors:* | | | | | | |
| Mr. He Min (何敏) | 240 | – | – | – | – | 240 |
| Mr. Liao Jianwen (廖建文) | 240 | – | – | – | – | 240 |
| Ms. Wong Pui Sze (王沛詩) | 240 | – | – | – | – | 240 |
| Mr. Guo Shaomu (郭少牧) | 240 | – | – | – | – | 240 |
| | 1,169 | 16,530 | 7,140 | 130 | – | 24,969 |
| **For the year ended 31 December 2019** | | | | | | |
| *Executive directors:* | | | | | | |
| Mr. Pan Jun (潘軍) (note i) | – | 4,259 | 1,628 | 75 | 379 | 6,341 |
| Ms. Zeng Jie, Baby (曾寶寶) | – | 4,259 | 1,628 | 75 | – | 5,962 |
| Mr. Deng Bo (鄧波) (note vi) | – | 1,668 | 615 | 75 | – | 2,358 |
| Mr. Ke Kasheng (柯卡生) (note iii) | – | 3,150 | 1,050 | – | – | 4,200 |
| Mr. Zhang Huiming (張惠明) (note iii) | – | 3,239 | 692 | 69 | – | 4,000 |
| Mr. Chen Xinyu (陳新禹) (note iii) | – | 2,544 | 1,045 | 11 | – | 3,600 |
| *Non-executive directors:* | | | | | | |
| Mr. Li Dongsheng (李東生) | 240 | – | – | – | – | 240 |
| Mr. Liao Qian (廖騫) | 240 | – | – | – | – | 240 |
| Mr. Lam Kam Tong (林錦堂) (note v) | 100 | – | – | – | – | 100 |
| *Independent non-executive directors:* | | | | | | |
| Mr. He Min (何敏) | 240 | – | – | – | – | 240 |
| Mr. Huang Ming (黃明) (note vi) | 100 | – | – | – | – | 100 |
| Mr. Liao Jianwen (廖建文) | 240 | – | – | – | – | 240 |
| Ms. Wong Pui Sze (王沛詩) | 240 | – | – | – | – | 240 |
| Mr. Guo Shaomu (郭少牧) | 240 | – | – | – | – | 240 |
| | 1,640 | 19,119 | 6,658 | 305 | 379 | 28,101 |

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## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS (continued)

Notes:

(i) Mr. Pan Jun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) Mr. Li Dongsheng resigned on 30 May 2020.

(iii) Mr. Ke Kasheng, Mr. Zhang Huiming and Mr. Chen Xinyu were appointed as executive directors on 30 May 2019.

(iv) Mr. Liao Qian was resigned on 29 May 2020 and re-appointed as non-executive director on 17 December 2020.

(v) Mr. Lam Kam Tong resigned as a non-executive director of the Company on 30 May 2019.

(vi) Mr. Deng Bo and Mr. Huang Ming resigned on 30 May 2019.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

### Five highest paid employees

The five individuals with the highest emoluments in the Group included two (2019: two) directors for the year ended 31 December 2020. Details of their emoluments are set out above. The emoluments of the remaining three (2019: three) of the five highest paid individuals is as follows:

| | **2020**<br>**RMB'000** | **2019**<br>**RMB'000** |
|---|---:|---:|
| Salaries and allowances | 7,911 | 7,218 |
| Discretionary bonus | 6,659 | 8,084 |
| Retirement benefit scheme contributions | 129 | 210 |
| | 14,699 | 15,512 |

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS (continued)

### Five highest paid employees (continued)

Their emoluments were within the following band:

| | **2020** **No. of employees** | **2019** **No. of employees** |
|---|---|---|
| HKD5,000,001 to HKD5,500,000 | 2 | 1 |
| HKD5,500,001 to HKD6,000,000 | 1 | 1 |
| HKD6,000,001 to HKD6,500,000 | – | 1 |

During the years ended 31 December 2020 and 2019, no remuneration was paid by the Group to any of the directors, chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive waived any remuneration for both the years ended 31 December 2020 and 2019.

## 13. DIVIDENDS

During the year ended 31 December 2020, a final dividend in respect of the year ended 31 December 2019 of RMB5.0 cents (2019: final dividend in respect of the year ended 31 December 2018 of HK4.0 cents, equivalent to RMB3.4 cents) per share was declared and RMB288,384,000 (2019: RMB195,940,000) was paid to the owners of the Company.

Subsequent to the end of the reporting period, a final dividend in respect of year ended 31 December 2020 of RMB5.93 cents (2019: final dividend in respect of year ended 31 December 2019 of RMB5.0 cents) per share amounting to approximately RMB342,173,000 has been proposed by the directors for approval by the shareholders in the annual general meeting.

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## 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

| | 2020 | 2019 |
|---|---|---|
| **Earnings (RMB'000)** | | |
| Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company) | 977,420 | 873,644 |
| **Number of shares ('000)** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 5,768,814 | 5,765,630 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 32,851 | 29,373 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 5,801,665 | 5,795,003 |

The computation of diluted earnings per share for the years ended 31 December 2020 and 2019 does not take into account the effect of the share option granted by Colour Life, a non wholly-owned subsidiary of the Company, since the exercise price of the share options was higher than the average market price of the Colour Life's share.

The computation of diluted earnings per share for both the years ended 31 December 2020 and 2019 does not take into account the effect of the share options granted by Morning Star, a wholly owned subsidiary of the Company, since Morning Star was loss-making for both years and the exercise of share options would result in an increase in earnings per share.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Hotel buildings RMB'000 | Leasehold land and buildings RMB'000 | Renovations and leasehold improvements RMB'000 | Furniture, fixtures and equipment RMB'000 | Transportation equipment RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| At 1 January 2019 | 979,204 | 281,364 | 246,040 | 501,434 | 37,593 | 618,803 | 2,664,438 |
| Transfer upon completion | – | 456,475 | – | 78,488 | – | (534,963) | – |
| Additions | – | 46,780 | 88,792 | 86,226 | 4,202 | 169,373 | 395,373 |
| Acquisition of subsidiaries (note 42) | – | – | – | 398 | – | – | 398 |
| Transfer to investment properties | (66,813) | – | – | – | – | – | (66,813) |
| Disposal of subsidiaries (note 43) | – | – | (1,219) | (6,821) | – | – | (8,040) |
| Disposals | – | – | – | (23,172) | (1,554) | – | (24,726) |
| At 31 December 2019 | 912,391 | 784,619 | 333,613 | 636,553 | 40,241 | 253,213 | 2,960,630 |
| Transfer upon completion | – | 76,425 | – | 27,964 | – | (104,389) | – |
| Additions | – | – | 50,109 | 61,671 | 9,641 | 29,937 | 151,358 |
| Transfer from right-of-use assets (note 16) | – | – | – | – | 62,397 | – | 62,397 |
| Disposal of subsidiaries (note 43) | (65,512) | (551,253) | (6,503) | (148,242) | (5,467) | (51,770) | (828,747) |
| Disposals | – | – | – | (223,583) | (2,388) | – | (225,971) |
| At 31 December 2020 | 846,879 | 309,791 | 377,219 | 354,363 | 104,424 | 126,991 | 2,119,667 |
| **DEPRECIATION AND IMPAIRMENT** | | | | | | | |
| At 1 January 2019 | 144,763 | 74,219 | 154,561 | 185,601 | 15,756 | – | 574,900 |
| Provided for the year | 28,762 | 42,414 | 68,278 | 100,833 | 10,213 | – | 250,500 |
| Transfer to investment properties | (23,802) | – | – | – | – | – | (23,802) |
| Eliminated on disposal of subsidiaries (note 43) | – | – | (913) | (2,921) | – | – | (3,834) |
| Eliminated on disposals | – | – | – | (7,798) | (1,395) | – | (9,193) |
| At 31 December 2019 | 149,723 | 116,633 | 221,926 | 275,715 | 24,574 | – | 788,571 |
| Provided for the year | 29,122 | 42,899 | 68,828 | 79,142 | 10,111 | – | 230,102 |
| Transfer from right-of-use assets (note 16) | – | – | – | – | 16,230 | – | 16,230 |
| Impairment loss recognised in profit or loss | 15,029 | – | – | – | – | – | 15,029 |
| Eliminated on disposal of subsidiaries (note 43) | (36,086) | (4,265) | (109) | (67,062) | (2,168) | – | (109,690) |
| Eliminated on disposals | – | – | – | (34,911) | (2,190) | – | (37,101) |
| At 31 December 2020 | 157,788 | 155,267 | 290,645 | 252,884 | 46,557 | – | 903,141 |
| **CARRYING AMOUNTS** | | | | | | | |
| At 31 December 2020 | 689,091 | 154,524 | 86,574 | 101,479 | 57,867 | 126,991 | 1,216,526 |
| At 31 December 2019 | 762,668 | 667,986 | 111,687 | 360,838 | 15,667 | 253,213 | 2,172,059 |

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## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis at the following useful lives:

| | |
|---|---|
| Hotel buildings | Over the shorter of the term of lease or 20 years |
| Leasehold land and buildings | Over the shorter of the term of lease or 50 years |
| Renovations and leasehold improvements | Over the shorter of the term of lease or 5 to 10 years |
| Furniture, fixtures and equipment | 5 years |
| Transportation equipment | 5 to 15 years |

The hotel buildings and leasehold land and buildings are all situated on land in the PRC and the USA.

As at 31 December 2020, certain of the Group's leasehold land and buildings and hotel buildings with carrying amounts of RMB513,832,000 (2019: RMB575,845,000) were pledged to banks to secure the banking facilities granted to the Group.

During the year ended 31 December 2019, a hotel building with carrying amount of RMB18,112,000 (net off the impairment loss of RMB24,899,000 recognised in profit or loss) was transferred to investment properties upon change in use as evidenced by inception of operating leases.

During the year ended 31 December 2020, the performance of hotel segment was declined due to COVID-19 and unfavourable market condition which seriously affected the financial performance of tourism industry. The management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of the hotel CGUs. The recoverable amount of the hotel CGUs are estimated individually.

The recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering the following 5 years with a pre-tax discount rates ranging from 9.6% to 9.7% as at 31 December 2020, respectively. The annual growth rate used ranges from 5% to 20% which are based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using 3.25% growth rate. The growth rates and discount rate have been reassessed as at 31 December 2020 taking into consideration higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the hotel CGU amounting to RMB704,120,000 is lower than the carrying amount. The impairment amount has been allocated to the hotel buildings included in property, plant and equipment such that the carrying amount of the hotel buildings is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment of RMB15,029,000 has been recognised against the carrying amount of hotel buildings.

## 16. RIGHT-OF-USE ASSETS

| | Leasehold lands RMB'000 | Office premises RMB'000 | Transportation equipment RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **As at 31 December 2020** | | | | |
| Carrying amount | 137,498 | 188,405 | 372,002 | 697,905 |
| **As at 31 December 2019** | | | | |
| Carrying amount | 376,689 | 208,824 | 463,621 | 1,049,134 |
| **For the year ended 31 December 2020** | | | | |
| Depreciation charge | 14,141 | 40,606 | 45,452 | 100,199 |
| **For the year ended 31 December 2019** | | | | |
| Depreciation charge | 5,459 | 23,724 | 43,647 | 72,830 |

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Expense relating to short-term leases and other leases with lease terms ended within 12 months from the date of initial application of HKFRS 16 | 22,755 | 36,543 |
| Expense relating to leases of low-value assets, excluding short-term leases and other leases with lease terms ended within 12 months from the date of initial application of HKFRS 16, of low value assets | 3,400 | 1,555 |
| Total cash outflow for leases | 173,989 | 229,349 |
| Additions to right-of-use assets | 41,281 | 425,438 |

For both years, the Group leases office premises and transportation equipment for its operations. Lease contracts are entered into for fixed term of 5 months to 31 years. Certain leases of equipment were accounted for as finance leases and carried interest ranged from 7.73% to 10.24% per annum. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several hotel buildings and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has no extension and/or termination options in the leases for lands and office premises.

During the year ended 31 December 2020, the Group obtained ownership of a transportation equipment upon the early repayment of lease liabilities in full and exercise of the purchase option, the cost of the transportation equipment amounting to RMB62,397,000 and accumulated depreciation amounting to RMB16,230,000 are transferred to property, plant and equipment.

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## 17. INVESTMENT PROPERTIES

The Group leases out properties under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 20 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

For the years ended 31 December 2020 and 2019, no payment is made for acquiring leasehold lands.

| | **Completed investment properties RMB'000** | **Investment properties under construction RMB'000** | **Leasehold lands held for undetermined future use RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| At 1 January 2019 | 8,796,779 | 1,719,198 | 154,750 | 10,670,727 |
| Additions | – | 899,132 | – | 899,132 |
| Transfer from completed properties for sale | 1,018,083 | – | – | 1,018,083 |
| Transfer from property, plant and equipment (note 15) | 18,112 | – | – | 18,112 |
| Transfer from right-of-use assets (note 16) | 21,688 | – | – | 21,688 |
| Transfer to properties for sale under development upon the commencement of construction work | – | – | (154,750) | (154,750) |
| Net change in fair value recognised in profit or loss | (203,966) | 197,801 | – | (6,165) |
| Transfer upon completion of construction work | 964,031 | (964,031) | – | – |
| Disposals | (542,423) | – | – | (542,423) |
| At 31 December 2019 | 10,072,304 | 1,852,100 | – | 11,924,404 |
| Additions | 12,048 | 874,018 | – | 886,066 |
| Net change in fair value recognised in profit or loss | (121,058) | 250,457 | – | 129,399 |
| Transfer upon completion of construction work | 844,675 | (844,675) | – | – |
| Disposal of subsidiaries (note 43(a) and (c)) | (818,554) | (533,500) | – | (1,352,054) |
| Disposals | (1,289,422) | – | – | (1,289,422) |
| At 31 December 2020 | 8,699,993 | 1,598,400 | – | 10,298,393 |
| Unrealised (loss) gain on property revaluation included in profit or loss for the year ended 31 December 2020 (note) | (168,660) | 250,457 | – | 81,797 |
| Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2019 (note) | 5,273 | 131,529 | – | 136,802 |

Note: Unrealised (loss) gain on property revaluation included change in fair value of investment properties and change in fair value of completed properties for sale upon transfer to investment properties which have been presented on the face of the consolidated statement of profit or loss and other comprehensive income.

## 17. INVESTMENT PROPERTIES (continued)

As at 31 December 2020, the fair value of the Group's completed investment properties of RMB8,699,993,000 (2019: RMB10,072,304,000) and investment properties under development of RMB1,598,400,000 (2019: RMB1,852,100,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited, an independent qualified professional valuers which are not connected with the Group, which has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

As at 31 December 2020, investment properties with fair value of RMB851,175,000 (2019: RMB946,287,000) represented completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied according to the relevant laws and regulations in the PRC.

As at 31 December 2020, certain of the Group's completed investment properties with an aggregate fair value of RMB2,501,907,000 (2019: RMB4,673,918,000) were pledged to banks to secure the banking facilities granted to the Group.

The valuations of completed investment properties as at 31 December 2020 and 2019 are determined by income capitalisation method and direct comparison method. Income capitalisation method is arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under construction as at 31 December 2020 and 2019 are arrived at by residual method and direct comparison method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development. Direct comparison approach is arrived at by reference to comparable market transactions and suppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors. In estimating the fair value of the properties, highest and best use of the properties is their current use.

All of the Group's property interests held under operating leases to earn rentals are classified and accounted for as investment properties and are measured using the fair value model.

The following table gives information about how the fair values of these investment properties as at 31 December 2020 and 2019 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are under Level 3 as the inputs to the fair value measurements is unobservable.

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## 17. INVESTMENT PROPERTIES (continued)

| Investment properties held by the Group | Fair value as at 31 December 2020 RMB'000 | Location | Fair value hierarchy | Valuation techniques and key inputs | Significant observable/ unobservable inputs | Range | Sensitivity |
|---|---|---|---|---|---|---|---|
| Completed investment properties | 7,608,308 | Shenzhen, Tianjin, Chengdu, Nanjing, Dongguan, Guilin, Wuhan, Suzhou, Shanghai, Huizhou | Level 3 | Income capitalisation method – income capitalisation of the net income and made provisions for reversionary income potential. | 1. Term yield | 2.0% – 6.0% | A significant increase/decrease in term yield would result in significant decrease/increase in fair value. |
| | | | | | 2. Reversionary yield | 2.5% – 6.5% | A significant increase/decrease in reversionary yield would result in significant decrease/ increase in fair value. |
| Completed investment properties | 1,091,685 | Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin, Nanjing, Shanghai, Chengdu, Nantong, Wuxi, Jingzhou, Jiujiang, Wenzhou, Kunming, Changzhou, Hangzhou, Yantai, Dalian, Taiyuan and Baotou | Level 3 | Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property. | 1. Market unit sales price (RMB/sqm) | 3,200 – 120,000 | A significant increase/decrease in market unit sales price would result in significant increase/ decrease in fair value. |
| | | | | | 2. Adjustment made to account for differences in location | 1% – 22% | A significant increase/decrease in adjustment would result in significant decrease/increase in fair value. |
| Investment properties under construction | 1,248,300 | Chengdu, Wuhan | Level 3 | Residual method – based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs. | 1. Gross development value on completion basis (RMB'000) | 743,000 – 1,014,700 | A significant increase/decrease in gross development value would result in significant increase/decrease in fair value. |
| | | | | | 2. Developer's profit | 8% – 15% | A significant increase/decrease in developer's profit would result in significant decrease/ increase in fair value. |
| | | | | | 3. Marketing costs | 4% | A significant increase/decrease in marketing costs would not result in significant decrease/ increase in fair value. |
| | | | | | 4. Construction costs to completion (RMB'000) | 101,420 – 250,000 | A significant increase/decrease in construction costs to completion would result in significant decrease/increase in fair value. |
| Investment properties under construction | 350,100 | Nanjing | Level 3 | Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands. | 1. Market unit sales price (RMB/sqm) | 1,500 – 2,100 | A significant increase/decrease in market unit sales price would result in significant increase/ decrease in fair value. |
| | | | | | 2. Adjustment made to account for differences in location | 8% | A significant increase/decrease in adjustment would result in significant decrease/increase in fair value. |
| | 10,298,393 | | | | | | |

## 17. INVESTMENT PROPERTIES (continued)

| Investment properties held by the Group | Fair value as at 31 December 2020 RMB'000 | Location | Fair value hierarchy | Valuation techniques and key inputs | Significant observable/ unobservable inputs | Range | Sensitivity |
|---|---|---|---|---|---|---|---|
| Completed investment properties | 8,504,760 | Shenzhen, Tianjin, Chengdu, Nanjing, Dongguan, Guilin, Wuhan, Suzhou, Shanghai, Huizhou | Level 3 | Income capitalisation method – income capitalisation of the net income and made provisions for reversionary income potential. | 1. Term yield | 2.5% – 6.0% | A significant increase/decrease in term yield would result in significant decrease/increase in fair value. |
| | | | | | 2. Reversionary yield | 3.0% – 6.5% | A significant increase/decrease in reversionary yield would result in significant decrease/ increase in fair value. |
| Completed investment properties | 1,567,544 | Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin, Shanghai, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Wenzhou, Kunming, Changzhou, Hangzhou, Yantai, Dalian, Taiyuan and Jiangsu | Level 3 | Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property. | 1. Market unit sales price (RMB/sqm) | 2,500 – 73,900 | A significant increase/decrease in market unit sales price would result in significant increase/ decrease in fair value. |
| | | | | | 2. Adjustment made to account for differences in location | 3.0% – 10.0% | A significant increase/decrease in adjustment would result in significant decrease/increase in fair value. |
| Investment properties under construction | 527,400 | Hangzhou | Level 3 | Residual method – based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs. | 1. Gross development value on completion basis (RMB'000) | 1,856,000 | A significant increase/decrease in gross development value would result in significant increase/decrease in fair value. |
| | | | | | 2. Developer's profit | 12.0% – 14.0% | A significant increase/decrease in developer's profit would result in significant decrease/ increase in fair value. |
| | | | | | 3. Marketing costs | 4% | A significant increase/decrease in marketing costs would not result in significant decrease/ increase in fair value. |
| | | | | | 4. Construction costs to completion (RMB'000) | 956,590 | A significant increase/decrease in construction costs to completion would result in significant decrease/increase in fair value. |
| Investment properties under construction | 1,324,700 | Chengdu, Hubei, Nanjing, Suzhou | Level 3 | Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands. | 1. Market unit sales price (RMB/sqm) | 560 – 6,900 | A significant increase/decrease in market unit sales price would result in significant increase/ decrease in fair value. |
| | | | | | 2. Adjustment made to account for differences in location | 3.0% – 10.0% | A significant increase/decrease in adjustment would result in significant decrease/increase in fair value. |
| | 11,924,404 | | | | | | |

There were no transfers into or out of Level 3 during the years ended 31 December 2020 and 2019.

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## 18. INTERESTS IN ASSOCIATES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Cost of investments, unlisted | 3,516,583 | 743,402 |
| Share of post-acquisition results, net of dividends received | 46,298 | 14,095 |
| | 3,562,881 | 757,497 |

Details of the Group's principal associates at the end of the reporting period are as follow:

| Name of entities | Place of incorporation/ establishment | Place of operation | Equity interest attributable to the Group 2020 | Equity interest attributable to the Group 2019 | Proportion of voting power held by the Group 2020 | Proportion of voting power held by the Group 2019 | Principal activities |
|---|---|---|---|---|---|---|---|
| 蘇州林甲岩房產發展有限公司<br>Suzhou Linjiayan Property Development Co., Ltd. ("Suzhou Linjiayan") | PRC | PRC | (note a) | 42.81% | (note a) | 42.81% | Property development in the PRC |
| 深圳市航天物業管理有限公司<br>Shenzhen Hantian Property Management Co., Ltd. ("Shenzhen Hangtian") (note b) | PRC | PRC | 40.06% | 40.06% | 40.06% | 40.06% | Property management in the PRC |
| 中交花創(紹興)置業有限公司<br>Zhongjiao Huachuang (Shaoxing) Property Co., Ltd. ("Zhongjiao Huachuang") (note g) | PRC | PRC | 49% | N/A | 49% | N/A | Property development in the PRC |
| 深圳市奧啟富投資發展有限公司<br>Shenzhen Aoqifu Investment Development Co., Ltd. ("Shenzhen Aoqifu") (note g) | PRC | PRC | 49% | N/A | 49% | N/A | Investiment holding in the PRC |
| 杭州奇飛花創科技有限公司<br>Hangzhou Qifei Huachuang Technology Co., Ltd. ("Hangzhou Qifei") (notes g and 43(c)) | PRC | PRC | 44% | 49% | 44% | 100% | Property management in the PRC |

## 18. INTERESTS IN ASSOCIATES (continued)

Details of the Group's principal associates at the end of the reporting period are as follow: (continued)

| Name of entities | Place of incorporation/ establishment | Place of operation | Equity interest attributable to the Group 2020 | 2019 | Proportion of voting power held by the Group 2020 | 2019 | Principal activities |
|---|---|---|---|---|---|---|---|
| 深圳前海花萬里供應鏈管理服務有限公司 Shenzhen Qianhai Huawanli Supply Chain Management Services Co., Ltd. ("Qianhai Huawanli") (notes g and 43(c)) | PRC | PRC | 40% | 100% | 40% | 100% | Investiment holding in the PRC |
| 深圳市康年科技有限公司 Shenzhen Kangnian Technology Co., Ltd. ("Shenzhen Kangnian") (notes g and 43(c)) | PRC | PRC | 40% | 100% | 40% | 100% | Investiment holding in the PRC |

Notes:

(a) Pursuant to the article of association of Suzhou Linjiayan, the Group had the right to cast 42.81% of the votes of Suzhou Linjiayan at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Suzhou Linjiayan. The approval of relevant activities require simple majority of shareholders. As the Group held no more than 50% of the voting power in the shareholders' meeting, therefore, Suzhou Linjiayan was accounted for as an associate of the Group as at 31 December 2019.

During the year ended 31 December 2020, the Group revised the terms of the cooperation with the other shareholder and made additional capital injection to Suzhou Linjiayan amounting to RMB71,110,000. Upon completion of the transaction and revision of the article of association, the Group hold 50.81% equity interests and voting rights in Suzhou Linjiayan. The approval of relevant activities require simple majority of shareholders, therefore, Suzhou Linjiayan was reclassified from associate to subsidiary of the Company. Details are set out in note 42(a).

(b) Pursuant to the article of association of Shenzhen Hangtian, the Group has the right to cast 40.06% of the votes of Shenzhen Hangtian at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Hangtian. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, Shenzhen Hangtian is accounted for as an associate of the Group.

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## 18. INTERESTS IN ASSOCIATES (continued)

Notes: (continued)

(c) During the year ended 31 December 2019, the Group has disposed of its interest in an associate at a consideration of RMB773,397,000, with gain of disposal amounting to RMB111,575,000 recognised and included in "other gains and loss" in the consolidated statement of profit or loss and other comprehensive income. Up to 31 December 2019, the consideration has been fully settled.

(d) During the year ended 31 December 2020, the Group made total capital contributions of RMB2,524,230,000 to establish certain associates with a number of associate partners. The associates mainly engaged in investment holdings, property development and property operation services.

(e) Other than the transactions disclosed above, during the year ended 31 December 2020, the Group acquired equity interests in certain associates at a total consideration of RMB2,510,000 (2019: RMB98,284,000). The associates were engaged in property development, property operation services or acting as investment holding in the PRC.

(f) During the year ended 31 December 2020, the Group received dividend of RMB540,000 (2019: RMB37,131,000) from associates.

(g) All these companies are accounted for as associates as at respective period end date as in accordance with the memorandum and articles of the companies, the Group has significant influence at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns.

Summarised financial information in respect of the Group's principal associates are set out below. The summarised financial information below represented amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using equity method in these consolidated financial statements.

### Suzhou Linjiayan

| | **2020** **RMB'000** | **2019** **RMB'000** |
|---|---|---|
| Current assets | N/A | 2,054,410 |
| Non-current assets | N/A | 981,656 |
| Current liabilities | N/A | (2,211,378) |
| Loss and other comprehensive expense for the year | N/A | (22,318) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Suzhou Linjiayan recognised in the consolidated financial statements:

| | **2020** **RMB'000** | **2019** **RMB'000** |
|---|---|---|
| Net assets of Suzhou Linjiayan | N/A | 824,688 |
| Proportion of the Group's ownership interest | N/A | 42.81% |
| Carrying amount of the Group's interest | N/A | 354,616 |

## 18. INTERESTS IN ASSOCIATES (continued)

### Shenzhen Hangtian

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current assets | 241,934 | 160,999 |
| Non-current assets | 65,157 | 67,172 |
| Current liabilities | (138,492) | (125,827) |
| Profit and other comprehensive income for the year | 66,255 | 22,699 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Hangtian recognised in the consolidated financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Net assets of Shenzhen Hangtian | 168,599 | 102,344 |
| Proportion of the Group's ownership interest | 40.06% | 40.06% |
| | 67,541 | 40,999 |
| Goodwill | 74,519 | 74,519 |
| Carrying amount of the Group's interest | 142,060 | 115,518 |

### Zhongjiao Huachuang

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current assets | 4,700,730 | N/A |
| Non-current assets | 1,771 | N/A |
| Current liabilities | (3,827,620) | N/A |
| Non-current liabilities | (80,000) | N/A |
| Loss and other comprehensive expense for the year | (5,119) | N/A |

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## 18. INTERESTS IN ASSOCIATES (continued)

### Zhongjiao Huachuang (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhongjiao Huachuang recognised in the consolidated financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Net assets of Zhongjiao Huachuang | 794,881 | N/A |
| Proportion of the Group's ownership interest | 49% | N/A |
| Carrying amount of the Group's interest | 389,492 | N/A |

### Shenzhen Aoqifu

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current assets | 4,081,633 | N/A |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Aoqifu recognised in the consolidated financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Net assets of Shenzhen Aoqifu | 4,081,633 | N/A |
| Proportion of the Group's ownership interest | 49% | N/A |
| Carrying amount of the Group's interest | 2,000,000 | N/A |

### Shenzhen Kangnian

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current assets | 14,966,924 | N/A |
| Non-current assets | 658,367 | N/A |
| Current liabilities | (14,821,404) | N/A |
| Loss and other comprehensive expense for the year | (12,716) | N/A |

## 18. INTERESTS IN ASSOCIATES (continued)

### Shenzhen Kangnian (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Kangnian recognised in the consolidated financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Net assets of Shenzhen Kangnian | 803,887 | N/A |
| Proportion of the Group's ownership interest | 40% | N/A |
| Carrying amount of the Group's interest | 321,555 | N/A |

Aggregate information of associates that are not individually material:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| The Group's share of profit and other comprehensive income | 9,965 | 11,242 |
| Aggregate carrying amount of the Group's interests | 709,774 | 287,363 |

## 19. INTERESTS IN JOINT VENTURES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Cost of investments, unlisted | 3,413,139 | 2,733,334 |
| Share of post-acquisition results, net of dividends received | (43,694) | (46,336) |
| | 3,369,445 | 2,686,998 |

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## 19. INTERESTS IN JOINT VENTURES (continued)

Details of the Group's principal joint ventures at the end of the reporting period are as follow:

| Name of entities | Place of incorporation/ establishment | Place of operation | Equity interest attributable to the Group 2020 | Equity interest attributable to the Group 2019 | Proportion of voting power held by the Group 2020 | Proportion of voting power held by the Group 2019 | Principal activities |
|---|---|---|---|---|---|---|---|
| 北京亞新科天緯油泵油嘴股份有限公司 Beijing Yaxinke Tianwei Fuel Pumps Co., Ltd. ("Beijing Yaxinke") (note a) | PRC | PRC | 35.69% | 35.69% | 35.69% | 35.69% | Property development in the PRC |
| 深圳玉石房地產開發有限公司 Shenzhen Yushi Property Development Co., Ltd. ("Shenzhen Yushi") (notes a and 43(c)) | PRC | PRC | 51% | 51% | 51% | 51% | Property development in the PRC |
| 深圳市花樣年房地產開發有限公司Shenzhen Fantasia Property Development Co., Ltd. ("Shenzhen Fantasia") (notes a, d and 43(c)) | PRC | PRC | – | 50% | – | 50% | Property development in the PRC |
| 成都花樣清江房地產開發有限公司Chengdu Huayang Qingjiang Property Development Co., Ltd. ("Chengdu Huaqingjiang") (notes a and 43(c)) | PRC | PRC | 55% | 100% | 55% | 100% | Investment holdings in the PRC |
| 深圳前海嘉年鼎盛投資管理有限公司 Shenzhen Qianhai Jianian Dingsheng Investment Management Co., Ltd. ("Shenzhen Jianian") (notes a and 43(c)) | PRC | PRC | 50% | 51% | 50% | 51% | Investment holdings in the PRC |
| 安寧花千里房地產開發有限公司 Anning Huaqianli Property Development Co., Ltd. ("Anning Huaqianli") (notes a and 43(c)) | PRC | PRC | 58% | 63% | 58% | 63% | Property management in the PRC |

## 19. INTERESTS IN JOINT VENTURES (continued)

Details of the Group's principal joint ventures at the end of the reporting period are as follow: (continued)

| Name of entities | Place of incorporation/ establishment | Place of operation | Equity interest attributable to the Group | | Proportion of voting power held by the Group | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | 2020 | 2019 | 2020 | 2019 | |
| 深圳市金地盈投資有限公司 Shenzhen Jindiying Investment Co., Ltd. ("Shenzhen Jindiying") (notes a and 43(c)) | PRC | PRC | 11% | 81% | 11% | 81% | Investment holdings in the PRC |
| 武漢市瑞錦天城房地產開發有限公司 Wuhan Ruijin Tiancheng Property Development Co., Ltd. ("Wuhan Ruijin") (notes a and 43(c)) | PRC | PRC | 37% | 100% | 37% | 100% | Property management in the PRC |

Notes:

(a) All these companies are accounted for as joint ventures as at respective period end date as in accordance with the memorandum and articles of the companies, major financial and operating policies of these companies require the unanimous consent of all directors.

(b) During the year ended 31 December 2020, the Group made total capital contributions of RMB16,660,000 (2019: RMB22,483,000) to establish certain joint ventures with a number of joint venture partners. The joint ventures mainly engaged in property development and property operation services.

(c) During the year ended 31 December 2019, the Group has disposed of its interests in a joint venture at a consideration of RMB20,000,000, with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(d) During the year ended 31 December 2020, the Group has disposed of its interests in Shenzhen Fantasia with carrying amount of RMB336,727,000 through disposal of partial equity interests in a subsidiary, the gain on disposal recognised and included in "net gains on disposal of subsidiaries" in the consolidated statement of profit or loss and other comprehensive income. Details are set out in note 43(c).

(e) During the year ended 31 December 2020, no dividend was received (2019: RMB12,021,000) from joint ventures.

Summarised financial information in respect of the Group's principal joint venture is set out below. The summarised financial information below represented amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using equity method in these consolidated financial statements.

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## 19. INTERESTS IN JOINT VENTURES (continued)

### Beijing Yaxinke

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current assets | 5,379,735 | 4,796,077 |
| Current liabilities | (3,490,703) | (2,906,026) |
| Loss and other comprehensive expense for the year | (1,018) | (131,949) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Beijing Yaxinke recognised in the consolidated financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Net assets of Beijing Yaxinke | 1,889,032 | 1,890,051 |
| Proportion of the Group's ownership interest | 35.69% | 35.69% |
| Carrying amount of the Group's interest | 674,196 | 674,559 |

### Shenzhen Yushi

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current assets | 3,151,356 | 2,760,988 |
| Current liabilities | (801,615) | (890,887) |
| Loss and other comprehensive expense for the year | (1,376) | (245) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Yushi recognised in the consolidated financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Net assets of Shenzhen Yushi | 2,349,741 | 1,870,101 |
| Proportion of the Group's ownership interest | 51% | 51% |
| Carrying amount of the Group's interest | 1,198,368 | 953,752 |

## 19. INTERESTS IN JOINT VENTURES (continued)

### Shenzhen Fantasia

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current assets | N/A | 1,477,758 |
| Current liabilities | N/A | (807,596) |
| Loss and other comprehensive expense for the year | N/A | (494) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Fantasia recognised in the consolidated financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Net assets of Shenzhen Fantasia | N/A | 670,162 |
| Proportion of the Group's ownership interest | N/A | 50% |
| Carrying amount of the Group's interest | N/A | 335,081 |

### Chengdu Huaqingjiang

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current assets | 3,381,815 | N/A |
| Current liabilities | (2,752,255) | N/A |
| Loss and other comprehensive expense for the year | (61,465) | N/A |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chengdu Huaqingjiang recognised in the consolidated financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Net assets of Chengdu Huaqingjiang | 629,560 | N/A |
| Proportion of the Group's ownership interest | 55% | N/A |
| Carrying amount of the Group's interest | 346,258 | N/A |

For the year ended 31 December 2020

## 19. INTERESTS IN JOINT VENTURES (continued)

### Shenzhen Jianian

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Current assets | 1,881,189 | N/A |
| Current liabilities | (1,097,195) | N/A |
| Profit and other comprehensive income for the year | 80,501 | N/A |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Jianian recognised in the consolidated financial statements:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Net assets of Shenzhen Jianian | 783,994 | N/A |
| Proportion of the Group's ownership interest | 50% | N/A |
| Carrying amount of the Group's interest | 391,997 | N/A |

Aggregate information of joint ventures that are not individually material:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| The Group's share of profit and other comprehensive income | (2,738) | 17,592 |
| Aggregate carrying amount of the Group's interests | 758,626 | 723,606 |

## 20. FINANCIAL ASSETS AT FVTPL

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| Money market fund investments | (a) | – | 29,051 |
| Debt Instrument | (b) | – | 1,420,000 |
| | | – | 1,449,051 |

## 20. FINANCIAL ASSETS AT FVTPL (continued)

Notes:

(a) The money market fund investments were issued by a reputable securities corporation. The return and principal of money market fund investments were not guaranteed by the securities corporation. The investments as above have been measured at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis.

The fair value of the money market fund investments at 31 December 2019 was determined by market approach, which arrived at by reference to the performance of the underlying investments mainly comprising debt investments in PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits. The aforesaid investments were fully redeemed in 2020.

(b) In 2018, the Group acquired a defaulted loan receivable in the PRC ("Debt Instrument"). The Debt Instrument was defaulted by a property developer (the "Borrower") in 2015 and it is pledged with certain completed properties located in Beijing, the PRC. The Debt Instrument can be recovered through the realisation of the properties under pledge in judicial auction.

During the year ended 31 December 2019, the Group received RMB1,000,000,000 from The Third Beijing Intermediate People's Court through the realisation of other properties of the Borrower in judicial auction for partial repayment of the interest portion of RMB1,000,000,000 regarding the aforesaid defaulted loan. Thereafter, the Group continued to negotiate with The Third Beijing Intermediate People's Court for the realisation of the properties of the Borrower.

As at 31 December 2019, as advised by the legal counsel of the Company on the tentative timetable of the judicial auction, the directors of the Company considered that the Debt Instrument would be settled through judicial auction within one year from the end of the reporting period and was classified under current assets.

During the year ended 31 December 2020, the judicial auction was completed and the pledged assets went unsold. Pursuant to the court verdict issued by The Third Beijing Intermediate People's Court in August 2020, the Debt Instrument was extinguished and the pledged assets, which represented a number of completed properties in Beijing, the PRC, were transferred to the Group included in "properties for sales".

According to the valuation report prepared by an independent professional valuer, the fair value of the Debt Instrument is RMB2,099,000,000 (2019: RMB1,420,000,000) at date of extinguishment.

The fair value of the Debt Instrument at date of extinguishment is determined by management, with reference to a valuation report prepared by professional valuer, to be RMB2,099,000,000 (2019: RMB1,420,000,000 and the fair value gain of the Debt Instrument amounting to RMB679,000,000 (2019: RMB382,000,000) was recognised in other gain and losses during the year ended 31 December 2020. The fair value of Debt Instrument at date of extinguishment is determined by direct comparison method. Direct comparison approach is arrived at by reference to comparable market transactions and suppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors. The fair value of the Debt Instrument as at 31 December 2019 is determined based on the probability weighted expected return model, which involved estimation of cash flows that can be recovered from the Debt Instrument under different scenarios of the outcomes of the judicial auction. The valuations of the Debt Instrument are dependent on certain unobservable inputs, including the expected value, discount rate and probability of outcome of the judicial auction.

Details of the fair value measurement of the investments are set out in note 46(c).

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## 21. EQUITY INSTRUMENTS DESIGNATED AT FVTOCI

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Unlisted equity investments | | |
| – Property operation services (note) | 48,208 | 53,702 |
| – Others | 6,374 | 6,384 |
| | 54,582 | 60,086 |

Note: These unlisted equity securities represented the investments in certain private entities, which represented the equity interests ranging from 1% to 20% in the investees as at 31 December 2020 and 2019. The investees are mainly engaged in property operation services. These investments are not regarded as associate or joint venture of the Group because the Group has no right to appoint directors under such investment arrangements. Details of the fair value measurement of the investments are set out in note 46(c).

## 22. GOODWILL

| | RMB'000 |
|---|---|
| COST | |
| At 1 January 2019 | 2,421,297 |
| Arising on acquisition of businesses (note 42(b)) | 69,198 |
| At 31 December 2019 | 2,490,495 |
| Disposal of subsidiaries (note 43(a)) | (129,247) |
| At 31 December 2020 | 2,361,248 |
| IMPAIRMENT | |
| At 1 January 2019 | 81,574 |
| Impairment loss recognised | 10,000 |
| At 31 December 2019 | 91,574 |
| Disposal of subsidiaries (note 43(a)) | (60,058) |
| At 31 December 2020 | 31,516 |
| CARRYING VALUES | |
| At 31 December 2020 | 2,329,732 |
| At 31 December 2019 | 2,398,921 |

## 22. GOODWILL (continued)

For the purpose of impairment testing, goodwill above has been allocated to two groups of cash-generating units, comprising a group of subsidiaries in property operation services collectively as the property operation cash-generating units ("Property Operation CGU") and a group subsidiaries in travel agency services collectively as the travel agency cash-generating units ("Travel Agency CGU"). The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2020 and 2019 allocated to these cash-generating units are as follow:

| | **2020**<br>**RMB'000** | **2019**<br>**RMB'000** |
|---|---|---|
| Property Operation CGU | 2,329,732 | 2,329,732 |
| Travel Agency CGU | – | 69,189 |
| | 2,329,732 | 2,398,921 |

The recoverable amounts of Property Operation CGU have been determined based on a value in use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a five-year period, including the growth rates, the pre-tax discount rates, estimated revenue, estimated gross profit, estimated operating expenses as at 31 December 2020 and 2019.

The discount rates reflect specific risks relating to Property Operation CGU. The growth rates within the five-year period have been based on past experience and management's expectation of market development. The cash flows beyond the five-year period are extrapolated using zero growth rate.

| | **2020** | **2019** |
|---|---|---|
| Pre-tax discount rates | 17% – 18% | 19% |
| Growth rate within the five-year period | 0% – 4% | 6% – 10% |

The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amounts of Property Operation CGU to exceed its recoverable amounts.

During the year ended 31 December 2019, in the opinion of the directors of the Company, the performance of Travel Agency CGU was declined due to the unfavourable market condition which seriously affected the financial performance of tourism industry in Hong Kong. The carrying amount of the assets (including goodwill allocated to Travel Agency CGU) of the Travel Agency CGU was determined to be higher than the recoverable amount of RMB107,004,000 at 31 December 2019. Therefore, the Group recognised an impairment loss of RMB10,000,000 in relation to goodwill allocated to Travel Agency CGU.

The recoverable amounts of Travel Agency CGU had been determined based on value in use calculation using cash flow projections based on financial budget covering a five-year period approved by the management. The growth rate used to extrapolate the cash flows beyond the five-year period was 2.93%. The growth rate did not exceed long-term average growth rate for the business in which the cash-generating unit operates. The key assumptions based upon were the discount rate, budgeted profit margin and revenues during the forecast period.

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## 22. GOODWILL (continued)

The basis of revenues and budgeted profit margin used to determine the value assigned was based on past performance and management expectation on the management's ability to progress and to generate economic income stream through provision of travel agency service.

The discount rate used was before tax and reflect specific risks relating to the travel agency business in Hong Kong. The pre-tax discount rate applied to cash flow projections was 13.9%.

During the year ended 31 December 2020, the Group disposed of the Travel Agency CGU. The details of disposal of the Travel Agency CGU are disclosed in note 43(a).

## 23. INTANGIBLE ASSETS

| | **Property management contracts and customers' relationship RMB'000** | **Trademark RMB'000** | **Total RMB'000** |
|---|---|---|---|
| COST | | | |
| At 1 January 2019 | 1,352,598 | 52,441 | 1,405,039 |
| Arising on acquisition of businesses (note 42(b)) | 83,872 | – | 83,872 |
| At 31 December 2019 | 1,436,470 | 52,441 | 1,488,911 |
| Disposal of subsidiaries (note 43(a)) | – | (52,441) | (52,441) |
| At 31 December 2020 | 1,436,470 | – | 1,436,470 |
| AMORTISATION | | | |
| At 1 January 2019 | 205,652 | 10,491 | 216,143 |
| Provided for the year | 139,546 | 3,497 | 143,043 |
| At 31 December 2019 | 345,198 | 13,988 | 359,186 |
| Provided for the year | 137,811 | 874 | 138,685 |
| Disposal of subsidiaries (note 43(a)) | – | (14,862) | (14,862) |
| At 31 December 2020 | 483,009 | – | 483,009 |
| CARRYING AMOUNT | | | |
| At 31 December 2020 | 953,461 | – | 953,461 |
| At 31 December 2019 | 1,091,272 | 38,453 | 1,129,725 |

The property management contracts, customers' relationship and trademark were acquired from third parties through the acquisition of subsidiaries.

The intangible assets have finite useful lives and are amortised on a straight line basis over 60 months to 120 months.

## 24. AMOUNTS DUE FROM RELATED PARTIES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Non-controlling shareholders of the subsidiaries of the Company | 497,321 | 306,669 |
| Joint ventures | 4,065,400 | 1,238,327 |
| Associates | 1,254,545 | 40,541 |
| Related parties | 32,244 | 205,112 |
| | 5,849,510 | 1,790,649 |
| Less: Amounts expected to realise after 1 year and shown under non-current assets | (768,889) | (958,190) |
| Amounts expected to realise within 1 year and shown under current assets | 5,080,621 | 832,459 |

| Related parties | Relationship | Nature | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|---|
| 深圳市彩付寶科技有限公司<br>Shenzhen Colour Pay Network Technology Co., Ltd. ("Shenzhen Colour Pay") | A related company controlled by Mr. Pan Jun, a director and the chief executive officer of the Company | – Non-trade nature<br>– Trade nature | –<br>26,138 | 110,856<br>54,597 |
| 深圳市天闊投資發展有限公司<br>Shenzhen Tiankuo Investment Development Co., Ltd. | A related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company | – Non-trade nature | 6,106 | 39,659 |
| | | | 32,244 | 205,112 |

For the trade balance due from Shenzhen Colour Pay regarding online promotion services income, credit term of one year is granted from issuance of invoices. The following is an aging analysis of trade balance due from a related party presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition date:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| 0 to 30 days | 3,632 | 15,665 |
| 31 to 90 days | 6,312 | 22,278 |
| 91 to 180 days | 12,531 | 16,654 |
| 181 to 365 days | 3,663 | – |
| | 26,138 | 54,597 |

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## 24. AMOUNTS DUE FROM RELATED PARTIES (continued)

The remaining amounts due from non-controlling shareholders of the subsidiaries of the Company, joint ventures, associates and related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

The subsidiaries, joint ventures, associates and related parties are mainly engaged in property development, property management and property leasing business, the Group determined the current or non-current portion based on the expected date of recovery of the advances, which is by reference to the status of the property projects and the financial position of the subsidiaries, joint ventures, associates and related parties.

Details of the impairment assessment are set out in note 46(b).

## 25. DEPOSITS PAID FOR POTENTIAL ACQUISITIONS OF SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(a) As at 31 December 2020, the Group had made deposits of RMB124,593,000 (2019: RMB124,593,000) in relation to the acquisition of the equity interests in a property project company from an independent third party. The precedent condition for the acquisition is the approval of change of use of the target land use right by the PRC local government, from industrial land to residential and commercial land.

Pursuant to the sale and purchase agreements, in case the transaction is not completed, the deposit would be fully refunded to the Group by the vendor. At the date these consolidated financial statements are authorised for issuance, the acquisition of the equity interests has not been completed.

(b) As at 31 December 2020, the Group had made deposits of RMB10,653,000 (2019: RMB9,868,000) in relation to the acquisition of equity interests in certain companies which are principally engaged in property operation in the PRC from independent third parties.

Pursuant to the sale and purchase agreements, in case the transaction is not completed, the deposit would be fully refunded to the Group by the vendors. At the date these consolidated financial statements are authorised for issuance, these acquisitions of equity interests have not been completed.

(c) As at 31 December 2020, the Group had made deposits of RMB3,938,949,000 (2019: RMB717,566,000) in relation to the investments in certain associates and joint ventures, which are principally engaged in property development in the PRC, and cooperation in the property development projects with a number of independent investors.

Pursuant to the investment agreements, in case the property project company cannot succeed in public land auction, the deposit would be fully refunded to the Group by the independent investors and/or the investees.

At the date these consolidated financial statements are authorised for issuance, certain property project companies had been succeeded in public land auction and the aforesaid deposits amounting RMB3,862,421,000 will be transferred to interests in associates or joint ventures upon the incorporation of associates or joint ventures.

## 26. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Deferred tax assets | (746,467) | (710,650) |
| Deferred tax liabilities | 1,310,494 | 1,569,772 |
| | 564,027 | 859,122 |

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

| | Fair value change of investment properties and financial assets at FVTPL<br>RMB'000 | Revaluation of properties and other assets<br>RMB'000 | Temporary differences on deductible expenses<br>RMB'000 | Tax losses<br>RMB'000 | Intangible assets<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2019 | 1,684,900 | (39,520) | (13,274) | (152,551) | 292,609 | (602,928) | 1,169,236 |
| (Credit) charge to profit and loss | (180,851) | – | 4,444 | (2,387) | (35,761) | (117,898) | (332,453) |
| Charge to other comprehensive income | – | 1,371 | – | – | – | – | 1,371 |
| Acquisition of subsidiaries (note 42) | – | – | – | – | 20,968 | – | 20,968 |
| At 31 December 2019 | 1,504,049 | (38,149) | (8,830) | (154,938) | 277,816 | (720,826) | 859,122 |
| Credit to profit and loss | (183,950) | – | (31,716) | (27,682) | (34,661) | (166,689) | (444,698) |
| Charge to other comprehensive income | – | 716 | – | – | – | – | 716 |
| Disposal of subsidiaries (note 43(a) and (c)) | (39,254) | – | 4,457 | 13,572 | (9,395) | 179,507 | 148,887 |
| At 31 December 2020 | 1,280,845 | (37,433) | (36,089) | (169,048) | 233,760 | (708,008) | 564,027 |

Notes:

(a) Temporary differences on deductible expenses mainly represent advertising expenses, ECL allowance and incremental sales commission, which would be deductible in the future.

(b) Others mainly represent the temporary differences arising from LAT provision and financing component in respect of contract liabilities.

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## 26. DEFERRED TAXATION (continued)

As at 31 December 2020, the Group had unutilised tax losses of RMB5,267,668,000 (2019: RMB4,537,222,000). A deferred tax asset has been recognised in respect of RMB676,192,000 (2019: RMB619,752,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB4,591,476,000 (2019: RMB3,917,470,000) due to the unpredictability of future profits streams.

As at 31 December 2020, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was RMB23,524,023,000 (2019: RMB18,521,081,000). No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 27. PROPERTIES FOR SALE

| | **2020** **RMB'000** | **2019** **RMB'000** |
|---|---|---|
| Completed properties for sale | 8,111,088 | 10,490,488 |
| Properties under development for sale | 24,598,642 | 24,983,074 |
| | 32,709,730 | 35,473,562 |

| Analysis of leasehold lands: | **RMB'000** |
|---|---|
| As at 31 December 2019 | |
| Carrying amount | 9,242,179 |
| As at 31 December 2020 | |
| Carrying amount | 13,618,252 |
| For the year ended 31 December 2020 | |
| Total cash outflow | (6,939,450) |
| Additions | 7,671,837 |

Effective from 1 January 2019, the carrying amount of leasehold lands is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge on the leasehold lands taking into account the estimated residual values as at 31 December 2019 and 2020.

As at 31 December 2020, certain of the Group's properties for sale with a carrying amount of RMB6,139,886,000 (2019: RMB8,164,030,000) were pledged to secure certain banking facilities granted to the Group.

## 27. PROPERTIES FOR SALE (continued)

During the year ended 31 December 2019, completed properties for sale with an aggregate carrying amount of RMB1,019,193,000 were transferred to investment properties upon change in use as evidenced by the inception of operating leases. The loss on change in fair value amounting to RMB1,110,000 were recognised in the consolidated statement of profit or loss and other comprehensive income.

Included in the amount are properties under development for sale of RMB13,770,306,000 (2019: RMB14,124,778,000) in relation to property development projects that are expected to complete after one year from the end of the reporting period.

## 28. CONTRACT ASSETS

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Unbilled revenue of | | |
| – construction of properties | 754,206 | 692,359 |
| – engineering services | 67,534 | 70,324 |
| Retention receivables | – | 198 |
| | 821,740 | 762,881 |
| Less: allowance for impairment losses | (5,200) | (3,928) |
| | 816,540 | 758,953 |
| Classified as: | | |
| Non-current assets | 14,572 | 22,229 |
| Current assets | 801,968 | 736,724 |
| | 816,540 | 758,953 |

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional upon the satisfaction by the customers on the construction work completed and/or engineering services rendered by the Group. The amounts are transferred out of contract assets to trade receivables when the rights become unconditional.

Details of the impairment assessment are set out in note 46(b).

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## 29. CONTRACT COSTS

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Incremental costs to obtain contracts | 348,236 | 410,502 |

Contract costs capitalised as at 31 December 2020 and 2019 relate to the incremental sales commissions paid to intermediaries/employees whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of cost of sales in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB345,039,000 (2019: RMB289,023,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the years ended 31 December 2019 and 2020.

## 30. TRADE AND OTHER RECEIVABLES

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| Trade receivables | | | |
| – contracts with customers | (a)/(b) | 1,776,761 | 2,482,579 |
| – leasing | (b) | 26,974 | 20,974 |
| Other receivables | (c) | 1,188,815 | 1,032,279 |
| Loan receivables | (d) | 225,949 | 209,474 |
| Prepayments and other deposits | (e) | 1,847,545 | 2,022,843 |
| Prepayments to suppliers | | 265,118 | 288,712 |
| Prepayments for construction work | | 761,984 | 784,646 |
| Consideration receivables on disposal of equity interests in subsidiaries and an associate | (f) | 2,598,461 | 505,973 |
| Amount due from Pixian Government | (g) | 122,830 | 122,830 |
| Other tax prepayments | (h) | 962,296 | 1,005,103 |
| | | 9,776,733 | 8,475,413 |
| Less: Amounts shown under non-current assets | | (679,358) | (610,511) |
| Amounts shown under current assets | | 9,097,375 | 7,864,902 |

## 30. TRADE AND OTHER RECEIVABLES (continued)

Notes:

(a) As at 1 January 2019, 31 December 2019 and 2020, trade receivables from contracts with customers amounted to RMB1,915,161,000, RMB2,482,579,000 and RMB1,776,761,000, respectively.

Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the date of agreement. For sales of certain completed commercial apartments in 2019, the credit term granted to a customer is 50% to be settled at the date of signing sales and purchase agreement and the remaining 50% to be settled within one year from the date of the sales and purchase agreement.

Property operation service fee is received in accordance with the terms of the relevant service agreements, normally within 30 days to 1 year after the issuance of demand note. Each customer from property operation services has a designated credit limit.

Hotel operation and travel agency service income are mainly in form of settlement in cash and credit cards.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Consideration in respect of fuel pumps sold is paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the date of delivery of fuel pumps. Each customer from sales of fuel pumps has a designated credit limit.

(b) The following is an aged analysis of trade receivables of the Group net of allowance for impairment losses presented based on the date of delivery of the properties to the customers for property sale or the invoice date or date of demand note for rendering of services at the end of the reporting period:

| | **2020**<br>**RMB'000** | **2019**<br>**RMB'000** |
|---|---|---|
| 0 to 30 days | 1,036,529 | 914,566 |
| 31 to 90 days | 283,314 | 292,224 |
| 91 to 180 days | 263,994 | 336,208 |
| 181 to 365 days | 153,979 | 869,912 |
| Over 1 year | 65,919 | 90,643 |
| | 1,803,735 | 2,503,553 |

As at 31 December 2020, trade receivables mainly represented receivables amounting to RMB813,028,000 (2019:RMB1,361,356,000) from sales of properties, RMB953,935,000 (2019: RMB933,619,000) from property operation services, RMB26,974,000 (2019: RMB20,974,000) from leasing and RMB9,798,000 (2019: RMB187,604,000) from other segments.

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB545,125,000 (2019: RMB888,184,000) which are past due as at the reporting date.

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## 30. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) (continued)

**Movement in the allowance for impairment losses**

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| Balance at 1 January 2019 | 8,542 | 54,333 | 62,875 |
| Impairment losses, net of reversal | 4,095 | 18,508 | 22,603 |
| Transfer to credit-impaired | (4,928) | 4,928 | – |
| Amounts written off | – | (1,711) | (1,711) |
| Balance at 31 December 2019 | 7,709 | 76,058 | 83,767 |
| Impairment losses, net of reversal | 3,092 | 15,985 | 19,077 |
| Transfer to credit-impaired | (4,225) | 4,225 | – |
| Amounts written off | – | (33,929) | (33,929) |
| Balance at 31 December 2020 | 6,576 | 62,339 | 68,915 |

(c) The balance mainly includes the payment on behalf of residents for the utilities and sundry charges of property operation services segment.

**Movement in the allowance for impairment losses**

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| Balance at 1 January 2019 | 10,306 | 112,605 | 122,911 |
| Impairment losses, net of reversal | 3,847 | 48,793 | 52,640 |
| Transfer to credit-impaired | (2,312) | 2,312 | – |
| Amounts written off | – | (23,525) | (23,525) |
| Balance at 31 December 2019 | 11,841 | 140,185 | 152,026 |
| Impairment losses, net of reversal | 4,028 | 44,890 | 48,918 |
| Transfer to credit-impaired | (2,936) | 2,936 | – |
| Amounts written off | – | – | – |
| Balance at 31 December 2020 | 12,933 | 188,011 | 200,944 |

## 30. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(d) The loan receivables are as follows:

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Fixed-rate loans provided to | | | |
| – online platform and community-related service companies | (i) | 227,817 | 161,817 |
| – property management companies | (ii) | 30,982 | 63,907 |
| | | 258,799 | 225,724 |
| Less: allowance for credit losses | | (32,850) | (16,250) |
| | | 225,949 | 209,474 |
| Classified as: | | | |
| Non-current assets | | 1,761 | 7,858 |
| Current assets | | 224,188 | 201,616 |
| | | 225,949 | 209,474 |

(i) As at 31 December 2020, the Group has entered into loan agreements with certain independent third parties, which engages in provision of online platform and community-related services, regarding the fund provision of RMB227,817,000 (2019: RMB161,817,000). The loans carry interests ranging from 5% to 15% (2019: 5% to 18%) per annum and will mature in 2021. At 31 December 2020, the amounts of RMB194,967,000 (2019: RMB161,817,000) are due in one year and are classified as current assets.

(ii) As at 31 December 2020, the Group has entered into loan agreements with certain independent third parties, which engages in provision of property management services, regarding the fund provision of RMB30,982,000 (2019: RMB63,907,000). The loans carry interests ranging from 5% to 12% (2019: 10% to 15%) per annum and will mature from May 2021 to May 2024. At 31 December 2020, the amounts of RMB29,221,000 (2019: RMB39,799,000) are due in one year and are classified as current assets and the amounts of RMB1,761,000 (2019: RMB7,858,000) are due after one year and are classified as non-current assets.

At the date these consolidated financial statements are authorised for issuance, the loan receivables amounting to RMB181,400,000 were subsequently settled.

**Movements of allowance for credit losses under lifetime ECL in relation to loan receivables**

| | Lifetime ECL (credit-impaired) RMB'000 |
|---|---|
| Balance at 1 January 2019 | – |
| Impairment loss | 16,250 |
| Balance at 31 December 2019 | 16,250 |
| Impairment loss | 16,600 |
| Balance at 31 December 2020 | 32,850 |

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## 30. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(e) The balance included refundable tender deposits, amounting to RMB849,025,805 (2019: RMB1,171,211,000), paid for public land auctions of property development projects in the PRC, which will be fully refunded if the public land auction is not successful.

During the year ended 31 December 2020, in relation to the tender deposits amounting to RMB732,386,700 as at 31 December 2019, the public auctions have been succeeded and the land use rights were transferred to properties under development for sale.

At the date these consolidated financial statements are authorised for issuance, in relation to the tender deposits amounting to RMB664,828,000 as at 31 December 2020, the public auctions have been succeeded and the land use rights or property projects would be transferred to the Group upon the settlement of the remaining considerations.

(f) At the date these consolidated financial statements are authorised for issuance, the consideration receivables amounting to RMB1,457,246,000 as at 31 December 2020 were subsequently settled.

(g) The balance represented the amount due from the Pixian Government in relation to the land development project located in Chengdu, Sichuan Province. Pursuant to the agreement between the Group and Pixian Government, the Group is responsible for provision of funds to Pixian Government and management of the Land Development Project to Pixian Government while the Pixian Government is required to repay finance cost at benchmark lending rate of People's Bank of China, investment income at 12% per annum and project management fee at 3% per annum.

As at 31 December 2020, the outstanding principal amounting to RMB122,830,000 (2019: RMB122,830,000) is required to be settled upon disposal of land by Pixian Government which is expected to be over one year from the end of the reporting period and is classified under non-current assets.

(h) As at 31 December 2020, the balance mainly represented business tax and value-added tax amounting to RMB774,081,000 (2019: RMB998,302,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects which has been prepaid and included in other tax prepayments.

Details of the impairment assessment are set out in note 46(b).

## 31. RESTRICTED/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The restricted/pledged bank deposits amounting to RMB1,204,467,000 (2019: RMB1,191,032,000) will be released upon the buyers obtaining the individual property ownership certificate, while a total amount of RMB472,537,000 (2019: RMB533,136,000) are proceeded from presale of properties with the restriction of use for settlement of construction costs for relevant property projects. Term deposits amounting to RMB1,439,099,000 (2019: RMB393,006,000) and RMB560,000,000 (2019: RMB547,500,000) were pledged to banks to secure current and non-current banking facilities granted to the Group, respectively.

## 31. RESTRICTED/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH (continued)

At 31 December 2020, included in restricted bank balances, the amount of RMB32,000,000 was freezed under a court notice. During the year ended 31 December 2020, Shenzhen Colour Life entered into a series of agreements with the shareholders and creditors of a potential investee, in relation debt and equity transfer arrangement. Under the arrangement, Shenzhen Colour Life would take over the debt to certain creditors with the precondition of completion of acquisition of the equity of the investee. As at 31 December 2020, the aforesaid acquisition of the equity has not completed. However, a creditor had initiated a legal proceeding in a Shenzhen district court against Shenzhen Colour Life Property Management Services Co., Ltd. (深圳市彩生活物業管理有限公司) ("Shenzhen Colour Life PM") in relation to the debt provided to the aforesaid investee of Shenzhen Colour Life PM. The total amount of claims amounting to RMB31,216,000, which included alleged non-repaid debt of RMB21,600,000 and alleged late payment penalty and interest of RMB9,616,000. The relevant court has made a notice to a bank to freeze a bank deposit of RMB32,000,000 of Shenzhen Colour Life PM to secure the payment of debt and interests. At the date these consolidated financial statements are authorised for issuance, the legal proceeding has not been finalised.

The Group's restricted/pledged bank deposits and bank balances carry variable interest rates ranging from 0.05% to 4.2% (2019: 0.04% to 5.39%) per annum and from 0.01% to 1.61% (2019: 0.01% to 3.14%) per annum, respectively.

As at 31 December 2020 and 2019, bank balances of the relevant group entities denominated in foreign currencies are as below:

| | **2020** **RMB'000** | **2019** **RMB'000** |
|---|---|---|
| Hong Kong Dollars ("HKD") | 109,603 | 60,509 |
| United States Dollars ("USD") | 1,212,758 | 222,052 |

## 32. TRADE AND OTHER PAYABLES

| | Notes | **2020** **RMB'000** | **2019** **RMB'000** |
|---|---|---|---|
| Trade payables | | 4,717,083 | 4,564,256 |
| Deposit received | (a) | 949,984 | 867,786 |
| Other payables | (b) | 475,428 | 522,791 |
| Other tax payables | | 821,224 | 806,341 |
| Accrued staff costs | | 519,279 | 633,705 |
| Consideration payables for acquisition of subsidiaries | | 333,942 | 871,551 |
| Accruals | | 109,105 | 132,360 |
| | | 7,926,045 | 8,398,790 |

For the year ended 31 December 2020

## 32. TRADE AND OTHER PAYABLES (continued)

Trade payables principally comprise amounts outstanding for purchase of materials and subcontracting fee for the construction of properties for sale. The average credit period for purchase of construction materials and settlement of subcontracting fee ranged from two months to one year.

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

| | **2020** **RMB'000** | **2019** **RMB'000** |
|---|---|---|
| 0 to 60 days | 3,627,559 | 2,181,693 |
| 61 to 180 days | 610,244 | 1,119,353 |
| 181 to 365 days | 212,197 | 637,509 |
| 1 – 2 years | 265,107 | 544,625 |
| 2 – 3 years | 1,608 | 64,535 |
| Over 3 years | 368 | 16,541 |
| | 4,717,083 | 4,564,256 |

Notes:

(a) The balance of deposits received amounting to RMB949,984,000 (2019: RMB867,786,000) mainly represents the earnest money received from potential property buyers.

(b) The balance of other payables mainly represents receipts on behalf of residents amounting to RMB373,568,000 (2019: RMB413,982,000).

## 33. CONTRACT LIABILITIES

| | **2020** **RMB'000** | **2019** **RMB'000** |
|---|---|---|
| Sales of completed properties | 16,653,968 | 18,728,016 |
| Provision of property operation services | 610,677 | 432,322 |
| | 17,264,645 | 19,160,338 |

## 33. CONTRACT LIABILITIES (continued)

The following table shows how much of the revenue recognised in both years relates to carried-forward contract liabilities.

| | Sales of developed properties RMB'000 | Property operation services RMB'000 | Total RMB'000 |
|---|---|---|---|
| Revenue recognised that was included in the contract liability balance at: | | | |
| – the beginning of the year ended 31 December 2020 | 12,561,390 | 432,322 | 12,993,712 |
| – the beginning of the year ended 31 December 2019 | 7,546,735 | 314,961 | 7,861,696 |

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

### Sales of completed properties

The Group receives 30% to 100% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

In addition, the Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant group entities. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

### Provision of property operation services

When the Group receives the monthly property management service fee from customers at the beginning of the month, it will give rise to contract liabilities, until the revenue is recognised on the relevant contract upon provision of property management services, which are expected to be satisfied within one year from the date of advance payment made by customers.

For the year ended 31 December 2020

## 34. AMOUNTS DUE TO RELATED PARTIES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Non-controlling shareholders of the subsidiaries of the Company | 136,167 | 465,501 |
| Associates | 563,254 | 23,765 |
| Joint ventures | 118,040 | 354,587 |
| | 817,461 | 843,853 |

The amounts due to related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

## 35. BORROWINGS

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| Bank loans | | 6,144,581 | 8,287,246 |
| Other loans | (a) | 5,051,350 | 5,698,116 |
| | | 11,195,931 | 13,985,362 |
| Secured | (b) | 9,880,831 | 12,162,710 |
| Unsecured | | 1,315,100 | 1,822,652 |
| | | 11,195,931 | 13,985,362 |
| Carrying amount repayable: | | | |
| Within one year | | 3,690,034 | 6,430,202 |
| More than one year, but not exceeding two years | | 5,150,019 | 3,954,694 |
| More than two years, but not exceeding five years | | 2,238,378 | 3,600,466 |
| More than five years | | 117,500 | – |
| Total borrowings | | 11,195,931 | 13,985,362 |
| Less: Amounts due within one year shown under current liabilities | | (3,690,034) | (6,430,202) |
| Amounts due after one year shown under non-current liabilities | | 7,505,897 | 7,555,160 |

## 35. BORROWINGS (continued)

Notes:

(a) Other loans amounting to RMB1,874,459,000 (2019: RMB3,932,504,000) represented loans provided by certain trust companies, some of which are secured by the equity interest of certain subsidiaries of the Company and certain properties and carried interest rate of 10% to 11.9% (2019: 8.4% to 13.50%) per annum. The maturity of loan balances as at 31 December 2020 is ranging from May 2021 to December 2022.

Other loans amounting to RMB500,000,000 (2019: RMB800,000,000) represented loan provided by an independent third party and carried interest of 8.63% per annum.

As at 31 December 2019, other loan amounting to RMB250,000,000 represented loan provided by a joint venture partner of Shenzhen Yushi, which was secured by the equity interest of the joint venture held by the Group and carried interest rate at 12% per annum. The aforesaid loan was repaid in 2020.

The remaining balance of other loans amounting to RMB2,676,891,000 (2019: RMB965,612,000) represented loans provided by independent third parites and carried interest rate of 8% to 12.5% (2019: 2% to 15%) per annum. The maturity of loan balances as at 31 December 2020 is ranging from March 2021 to May 2022.

(b) Certain bank and other loans were secured by properties for sale, investment properties, pledged bank deposits and property, plant and equipment. Details are set out in note 54.

The amounts due above are based on scheduled repayment dates set out in the loan agreements. As at 31 December 2020, all borrowings are denominated in RMB except that secured borrowings of RMB143,548,000 (2019: RMB809,237,000) and RMB386,412,000 (2019: RMB134,367,000) are denominated in USD and HKD, respectively.

The exposure of the Group's borrowings is as following:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Fixed-rate borrowings | 9,599,671 | 8,975,234 |
| Variable-rate borrowings | 1,596,260 | 5,010,128 |
| | 11,195,931 | 13,985,362 |

The ranges of effective interest rates on the Group's borrowings are as follows:

| | 2020 | 2019 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | 4.2% – 12.5% per annum | 2% to 13.5% per annum |
| Variable-rate borrowings | 2% – 12.8% per annum | 2.1% to 12.8% per annum |

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## 36. LEASE LIABILITIES

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| **Lease liabilities payable:** | | |
| Within one year | 87,234 | 95,181 |
| More than one year but not more than two years | 64,137 | 67,790 |
| More than two years but not more than five years | 143,964 | 142,308 |
| More than five years | 57,858 | 139,117 |
| | 353,193 | 444,396 |
| Less: Amount due for settlement within one year shown under current liabilities | (87,234) | (95,181) |
| Amount due for settlement after one year shown under non-current liabilities | 265,959 | 349,215 |

As at 31 December 2020, lease obligations of the transportation equipment amounting to RMB155,890,000 (2019: RMB240,781,000) are denominated in USD, which is the foreign currency of the relevant group entities.

## 37. SENIOR NOTES AND BONDS

| Senior notes and bonds | Notes | Maturity | Principal '000 | Nominal interest rate | Effective interest rate | Carrying amount at 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|---|---|---|---|
| **Senior notes:** | | | | | | | |
| Fantasia Notes | (a) | | | | | | |
| 2016 USD500 million senior notes due 2021 | (b) | 5 years | USD500,000 | 7.38% | 7.7% | 3,313,056 | 3,532,229 |
| 2017 USD300 million senior notes due 2022 | (c) | 5 years | USD300,000 | 7.95% | 8.26% | 2,016,991 | 2,152,845 |
| 2018 USD600 million senior notes due 2021 | (d) | 3 years | USD600,000 | 8.38% | 9.3% | 3,212,655 | 4,254,418 |
| 2018 USD100 million senior notes due 2020 | (e) | 2 years | USD100,000 | 12% | 12.74% | – | 704,673 |
| 2018 USD200 million senior notes due 2021 | (f) | 3 years | USD200,000 | 15% | 15.64% | 1,304,877 | 1,388,262 |
| 2019 USD100 million senior notes due 2021 | (g) | 2 years | USD100,000 | 15% | 15.51% | 652,895 | 695,321 |
| 2019 RMB1,000 million senior notes due 2020 | (h) | 1 year | RMB1,000,000 | 11.88% | 13% | – | 1,029,078 |
| 2019 USD300 million senior notes due 2022 | (i) | 3 years | USD300,000 | 11.75% | 13.2% | 1,958,636 | 2,068,841 |
| 2019 USD350 million senior notes due 2022 | (j) | 3 years | USD350,000 | 12.25% | 13.83% | 2,323,651 | 2,461,610 |
| 2020 USD450 million senior notes due 2023 | (k) | 3 years | USD450,000 | 10.88% | 11.31% | 3,047,030 | – |
| 2020 USD300 million senior notes due 2023 | (l) | 3 years | USD300,000 | 11.88% | 12.2% | 1,954,902 | – |
| 2020 USD200 million senior notes due 2022 | (m) | 2 years | USD200,000 | 7.95% | 7.55% | 1,341,563 | – |
| 2020 USD350 million senior notes due 2023 | (n) | 3 years | USD350,000 | 9.25% | 9.46% | 2,359,228 | – |
| 2020 USD320 million senior notes due 2023 | (p) | 3 years | USD320,000 | 9.88% | 10.18% | 2,107,899 | – |
| 2020 USD50 million senior notes due 2021 | (q) | 1 year | USD50,000 | 6% | 6% | 325,049 | – |
| 2020 USD250 million senior notes due 2021 | (r) | 1 year | USD250,000 | 6.95% | 7.32% | 1,611,718 | – |
| Colour Life Notes | | | | | | | |
| 2020 USD100 million senior notes due 2021 | (s) | 1 year | USD100,000 | 8% | 10.31% | 668,659 | – |
| 2020 USD130 million senior notes due 2021 | (t) | 1 year | USD130,000 | 10% | 10.25% | 884,029 | – |
| | | | | | | 29,082,838 | 18,287,277 |

## 37. SENIOR NOTES AND BONDS (continued)

| Senior notes and bonds | Notes | Maturity | Principal '000 | Nominal interest rate | Effective interest rate | Carrying amount at 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|---|---|---|---|
| **Corporate bonds:** | | | | | | | |
| Fantasia Bonds | | | | | | | |
| 2015 RMB2,000 million bonds due 2020 | (u) | 5 years | RMB2,000,000 | 7.95% | 7.31% | – | 1,988,979 |
| 2016 RMB1,100 million bonds due 2020 | (v) | 4 years | RMB1,100,000 | 7.95% | 7.42% | – | 1,091,198 |
| 2018 RMB1,000 million bonds due 2021 | (w) | 3 years | RMB1,000,000 | 7.5% | 7.62% | 951,186 | 1,000,883 |
| 2019 RMB800 million bonds due 2022 | (x) | 3 years | RMB800,000 | 8.2% | 8.27% | 831,276 | 830,796 |
| 2019 RMB730 million bonds due 2022 | (y) | 3 years | RMB730,000 | 7.8% | 7.84% | 734,578 | 734,351 |
| 2020 RMB2,500 million bonds due 2023 | (z) | 3 years | RMB2,500,000 | 7.5% | 7.54% | 2,511,683 | – |
| 2020 RMB1,543 million bonds due 2023 | (aa) | 3 years | RMB1,543,000 | 7.5% | 7.51% | 1,536,896 | – |
| Colour Life Bonds | | | | | | | |
| 2017 RMB150 million bonds due 2020 | (ab) | 3 years | RMB150,000 | 7% | 8.4% | – | 149,786 |
| | | | | | | 6,565,619 | 5,795,993 |
| | | | | | | 35,648,457 | 24,083,270 |
| Carrying amounts repayable: | | | | | | | |
| Within one year | | | | | | 14,489,978 | 4,963,714 |
| More than one year, but not exceeding two years | | | | | | 11,689,420 | 10,871,113 |
| More than two years, but not exceeding five years | | | | | | 9,469,059 | 8,248,443 |
| | | | | | | 35,648,457 | 24,083,270 |
| Less: Amounts due within one year shown under current liabilities | | | | | | (14,489,978) | (4,963,714) |
| Amounts due after one year shown non-current liabilities | | | | | | 21,158,479 | 19,119,556 |

Notes:

(a) The Company issued senior notes on the Singapore Exchange Securities Trading Limited (the "SGX"). The senior notes are guaranteed by certain subsidiaries of the Company and Colour Life and the interests are payable semi-annually or annually.

(b) 2016 USD500 million senior notes due 2021

During the year ended 31 December 2016, the Company issued guaranteed senior notes of USD500,000,000 by two tranches detailed as below:

| Tranche | Issue date | Principal USD'000 | Issued price % of principal | Nominal interest rate per annum | Effective interest rate per annum |
|---|---|---|---|---|---|
| First | 4 October 2016 | 400,000 | 100% | 7.38% | 7.7% |
| Second | 29 December 2016 | 100,000 | 99.88% | 7.38% | 7.7% |

The redemption options were expired and the senior notes will mature in 2021.

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## 37. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(c) 2017 USD300 million senior notes due 2022

During the year ended 31 December 2017, the Company issued guaranteed senior notes in a principal amount of USD300,000,000.

During the year ended 31 December 2019, the Company repurchased the senior notes with the principal amount of USD1,000,000 at a total consideration of USD924,000, equivalent to RMB6,369,000. The gain on repurchase of senior notes of RMB700,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

During the year ended 31 December 2020, the Company repurchased the senior notes with the principal amount of USD250,000 at a total consideration of USD236,000, equivalent to RMB1,669,000. The gain on repurchase of senior notes of RMB125,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

(d) 2018 USD600 million senior notes due 2021

During the year ended 31 December 2018, the Company issued guaranteed senior notes of USD600,000,000 by three tranches detailed as below:

| **Tranche** | **Issue date** | **Principal USD'000** | **Issued price % of principal** | **Nominal interest rate per annum** | **Effective interest rate per annum** |
|---|---|---|---|---|---|
| First | 8 March 2018 | 350,000 | 100% | 8.38% | 9.3% |
| Second | 19 March 2018 | 100,000 | 100% | 8.38% | 9.3% |
| Third | 10 May 2018 | 150,000 | 96.29% | 8.38% | 9.3% |

The senior notes may be redeemed in the following circumstances:

(i) At any time prior to 8 March 2021, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 8 March 2021 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(ii) At any time and from time to time prior to 8 March 2021, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 108.375% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

During the year ended 31 December 2020, the Company repurchased the senior notes with the aggregated principal amount of USD119,571,000 at a total consideration of USD120,788,000, equivalent to RMB823,319,000. The loss on repurchase of senior notes of RMB5,512,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

## 37. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(e) 2018 USD100 million senior notes due 2020

On 1 June 2018, the Group issued guaranteed senior notes in principal amounts of USD100,000,000. In December 2018, the Company offered all of the holders of the senior notes accepted the exchange consideration ("Exchange Offer") to adjust the coupon interest rate from 8.5% per annum to 12.0% per annum and postpone the maturity date from 4 June 2019 to 4 June 2020. The effective interest rate is revised from 10.66% per annum to 12.74% per annum.

During the year ended 31 December 2020, the senior notes were repaid upon maturity in 2020. No gain or loss on redemption of senior notes is recognised in profit or loss.

(f) 2018 USD200 million senior notes due 2021

During the year ended 31 December 2018, the Company issued guaranteed senior notes of USD200,000,000 by two tranches detailed as below:

| Tranche | Issue date | Principal USD'000 | Issued price % of principal | Nominal interest rate per annum | Effective interest rate per annum |
|---|---|---|---|---|---|
| First | 13 December 2018 | 130,000 | 100% | 15% | 15.64% |
| Second | 21 December 2018 | 70,000 | 100% | 15% | 15.64% |

The senior notes may be redeemed in the following circumstances:

(i) At any time prior to 18 December 2021, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 18 December 2021 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(ii) At any time and from time to time prior to 18 December 2021, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 115.0% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

(g) 2019 USD100 million senior notes due 2021

During the year ended 31 December 2019, the Company issued guaranteed senior notes in a principal amount of USD100,000,000. The senior notes may be redeemed in the following circumstances:

(i) At any time and from time to time on or after 18 December 2021, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 100% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date.

For the year ended 31 December 2020

## 37. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(g) 2019 USD100 million senior notes due 2021 (continued)

(ii) At any time and from time to time prior to 18 December 2021, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 115% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 30 days after the closing of the related equity offering.

(h) 2019 RMB1,000 million senior notes due 2020

During the year ended 31 December 2019, the Company issued guaranteed senior notes of RMB1,000,000,000. During the year ended 31 December 2020, the senior notes were repaid upon maturity in 2020. No gain or loss on redemption of senior notes is recognised in profit or loss.

(i) 2019 USD300 million senior notes due 2022

During the year ended 31 December 2019, the Company issued guaranteed senior notes of USD300,000,000 by two tranches detailed as below:

| **Tranche** | **Issue date** | **Principal USD'000** | **Issued price % of principal** | **Nominal interest rate per annum** | **Effective interest rate per annum** |
|---|---|---|---|---|---|
| First | 17 April 2019 | 200,000 | 100% | 11.75% | 13.2% |
| Second | 5 August 2019 | 100,000 | 100% | 11.75% | 13.2% |

The senior notes may be redeemed in the following circumstances:

(i) At any time and from time to time on or after 17 April 2021, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 104.5% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed.

(ii) At any time prior to 17 April 2021, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 17 April 2021 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(iii) At any time and from time to time prior to 17 April 2021, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 111.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

During the year ended 31 December 2019, the Company repurchased the senior notes with the principal amount of USD1,500,000 at a total consideration of USD1,492,000, equivalent to RMB10,287,000. The loss on repurchase of senior notes of RMB192,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

## 37. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(j) 2019 USD350 million senior notes due 2022

During the year ended 31 December 2019, the Company issued guaranteed senior notes of USD350,000,000 by two tranches detailed as below:

| Tranche | Issue date | Principal USD'000 | Issued price % of principal | Nominal interest rate per annum | Effective interest rate per annum |
|---|---|---|---|---|---|
| First | 18 July 2019 | 200,000 | 99.22% | 12.25% | 13.83% |
| Second | 18 November 2019 | 150,000 | 96.42% | 12.25% | 13.83% |

The senior notes may be redeemed in the following circumstances:

(i) At any time and from time to time on or after 18 July 2021, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 104.5% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed.

(ii) At any time prior to 18 July 2021, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 18 July 2021 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(iii) At any time and from time to time prior to 18 July 2021, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 112.25% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

(k) 2020 USD450 million senior notes due 2023

During the year ended 31 December 2020, the Company issued guaranteed senior notes in a principal amount of USD450,000,000. The senior notes may be redeemed in the following circumstances:

(i) At any time prior to 9 January 2022, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

(ii) At any time and from time to time prior to 9 January 2022, the Company may redeem up to 35% of the senior notes, at a redemption price of 110.875% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

For the year ended 31 December 2020

## 37. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(l) 2020 USD300 million senior notes due 2023

During the year ended 31 December 2020, the Company issued guaranteed senior notes in a principal amount of USD300,000,000. The senior notes may be redeemed in the following circumstances:

(i) At any time prior to 1 June 2022, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

(ii) At any time and from time to time prior to 1 June 2022, the Company may redeem up to 35% of the senior notes, at a redemption price of 111.875% of the principal amount of the senrio notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

During the year ended 31 December 2020, the Company repurchased the senior notes with the aggregated principal amount of USD450,000 at a total consideration of USD445,000, equivalent to RMB3,145,000. The loss on repurchase of senior notes of RMB80,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

(m) 2020 USD200 million senior notes due 2022

During the year ended 31 December 2020, the Company issued guaranteed senior notes in a principal amount of USD200,000,000. The redemption options were expired in 2020 and the senior notes will mature in 2022.

(n) 2020 USD350 million senior notes due 2023

During the year ended 31 December 2020, the Company issued guaranteed senior notes in a principal amount of USD350,000,000. The senior notes may be redeemed in the following circumstances:

(i) At any time prior to 28 July 2022, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus the applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any, to (but not including) the redemption date;

(ii) At any time and from time to time prior to 28 July 2022, the Company may redeem up to 35% of the senior notes, at a redemption price of 109.25% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

(o) USD100 million senior notes

During the year ended 31 December 2020, the Company issued guaranteed senior notes in a principal amount of USD100,000,000 and the senior notes were repaid upon maturity. No gain or loss on redemption of senior notes is recognised in profit or loss.

(p) 2020 USD320 million senior notes due 2023

During the year ended 31 December 2020, the Company issued guaranteed senior notes of USD320,000,000 by two tranches detailed as below:

| **Tranche** | **Issue date** | **Principal USD'000** | **Issued price % of principal** | **Nominal interest rate per annum** | **Effective interest rate per annum** |
|---|---|---|---|---|---|
| First | 19 October 2020 | 200,000 | 99.24% | 9.88% | 10.18% |
| Second | 4 December 2020 | 120,000 | 99.79% | 9.88% | 10.18% |

## 37. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(p) 2020 USD320 million senior notes due 2023 (continued)

The senior notes may be redeemed in the following circumstances:

(i) At any time prior to 19 October 2022, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus the applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

(ii) At any time and from time to time prior to 19 October 2022, we may redeem up to 35% of the senior notes, at a redemption price of 109.875% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

(q) 2020 USD50 million senior notes due 2021

During the year ended 31 December 2020, the Company issued guaranteed senior notes in a principal amount of USD50,000,000. The senior notes may be redeemed in the following circumstance:

At any time prior to 7 June 2021, we may at our option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus the applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

(r) 2020 USD250 million senior notes due 2021

During the year ended 31 December 2020, the Company issued guaranteed senior notes of USD250,000,000 by two tranches detailed as below:

| **Tranche** | **Issue date** | **Principal USD'000** | **Issued price % of principal** | **Nominal interest rate per annum** | **Effective interest rate per annum** |
|---|---|---|---|---|---|
| First | 18 December 2020 | 150,000 | 99.65% | 6.95% | 7.32% |
| Second | 28 December 2020 | 100,000 | 100% | 6.95% | 7.32% |

The senior notes may be redeemed in the following circumstance:

At any time prior to 17 December 2021, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus the applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

(s) 2020 USD100 million senior notes due 2021

During the year ended 31 December 2020, Colour Life, a non wholly-owned subsidiary of the Company, issued a non-public senior notes in a principal amount of USD100,000,000. The senior notes have been redeemed by the Company in full upon maturity on 25 February 2021.

For the year ended 31 December 2020

## 37. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(t) 2020 USD130 million senior notes due 2021

During the year ended 31 December 2020, Colour Life issued a non-public senior notes in a principal amount of USD130,000,000. The early redemption options entitled by the Company were expired in January 2021 and the senior notes will mature on 22 July 2021.

(u) 2015 RMB2,000 million bonds due 2020

On 18 September 2015, a wholly-owned subsidiary of the Company, Fantasia Group (China) Co., Ltd. (花樣年集團(中國)有限公司) ("Fantasia Group China") issued domestic corporate bonds of RMB2,000,000,000, which are listed on the Shanghai Stock Exchange ("SSE"). The corporate bonds are unsecured, carry interest at rate of 6.95% per annum and interest is payable annually. The effective interest rate of the senior notes is 7.30% per annum. The corporate bonds will mature on 16 September 2020 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the third year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the corporate bond holders may at their options to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

In September 2018, Fantasia Group China adjusted the coupon interest rate from 6.95% per annum to 7.95% per annum and certain holders of corporate bonds exercised the put options and sold back certain corporate bonds in aggregate principal amount of RMB43,295,000 to Fantasia Group China. For the remaining corporate bonds of RMB1,956,705,000, the coupon interest rate is adjusted to 7.95% per annum. The effective interest rate is revised from 7.30% per annum to 7.31% per annum.

During the year ended 31 December 2020, the bonds were repaid upon maturity. No gain or loss on redemption of senior notes is recognised in profit or loss.

(v) 2016 RMB1,100 million bonds due 2020

On 4 January 2016, a wholly-owned subsidiary of the Company, Fantasia Group China issued public domestic corporate bonds of RMB1,100,000,000, which are listed on the Shenzhen Stock Exchange ("SZSE"). The corporate bonds are unsecured, carry interest at rate of 7.29% per annum and interest is payable annually. The effective interest rate of the senior notes is approximately 7.46% per annum. The corporate bonds will mature on 31 December 2020 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the third year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the corporate bond holders may at their options to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

In December 2018, Fantasia Group China adjusted the coupon interest rate from 7.29% per annum to 7.95% per annum and certain holders of corporate bonds exercised the put options and sold back certain corporate bonds in aggregate principal amount of RMB14,008,000 to Fantasia Group China. For the remaining corporate bonds of RMB1,085,992,000, the coupon interest rate is adjusted to 7.95% per annum. The effective interest rate is revised from 7.46% per annum to 7.42% per annum.

During the year ended 31 December 2020, the bonds were repaid upon maturity. No gain or loss on redemption of senior notes is recognised in profit or loss.

## 37. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(w) 2018 RMB1,000 million bonds due 2021

On 17 December 2018, Fantasia Group China issued domestic corporate bonds of RMB1,000,000,000. The corporate bonds were issued at 100% of the principal amount and are listed on the SSE. The corporate bonds are unsecured, carry interest at rate of 7.5% per annum and interest is payable annually.

At the end of the second year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders may at their options to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

In 2020, Fantasia Group China announced that no adjustment to the interest rate and no holders exercised the put option and the corporate bond will mature on 17 December 2021.

(x) 2019 RMB800 million bonds due 2022

On 5 July 2019, Fantasia Group China issued domestic corporate bonds of RMB800,000,000. The corporate bonds were issued at 100% of the principal amount and are listed on the SSE. The corporate bonds are unsecured, carry interest at rate of 8.2% per annum and interest is payable annually. The corporate bonds will mature on 5 July 2022 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the second year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders may at their options to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

(y) 2019 RMB730 million bonds due 2022

On 29 November 2019, Fantasia Group China issued domestic corporate bonds of RMB730,000,000. The corporate bonds were issued at 99.9% of the principal amount and are listed on the SSE. The corporate bonds are unsecured, carry interest at rate of 7.8% per annum and interest is payable annually. The corporate bonds will mature on 29 November 2022 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the second year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders may at their options to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

(z) 2020 RMB2,500 million bonds due 2023

On 8 September 2020, Fantasia Group China issued domestic corporate bonds of RMB2,500,000,000. The corporate bonds were issued at 99.9% of the principal amount and are listed on the SSE. The corporate bonds are unsecured, carry interest at rate of 7.5% per annum and interest is payable annually. The corporate bonds will mature on 8 September 2023 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the second year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders may at their options to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

(aa) 2020 RMB1,543 million bonds due 2023

On 25 November 2020, Fantasia Group China issued domestic corporate bonds of RMB1,543,000,000. The corporate bonds were issued at 99.96% of the principal amount and are listed on the SSE. The corporate bonds are unsecured, carry interest at rate of 7.5% per annum and interest is payable annually. The corporate bonds will mature on 25 November 2023 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the second year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders may at their options to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

(ab) 2017 RMB150 million bonds due 2020

On 10 November 2017, Shenzhen Colour Life Services Group Co., Limited (深圳市彩生活服務集團有限公司) ("Shenzhen Colour Life") issued non-public domestic corporate bonds in aggregate principal amount of RMB150,000,000. During the year ended 31 December 2020, the bonds were repaid upon maturity. No gain or loss on redemption of senior notes is recognised in profit or loss.

For the year ended 31 December 2020

## 37. SENIOR NOTES AND BONDS (continued)

The movements of the senior notes and bonds during the year are set out below:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| At 1 January | 24,083,270 | 24,207,743 |
| Net proceeds on the date of issuance | 19,344,195 | 7,443,309 |
| Exchange (gain) loss | (1,839,780) | 350,734 |
| Interest expenses | 2,956,468 | 2,382,217 |
| Payment of interest | (2,456,952) | (2,263,028) |
| Repayment of senior notes and bonds | (5,554,627) | (6,197,492) |
| Repurchase/early redemption of senior notes and bonds | (884,117) | (1,840,213) |
| At 31 December | 35,648,457 | 24,083,270 |

## 38. ASSET-BACKED SECURITIES ISSUED

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| Asset-backed securities issued | | | |
| 2016 ABS | (a) | 20,206 | 50,146 |
| 2018 ABS | (b) | – | 54,402 |
| | | 20,206 | 104,548 |
| Carrying amounts repayable:* | | | |
| Within one year | | 20,206 | 70,078 |
| More than one year, but not exceeding two years | | – | 34,470 |
| | | 20,206 | 104,548 |
| Classified as: | | | |
| Current | | | |
| Carrying amounts with put options exercisable within one year | | – | 37,520 |
| Carrying amounts without put options and repayable within one year | | 20,206 | 49,963 |
| | | 20,206 | 87,483 |
| Non-current | | – | 17,065 |
| | | 20,206 | 104,548 |

* The amounts due are based on scheduled repayment dates set out in the agreements of asset-backed securities issued.

## 38. ASSET-BACKED SECURITIES ISSUED (continued)

Notes:

(a) In August 2016, Shenzhen Colour Life issued asset-backed securities ("2016 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The 2016 ABS were issued at discount of 5.0% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interests are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates ranges from 6.9% to 8.3% per annum.

For certain portion of 2016 ABS amounting to RMB135,000,000, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of 2016 ABS may at their options to sell back the 2016 ABS to the Group in whole or in part at face value of their principal amount in August 2019.

In August 2019, Shenzhen Colour Life repurchased the 2016 ABS with the principal amount of RMB66,541,000 at a total consideration of RMB75,032,000. The loss on RMB3,520,000 is recognised in profit or loss.

In August 2019, Shenzhen Colour Life adjusted the nominal interest rates of two tranches of 2016 ABS from both 6.1% per annum to 7% per annum and 7.2% per annum, respectively, and no holders of 2016 ABS exercised the put options. The related loss of modification of RMB1,380,000 is recognised in profit or loss.

(b) In January 2018, Shenzhen Colour Life issued the asset-backed securities ("2018 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The 2018 ABS were issued at discount of 1.8% with aggregate nominal value of RMB100,000,000 which carry interests ranging from 6.5% to 7.3% per annum. Under the securitisation arrangement, the principal and interests are payable semi-annually and with maturity from January 2019 to January 2021. The effective interest rates ranges from 6.9% to 7.5% per annum.

For certain portion of 2018 ABS amounting to RMB36,000,000, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of 2018 ABS may at their options to sell back the 2018 ABS to the Group in whole or in part at face value of their principal amount in January 2020. Therefore, the carrying amount of 2018 ABS amounting to RMB37,520,000 are classified as current liabilities as at 31 December 2019. In January 2020, all the holders of 2018 ABS exercised the put options and Shenzhen Colour Life redeemed the 2018 ABS with the principal amount of RMB36,000,000 in full. No gain or loss on redemption of senior notes is recognised in profit or loss.

The movement of the asset-backed securities issued during the year is set out below:

| | **2020**<br>**RMB'000** | **2019**<br>**RMB'000** |
|---|---|---|
| At 1 January | 104,548 | 260,419 |
| Effective interest recognised | 7,715 | 20,861 |
| Repayment of principal | (85,740) | (85,750) |
| Repurchase of 2016 ABS | – | (71,512) |
| Interest paid | (6,317) | (20,850) |
| Adjustment to carrying amounts upon non-substantial modification | – | 1,380 |
| At 31 December | 20,206 | 104,548 |

For the year ended 31 December 2020

## 39. PROVISIONS

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Analysed for reporting purposes as: | | |
| Current liabilities | 31,184 | 37,440 |

| | Properties provision RMB'000 (note a) | Warranty provision RMB'000 (note b) | Total RMB'000 |
|---|---|---|---|
| At 1 January 2020 | 31,184 | 6,256 | 37,440 |
| Addition of provision | – | 14,743 | 14,743 |
| Utilisation of provision | – | (13,026) | (13,026) |
| Derecognised upon disposal of fuel pump business (note 43(a)) | – | (7,973) | (7,973) |
| At 31 December 2020 | 31,184 | – | 31,184 |

Notes:

(a) In 2013, the Group acquired Shenzhen Tengxing Hongda Investment Development Co., Ltd. (深圳騰星宏達投資發展有限公司) ("Shenzhen Tengxing") from an independent third party. Pursuant to the sales and purchase agreement, the Group agreed with the former equity holder of Shenzhen Tengxing that after the property project construction completed by the Group, the Group is required to transfer 5% of the completed property of this property project to the former shareholder of Shenzhen Tengxing. The cost incurred for construction of this 5% completed property is accounted for as a provision. The property project construction was completed by 31 December 2020 and under the handover process with the former shareholder as at 31 December 2020.

(b) The provision represented the warranty provision granted on fuel pumps, which is the management's best estimate of the Group's liability under one year warranty granted on fuel pumps, based on prior experience and industry averages for defective products. The aforesaid provision was derecognised upon the disposal of the fuel pump business.

## 40. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2020 Assets RMB'000 | 2020 Liabilities RMB'000 | 2019 Assets RMB'000 | 2019 Liabilities RMB'000 |
|---|---|---|---|---|
| Derivative financial instruments (under hedge accounting) | | | | |
| Cash flow hedge | | | | |
| – Foreign currency option contracts | – | 4,113 | – | 4,289 |
| – Foreign currency forward contracts | – | 190,355 | 1,241 | 28,415 |
| | – | 194,468 | 1,241 | 32,704 |
| Classified as: | | | | |
| Current | – | 193,780 | 1,241 | 13,759 |
| Non-current | – | 688 | – | 18,945 |
| | – | 194,468 | 1,241 | 32,704 |

At the end of the reporting period, the Group had foreign currency forward contracts and foreign currency option contracts designated as effective hedging instruments in order to minimise its exposures to foreign currency risk on its fixed rate USD senior notes.

The terms of the foreign currency forward contracts and the foreign currency option contracts have been negotiated to match the terms of the respective designated hedged items and the directors of the Company consider that the foreign currency forward contracts and foreign currency option contracts are highly effective hedging instruments and qualified as cashflow hedge. The major terms of these contracts are as follows:

| Accumulated notional amounts USD'000 | Maturity | Strike rates (USD:RMB) | Cap rates (USD:RMB) | Floor rates (USD:RMB) |
|---|---|---|---|---|
| *Foreign currency option contracts* | | | | |
| 170,000 | 2021 | 6.90 – 7.10 | 7.18 – 7.40 | N/A |
| 70,000 | 2022 | 6.86 – 6.98 | 7.20 – 7.37 | N/A |
| 10,000 | 2023 | 6.92 | 7.37 | N/A |
| *Foreign currency forward contracts* | | | | |
| 400,000 | 2021 | 6.66 – 7.15 | 6.90 – 7.40 | 5.50 – 6.30 |

For the year ended 31 December 2020

## 41. SHARE CAPITAL

| | Notes | Number of shares | Amount HK$ | Equivalent to RMB'000 |
|---|---|---|---|---|
| **Ordinary shares of HK0.1 each** | | | | |
| Authorised: | | | | |
| At 1 January 2019, 31 December 2019 and 2020 | | 8,000,000,000 | 800,000,000 | 704,008 |
| Issued and fully paid: | | | | |
| At 1 January 2019 | | 5,762,943,904 | 576,294,390 | 497,945 |
| Issue of shares upon exercise of share options | (a) | 4,726,400 | 472,640 | 414 |
| At 31 December 2019 | | 5,767,670,304 | 576,767,030 | 498,359 |
| Issue of shares upon exercise of share options | (b) | 2,540,120 | 254,012 | 229 |
| At 31 December 2020 | | 5,770,210,424 | 577,021,042 | 498,588 |

Notes:

(a) During the year ended 31 December 2019, the Company issued 4,726,400 ordinary shares of HK$0.10 each upon exercise of share options at a total consideration of RMB3,408,000 in aggregate. The exercise price of the share options during the year ranging from HKD0.8 to HKD0.836 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

(b) During the year ended 31 December 2020, the Company issued 2,540,120 ordinary shares of HK$0.10 each upon exercise of share options at a total consideration of RMB2,110,000 in aggregate. The exercise price of the share options during the year ranging from HKD0.8 to HKD0.836 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

## 42. ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries

For the year ended 31 December 2020

During the year ended 31 December 2020, the Group made capital injection of RMB71,110,000 to Suzhou Linjiayan, which was previously accounted for as associate of the Group. Upon completion of the capital injection and the revision of the article of association of Suzhou Linjiayan, the equity interest in Suzhou Linjiayan held by the Group and the voting power in the shareholders' meeting of the Group increased from 42.81% to 50.81% such that the Group has obtained control over the relevant activities of Suzhou Linjiayan. Suzhou Linjiayan engages in property development business in Suzhou, the PRC, and the major assets acquired by the Group relate to properties under development for sale and therefore the acquisition of equity interest in Suzhou Linjiayan is accounted for as assets acquisition.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

| | **RMB'000** |
|---|---|
| Net assets acquired | |
| Properties under development for sale | 971,614 |
| Amounts due from certain subsidiaries of the Company | 1,707,406 |
| Trade and other receivables | 400,290 |
| Pledged bank deposits | 3,793 |
| Bank balances and cash | 63,768 |
| Trade and other payables | (173,399) |
| Contract liabilities | (1,588,912) |
| Borrowings due after one year | (500,000) |
| | 884,560 |

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the year incurred within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

| | **RMB'000** |
|---|---|
| Total consideration satisfied by: | |
| Capital injected by the Group | 71,110 |
| Add: Non-controlling interests | 432,764 |
| Fair value of the Group's previously held equity interest in Suzhou Linjiayan | 380,686 |
| | 884,560 |

For the year ended 31 December 2020

## 42. ACQUISITION OF SUBSIDIARIES (continued)

### (a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2020 (continued)

The fair value of the Group's previously held equity interests in Suzhou Linjiayan is estimated by an independent valuer through application of income approach and the key inputs of the valuation are the gross development value on completion basis, construction costs to completion and the discount rates. The difference between the fair value and the carrying amount of the Group's previously held interests in associates amounting to RMB18,555,000 was recognised as gain on remeasurement during the year ended 31 December 2020.

| | **RMB'000** |
|---|---|
| Net cash inflow arising on acquisitions | |
| Bank balances and cash acquired | 63,768 |

### (b) Acquisition of property operation businesses

For the year ended 31 December 2019

During the year ended 31 December 2019, the Group acquired the following companies at a total consideration of RMB101,428,000. At the time of acquisition, the directors of the Company were of the view that the acquisition constituted businesses combination. The transactions had been accounted for using the purchase method accordingly. The aforesaid subsidiaries were acquired so as to continue the expansion of the Group's property operation services.

| **Name of subsidiaries acquired** | **Consideration RMB'000** | **Acquisition date** | **Equity interest acquired** | **Principal activities** |
|---|---|---|---|---|
| 北京達爾文國際酒店物業管理有限公司<br>Beijing Darwin International Hotel Property Management Co., Ltd. ("Beijing Darwin") | 97,920 | 31 March 2019 | 51% | Provision of property operation services |
| 深圳市閑閑科技有限公司<br>Shenzhen Xianxian Technology Co., Ltd. | 1,808 | 31 March 2019 | 72% | Provision of property operation services |
| 泰安市好生活物業管理有限公司<br>Taian Good Living Property Management Co., Ltd. | 1,700 | 30 September 2019 | 60% | Provision of property operation services |

## 42. ACQUISITION OF SUBSIDIARIES (continued)

### (b) Acquisition of property operation businesses (continued)

For the year ended 31 December 2019 (continued)

*Total consideration transferred*

| | Beijing Darwin RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| Cash | 23,618 | 988 | 24,606 |
| Deposits paid in prior years | 59,168 | 1,500 | 60,668 |
| Consideration payables due within one year included in trade and other payables | 15,134 | 1,020 | 16,154 |
| | 97,920 | 3,508 | 101,428 |

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the year incurred within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

| | Beijing Darwin RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| Property, plant and equipment | 383 | 15 | 398 |
| Interest in an associate | 842 | – | 842 |
| Intangible assets | 82,400 | 1,472 | 83,872 |
| Trade receivables | 6,639 | 2,386 | 9,025 |
| Other receivables and prepayments | 5,454 | 494 | 5,948 |
| Bank balances and cash | 31,235 | 325 | 31,560 |
| Contract liabilities | (18,644) | – | (18,644) |
| Trade payables | (4,702) | – | (4,702) |
| Other payables and accruals | (12,049) | (3,039) | (15,088) |
| Receipts on behalf of residents | (5,820) | – | (5,820) |
| Amounts due to non-controlling shareholders of the subsidiaries | (3,315) | – | (3,315) |
| Amount due to an associate | (23) | – | (23) |
| Tax liabilities | – | (30) | (30) |
| Deferred tax liabilities | (20,600) | (368) | (20,968) |
| | 61,800 | 1,255 | 63,055 |

As at the date of acquisitions during the year ended 31 December 2019, the trade and other receivables acquired with a fair value of RMB14,973,000 approximated its gross contractual amount, with no significant contractual cash flows not expected to be collected.

For the year ended 31 December 2020

## 42. ACQUISITION OF SUBSIDIARIES (continued)

### (b) Acquisition of property operation businesses (continued)

For the year ended 31 December 2019 (continued)

The fair value of intangible assets acquired in business combination as at the date of acquisitions was estimated by an independent valuer through application of income approach. This approach estimated the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees. The economic benefits and related costs were in turn projected over the expected survival period, taking into consideration of the attrition rate, the growth rate and the discount rate.

*Goodwill arising on acquisitions*

| | **Beijing Darwin RMB'000** | **Others RMB'000** | **Total RMB'000** |
|---|---|---|---|
| Consideration transferred | 97,920 | 3,508 | 101,428 |
| Add: Non-controlling interests | 30,282 | 543 | 30,825 |
| Less: Fair value of net identifiable assets acquired | (61,800) | (1,255) | (63,055) |
| | 66,402 | 2,796 | 69,198 |

At the acquisition dates during the year ended 31 December 2019, the non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets/liabilities amounting to RMB30,825,000.

Goodwill was arisen on the acquisitions of subsidiaries during the years ended 31 December 2019, because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

As at the date of acquisitions during the year ended 31 December 2019, intangible assets of RMB83,872,000 in relation to the acquisition of subsidiaries under property management services segment had been recognised by the Group.

None of the goodwill arising on the acquisitions was expected to be deductible for tax purposes.

*Net cash outflows arising on acquisitions*

| | **RMB'000** |
|---|---|
| Cash consideration paid | (24,606) |
| Less: bank balances and cash acquired | 31,560 |
| | 6,954 |

## 43. DISPOSAL OF SUBSIDIARIES

### (a) Disposal of subsidiaries

For the year ended 31 December 2020

During the year ended 31 December 2020, the Group disposed of its 100% equity interest in Morning Star, which is engaged in travel agency business, to an independent third party for a consideration of RMB50,416,000.The disposal transaction was completed in March 2020. Cash consideration of RMB20,000,000 has been received by the Group in 2020 and the remaining consideration of RMB30,416,000 will be settled by installment and will be fully settled in 2023. The fair value of the deferred consideration is determined to be RMB30,416,000, with the discount rate of 3.65%. The loss on disposal of Morning star amounting to RMB1,090,000 is recognised and included in net gain on disposal of subsidiaries.

During the year ended 31 December 2020, the Group disposed of its 100% equity interests in Beiyou Technology (Shenzhen) Co., Ltd. (北油科技(深圳)有限公司) and its subsidiaries ("Beiyou Technology"), which are engaged in manufacturing and sales of fuel pumps, to an independent third party for a cash consideration of RMB50,000,000. The disposal transaction was completed in December 2020. The consideration receivable is due in one year since the date of completion of the transaction and the gain on disposal of Beiyou Technology amounting to RMB13,575,000 was recognised in net gain on disposal of subsidiaries.

During the year ended 31 December 2020, the Group and two independent investors ("Investors") have agreed that the Investors will acquire 100% equity interests in Nanjing Zhongchu Property Development Co., Ltd. (南京中儲房地產開發有限公司) ("Nanjing Zhongchu"), in aggregate, on the condition that the Group has obtained 30% shareholding in Nanjing Zhongchu on behalf of the Investors. The total payment settled by the Investors is RMB700,000,000 which included (1) RMB226,677,000 returned to the Group for the acquisition of 30% shareholding in Nanjing Zhongchu from the non-controlling shareholder on behalf of the Investors in which the Group was not entitled to any interests in the aforesaid 30% shareholding; (2) RMB473,323,000 paid to the Group for the acquisition of 70% equity interests in Nanjing Zhongchu. The Group has provided certain guarantees to the investors to facilities this transaction. The disposal transaction was completed in June 2020. The gain on disposal of Nanjing Zhongchu amounting to RMB160,317,000 is recognised in net gain on disposal of subsidiaries.

During the year ended 31 December 2020, the Group disposed of its 80% equity interests in Yixing Jiangnan Suixiang Resort Co., Ltd. (宜興市江南水鄉度假村有限公司) and its subsidiaries, which hold certain completed properties and a hotel property located in Suzhou, the PRC, to an independent third party for a cash consideration of RMB4,401,000. The disposal transaction was completed in July 2020. The cash consideration is fully received by the Group in 2020 and the loss on disposal of the subsidiary amounting to RMB8,169,000 is recognised and included in net gain on disposal of subsidiaries.

During the year ended 31 December 2020, the Group disposed of its 100% equity interests in Suzhou Huawanli Hotel Co., Ltd. (蘇州花萬里酒店有限公司), which holds a parcels of land located in Suzhou and is engaged in property development in the PRC, to an independent third party for a cash consideration of RMB58,029,000. The disposal transaction was completed in July 2020. The cash consideration is fully received by the Group in 2020 and the gain on disposal of the subsidiary amounting to RMB5,867,000 is recognised in net gain on disposal of subsidiaries.

For the year ended 31 December 2020

## 43. DISPOSAL OF SUBSIDIARIES (continued)

### (a) Disposal of subsidiaries (continued)

For the year ended 31 December 2020 (continued)

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of these transactions are summarised below:

| | **Morning Star RMB'000** (note i) | **Beiyou Technology RMB'000** (note ii) | **Others RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| Analysis of assets and liabilities over which control was lost: | | | | |
| Property, plant and equipment | 329 | 163,559 | 33,535 | 197,423 |
| Right-of-use assets | – | 4,046 | 223,641 | 227,687 |
| Investment properties | – | – | 702,000 | 702,000 |
| Goodwill | 69,189 | – | – | 69,189 |
| Intangible assets | 37,579 | – | – | 37,579 |
| Deferred tax assets | – | – | 26,576 | 26,576 |
| Trade and other receivables | 46,541 | 229,072 | 52,108 | 327,721 |
| Tax recoverables | – | – | 21,884 | 21,884 |
| Amounts due from certain subsidiaries of the Company | – | 15,000 | 30,807 | 45,807 |
| Properties for sale | – | – | 1,574,256 | 1,574,256 |
| Inventories | – | 74,554 | – | 74,554 |
| Restricted/pledged bank deposits | – | – | 7,189 | 7,189 |
| Bank balances and cash | 6,779 | 107,285 | 15,276 | 129,340 |
| Trade and other payables | (36,252) | (337,458) | (587,512) | (961,222) |
| Lease liabilities | – | (4,046) | – | (4,046) |
| Contract liabilities | – | – | (22,196) | (22,196) |
| Tax liabilities | – | – | (73,893) | (73,893) |
| Amounts due to certain subsidiaries of the Company | (67,722) | – | (524,206) | (591,928) |
| Amounts due to joint ventures | – | (207,614) | – | (207,614) |
| Borrowings | – | – | (1,050,000) | (1,050,000) |
| Provisions | – | (7,973) | – | (7,973) |
| Deferred tax liabilities | (4,937) | – | – | (4,937) |
| Net assets disposed of | 51,506 | 36,425 | 429,465 | 517,396 |
| (Loss) gain on disposal of subsidiaries: | | | | |
| Cash consideration | 20,000 | – | 62,430 | 82,430 |
| Deferred consideration/ consideration receivables | 30,416 | 50,000 | 473,323 | 553,739 |
| | 50,416 | 50,000 | 535,753 | 636,169 |
| Add: Non-controlling interest | – | – | 51,727 | 51,727 |
| Less: Net assets disposed of | (51,506) | (36,425) | (429,465) | (517,396) |
| | (1,090) | 13,575 | 158,015 | 170,500 |
| Net cash inflow arising on disposal: | | | | |
| Cash consideration | 20,000 | – | 62,430 | 82,430 |
| Bank balances and cash disposed of | (6,779) | (107,285) | (15,276) | (129,340) |
| | 13,221 | (107,285) | 47,154 | (46,910) |

## 43. DISPOSAL OF SUBSIDIARIES (continued)

### (a) Disposal of subsidiaries (continued)

For the year ended 31 December 2020 (continued)

Notes:

(i) The revenue and loss of Morning Star for the period from 1 January 2020 to date of disposal, which have been included in the consolidated statement of profit or loss and other comprehensive income were RMB39,191,000 (2019: RMB338,725,000) and RMB4,891,000 (2019: RMB29,684,000), respectively.

During the period from 1 January 2020 to date of disposal, Morning Star paid incurred net operating cash outflows of RMB24,002,000 (2019: RMB51,017,000) to the Group's net operating cash flows and insignificant contribution to both investing cash flows and financing cash flows of the Group.

(ii) The revenue and loss of Beiyou Technology for the period from 1 January 2020 to date of disposal, which have been included in the consolidated statement of profit or loss and other comprehensive income were RMB420,063,000 (2019: RMB433,348,000) and RMB4,904,000 (2019: RMB6,896,000), respectively.

During the period from 1 January 2020 to date of disposal, Beiyou Technology had net operating cash inflows of RMB46,810,000 (2019: incurred net operating cash outflows of RMB18,334,000) to the Group's net operating cash flows and insignificant contribution to both investing cash flows and financing cash flows of the Group.

For the year ended 31 December 2019

During the year ended 31 December 2019, the Group disposed of its 51% equity interests in Tangshan Jinsheng Real Estate Co., Ltd. (唐山金盛房地產開發有限公司) which is engaged in property development in the PRC, through the disposal of its 100% equity in Beijing Fantasia Real Estate Co., Ltd. (北京市花樣年房地產開發有限公司), to an independent third party for a consideration of RMB85,750,000.

During the year ended 31 December 2019, the Group disposed of its 67% equity interests in Wuhan Jialun Chengtai Commercial Co., Ltd. (武漢市嘉倫誠泰商貿有限公司) which is engaged in property development in the PRC, to an independent third party for a consideration of RMB33,835,000.

For the year ended 31 December 2020

## 43. DISPOSAL OF SUBSIDIARIES (continued)

### (a) Disposal of subsidiaries (continued)

For the year ended 31 December 2019 (continued)

The above transactions were accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of these transactions were summarised below:

| | **RMB'000** |
|---|---|
| Analysis of assets and liabilities over which control was lost: | |
| Property, plant and equipment | 4,009 |
| Trade and other receivables | 24,297 |
| Properties for sale | 524,426 |
| Bank balances and cash | 6,290 |
| Trade and other payables | (53,350) |
| Borrowings | (220,000) |
| Amounts due to certain subsidiaries of the Company | (167,768) |
| Net assets disposed of | 117,904 |
| Gain on disposal of subsidiaries: | |
| Cash consideration | 115,750 |
| Consideration receivables | 3,835 |
| | 119,585 |
| Add: Non-controlling interest | 14,035 |
| Less: Net assets disposed of | (117,904) |
| | 15,716 |
| Net cash inflow arising on disposal: | |
| Cash consideration | 115,750 |
| Bank balances and cash disposed of | (6,290) |
| | 109,460 |

## 43. DISPOSAL OF SUBSIDIARIES (continued)

### (b) Disposal of partial interests in subsidiaries without loss of control

For the year ended 31 December 2020

During the year ended 31 December 2020, an independent investor injected capital in the form of registered capital and share premium, amounting RMB190,420,000, to Tianjin Fantasia Biyuntian Property Development Co., Ltd. (天津花樣年碧雲天房地產開發有限公司)("Tianjin Fantasia"), a wholly owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Tianjin Fantasia from 100% to 51%. The Group still have control over the relevant activities of Tianjin Fantasia after the partial disposal. The difference of RMB81,924,000 between the capital injected by the independent investor and the attributable equity interest in Tianjin Fantasia disposed after taking into account of the relevant attributable accumulated losses of Tianjin Fantasia amounting to RMB4,694,000 was credited to special reserve. Tianjin Fantasia is engaged in property development in the PRC.

For the year ended 31 December 2019

During the year ended 31 December 2019, an independent investor injected capital in the form of registered capital amounting to RMB4,500,000 to Sichuan Danxing Commercial Co., Ltd. (四川亙興商貿有限公司)("Sichuan Danxing"), a wholly owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Sichuan Danxing from 100% to 91%. The Group still have control over the relevant activities of Sichuan Danxing after the partial disposal. The difference of RMB1,000 between the capital injected by the independent investor and the attributable equity interest in Sichuan Danxing disposed after taking into account of the relevant attributable accumulated profit of Sichuan Danxing amounting to RMB2,830,000 was credited to special reserve. Sichuan Danxing is engaged in property development in the PRC.

During the year ended 31 December 2019, the Group disposed of its 45% equity interest in Wuhan Xinchengkai Industrial Co., Ltd. (武漢欣誠開實業有限公司)("Wuhan Xinchengkai"), to an independent third party, for a cash consideration of RMB2,250,000. The Group retained 55% equity interest in Wuhan Xinchengkai and still have control over the relevant activities of Wuhan Xinchengkai after the partial disposal. The difference of RMB2,250,000 between the consideration received and the proportionate share of the net assets of Wuhan Xinchengkai by the non-controlling shareholder after taking into account of the relevant attributable accumulated profit of Wuhan Xinchengkai amounting to RMB10,180,000 was credited to special reserve. Wuhan Xinchengkai is engaged in property development in the PRC.

During the year ended 31 December 2019, Colour Life issued 87,246,000 new ordinary shares at subscription price of HKD5.22 per share to two independent shareholders at a total consideration of RMB435,343,000. The Group's percentage of equity interest in Colour Life was diluted from 55.35% to 51.69% upon completion of the issuance of shares. The difference of RMB167,359,000 between the additional share of net assets of Colour Life by non-controlling shareholders and the net proceeds received by Colour Life on placement of new shares after taking into account of the relevant attributable accumulated profits of Colour Life amounting to RMB57,693,000, was credited to special reserve.

## 43. DISPOSAL OF SUBSIDIARIES (continued)

### (c) Disposal of partial interests in subsidiaries resulting in loss of control

For the year ended 31 December 2020

During the year ended 31 December 2020, the Group disposed of its 5% equity interest in Hangzhou Qifei to an independent third party for a cash consideration of RMB12,961,000 and the Group's shareholding in Hangzhou Qifei decreased from 49% to 44% and the voting right in Hangzhou Qifei's shareholders' meeting decreased from 100% to 44%, resulting in loss of control upon completion of the transaction. The cash consideration receivables of RMB12,961,000 was fully received before 31 December 2020. The aforesaid transaction was completed in June 2020. Pursuant to the revised article of association of Hangzhou Qifei, the Group has the right to cast 44% of the votes of Hangzhou Qifei at the shareholders' meeting, the governing body which directs the relevant activities that significantly affect the returns of Hangzhou Qifei. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, the remaining 44% equity interest in Hangzhou Qifei is classified as interests in associates. Hangzhou Qifei is engaged in property investment in the PRC.

During the year ended 31 December 2020, the Group disposed of its 60% equity interest in Qianhai Huawanli to an independent third party for a cash consideration of RMB301,048,000 and the Group's shareholding and voting right in shareholders' meeting in Shenzhen Huawanli decreased from 100% to 40%, resulting in loss of control upon completion of the transaction. The aforesaid transaction was completed in July 2020 and the consideration receivable is due in one year since the date of completion of the transaction. At the date these consolidated financial statements are authorised for issuance, the consideration receivables amounting to RMB301,048,000 as at 31 December 2020 were subsequently settled. Pursuant to the revised article of association of Shenzhen Huawanli, the Group has the right to cast 40% of the votes of Shenzhen Huawanli at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Huawanli. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, the remaining 40% equity interest in Shenzhen Huawanli is classified as interests in associates. Shenzhen Huawanli is engaged in investment management in the PRC.

During the year ended 31 December 2020, the Group disposed of its 60% equity interest in Shenzhen Kangnian to an independent third party for a consideration of RMB489,962,000 and the Group's shareholding and voting right in shareholders' meeting in Shenzhen Kangnian decreased from 100% to 40%, resulting in loss of control upon completion of the transaction. The aforesaid transaction was completed in July 2020 and the consideration receivable is due in one year since the date of completion of the transaction. At the date these consolidated financial statements are authorised for issuance, the consideration receivables amounting to RMB489,962,000 as at 31 December 2020 were subsequently settled. Pursuant to the revised article of association of Shenzhen Kangnian, the Group has the right to cast 40% of the votes of Shenzhen Kangnian at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Kangnian. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, the remaining 40% equity interest in Shenzhen Kangnian is classified as interests in associates. Shenzhen Kangnian is engaged in investment management in the PRC.

## 43. DISPOSAL OF SUBSIDIARIES (continued)

### (c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

For the year ended 31 December 2020 (continued)

During the year ended 31 December 2020, the Group entered into a series of investment agreements with two independent investors regarding the equity investments in Chengdu Huayang. According to the investment agreements, the Group disposed of its 5% equity interests in Chengdu Huayang to an investor at a consideration of RMB35,000,000 and the other investor injected capital in the form of registered capital and share premium amounting to RMB280,000,000 to Chengdu Huayang. Upon completion of the investment, the equity interests in Chengdu Huayang held by the Group was diluted from 100% to 55%. The aforesaid transaction was completed in July 2020 and the consideration receivables of RMB35,000,000 was fully received before 31 December 2020. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group and the two independent investors, the remaining 55% equity interest in Chengdu Huayang was classified as interest in a joint venture. Chengdu Huayang holds a parcel of land located in Chengdu, the PRC and is engaged in property development of the aforesaid land.

During the year ended 31 December 2020, the Group, the non-controlling shareholders and an independent investor entered into an investment agreement regarding the capital injections to Shenzhen Jianian by the Group and the independent investor amounting to RMB239,700,000 and RMB239,910,000, respectively. Upon completion of the investment, the beneficial interests, profit sharing and voting rights held by the Group was diluted from 51% to 50%. The aforesaid transaction was completed in July 2020. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group, the independent investor and the former non-controlling shareholders, the 50% equity interest in Shenzhen Jianian was classified as interest in a joint venture. Shenzhen Jianian and its subsidiaries hold certain property projects in Chengdu and Shanghai, the PRC and is engaged in property development of the aforesaid property projects.

During the year ended 31 December 2020, the Group disposed of its 5% equity interest in Anning Huaqianli to an independent third party for a cash consideration of RMB7,490,000 and the Group's shareholding and voting right in shareholders' meeting in Anning Huaqianli decreased from 63% to 58%, resulting in loss of control upon completion of the transaction. The aforesaid transaction was completed in October 2020 and the consideration receivable is due in one year since the date of completion of the transaction. At the date these consolidated financial statements are authorised for issuance, the consideration receivables amounting to RMB7,490,000 as at 31 December 2020 were subsequently settled. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group, the independent investor and the former non-controlling shareholders, the remaining 58% equity interest in Anning Huaqianli was classified as interest in a joint venture. Anning Huaqianli holds a parcel of land located in Anning, the PRC and is engaged in property development of the aforesaid land.

## 43. DISPOSAL OF SUBSIDIARIES (continued)

### (c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

For the year ended 31 December 2020 (continued)

During the year ended 31 December 2020, the Group disposed of its 63% equity interest in Wuhan Ruijin to an independent third party for a cash consideration of RMB58,590,000 and the Group's shareholding and voting right in shareholders' meeting in Wuhan Ruijin decreased from 100% to 37%, resulting in loss of control upon completion of the transaction. The aforesaid transaction was completed in December 2020 and the consideration receivable is due in one year since the date of completion of the transaction. Pursuant to the revised article of association of Wuhan Ruijin, the Group has the right to cast 37% of the votes of Wuhan Ruijin at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Wuhan Ruijin. The approval of relevant activities require by unanimous consent of the Group, the independent investor and the former non-controlling shareholder. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, the remaining 37% equity interest in Wuhan Ruijin is classified as interests in joint ventures. Wuhan Ruijin is engaged in property investment in the PRC.

During the year ended 31 December 2020, the Group disposed of its 70% equity interest in Shenzhen Jindiying to an independent third party for a cash consideration of RMB792,000,000 and the Group's shareholding and voting right in shareholders' meeting in Shenzhen Jindiying decreased from 81% to 11%, resulting in loss of control upon completion of the transaction. The aforesaid transaction was completed in December 2020 and the consideration receivable is due in one year since the date of completion of the transaction. At the date these consolidated financial statements are authorised for issuance, the consideration receivables amounting to RMB792,000,000 as at 31 December 2020 were subsequently settled. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group and the independent investor, the remaining 11% equity interest in Shenzhen Jindiying was classified as interest in a joint venture. Shenzhen Jindiying holds a parcel of land located in Shenzhen, the PRC and is engaged in property development of the aforesaid land.

For the year ended 31 December 2019

In June 2019, an independent investor injected capital in the form of registered capital amounting to RMB10,000,000 to Wuhan Xiangyun Jinrui Property Development Co., Ltd. (武漢祥雲錦瑞房地產開發有限公司) ("Wuhan Xiangyun"). After the capital injection, the equity interests, profit sharing and voting rights held by the Group was diluted from 100% to 50%. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group and the independent investor, the remaining 50% equity interest in Wuhan Xiangyun was classified as interest in a joint venture. Wuhan Xiangyun holds a parcel of land located in Wuhan, the PRC and is engaged in property development of the aforesaid land.

## 43. DISPOSAL OF SUBSIDIARIES (continued)

### (c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

For the year ended 31 December 2019 (continued)

In August 2019, the Group entered into a series of investment agreements with an independent investor regarding the equity investment in Shenzhen Yushi Property Development Co., Ltd. (深圳市玉石房地產開發有限公司) ("Shenzhen Yushi"). Upon completion of the investment, the beneficial interests, profit sharing and voting rights held by the Group was diluted from 100% to 51%. The total equity investment received or receivable from the independent investor of RMB1,108,153,000 of which RMB428,589,000 was settled by the independent investor before 31 December 2019 and the remaining balance of RMB679,564,000 will be settled within five years. The fair value of the outstanding balance at 31 December 2019 is determined to be RMB479,823,000 at an effective interest rate of 9.28% per annum. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group and the independent investor, the remaining 51% equity interest in Shenzhen Yushi was classified as interest in a joint venture. Shenzhen Yushi holds a parcel of land located in Shenzhen, the PRC and is engaged in property development of the aforesaid land.

In October 2019, an independent investor injected capital in the form of registered capital amounting to RMB320,000,000 to Shenzhen Fantasia. After the capital injection, the equity interests, profit sharing and voting rights held by the Group was diluted from 100% to 50%. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group and the independent investor, the remaining 50% equity interest in Shenzhen Fantasia was classified as interest in a joint venture. Shenzhen Fantasia holds a parcel of land located in Shenzhen, the PRC and is engaged in property development of the aforesaid land.

| | **2020**<br>**RMB'000** | **2019**<br>**RMB'000** |
|---|---|---|
| Assets and liabilities disposed at the date of loss of control of the disposed subsidiaries are as follows: | | |
| Property, plant and equipment | 521,634 | 197 |
| Investment properties | 650,054 | – |
| Right-of-use assets | 18,457 | – |
| Interest in a joint venture | 336,727 | – |
| Deferred tax assets | 193,476 | – |
| Properties under development for sale | 8,271,775 | 4,337,645 |
| Trade and other receivables | 1,442,961 | 322,977 |
| Tax recoverable | 22,705 | – |
| Amount due from a joint venture | 22,400 | – |
| Amounts due from certain subsidiaries of the Company | – | 54,830 |
| Restricted/pledged bank deposits | 102,460 | – |
| Bank balances and cash | 1,629,401 | 529,069 |
| Trade and other payables | (3,048,906) | (696,089) |
| Contract liabilities | (2,156,350) | – |
| Tax liabilities | (1,088,741) | – |
| Amounts due to certain subsidiaries of the Company | (3,729,771) | (1,859,948) |
| Amounts due to non-controlling shareholders | (309,508) | – |
| Borrowings | (114,900) | (2,400,000) |
| Deferred tax liabilities | (66,228) | – |
| | 2,697,646 | 288,681 |

For the year ended 31 December 2020

## 43. DISPOSAL OF SUBSIDIARIES (continued)

### (c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Gain on remeasurment and disposal of subsidiaries: | | |
| Cash received during the year | 181,215 | 428,589 |
| Consideration receivables | 1,515,836 | 479,823 |
| | 1,697,051 | 908,412 |
| Non-controlling interest | 264,545 | – |
| Fair value of retained equity interests in joint ventures | | |
| – Shenzhen Jianian | 366,737 | – |
| – Shenzhen Jindiying | 124,575 | – |
| – Chengdu Huaqingjiang | 385,520 | – |
| – Anning Huaqianli | 87,211 | – |
| – Wuhan Ruijin | 34,487 | – |
| – Shenzhen Yushi | – | 953,876 |
| – Shenzhen Fantasia | – | 335,328 |
| – Wuhan Xiangyun | – | 10,000 |
| | 998,530 | 1,299,204 |
| Fair value of retained equity interests in associates | | |
| – Hangzhou Qifei | 84,404 | – |
| – Shenzhen Huawanli | 200,698 | – |
| – Shenzhen Kangnian | 326,641 | – |
| | 611,743 | – |
| | 3,571,869 | 2,207,616 |
| Less: Net assets disposed of | (2,697,646) | (288,681) |
| | 874,223 | 1,918,935 |
| Classified as: | | |
| Gain on remeasurement included in other gains and losses | 175,440 | 989,748 |
| Gain on disposal of subsidiaries | 698,783 | 929,187 |
| | 874,223 | 1,918,935 |
| Net cash inflow (outflow) arising on disposal: | | |
| Cash consideration | 181,215 | 428,589 |
| Bank balances and cash disposed of | (1,629,401) | (529,069) |
| | (1,448,186) | (100,480) |

## 44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

| | **Amounts due to related parties RMB'000** (note 34) | **Borrowings RMB'000** (note 35) | **Lease liabilities RMB'000** (note 36) | **Senior notes and bonds RMB'000** (note 37) | **Asset-backed securities issued RMB'000** (note 38) | **Dividend payables RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|---|---|
| At 1 January 2020 | 843,853 | 13,985,362 | 444,396 | 24,083,270 | 104,548 | – | 39,461,429 |
| Financing cash flows | 490,730 | (2,114,602) | (130,786) | 12,899,984 | (85,740) | (314,496) | 10,745,090 |
| Interest paid | – | (1,044,242) | – | (2,456,952) | (6,317) | – | (3,507,511) |
| Finance cost incurred during the year (note 9) | – | 1,044,242 | 27,441 | 2,956,468 | 7,715 | – | 4,035,866 |
| Inception of leases | – | – | 24,233 | – | – | – | 24,233 |
| Acquisition of subsidiaries (note 42) | – | 500,000 | – | – | – | – | 500,000 |
| Disposal of subsidiaries (note 43) | (517,122) | (1,164,900) | (4,046) | – | – | – | (1,686,068) |
| Loss on repurchase, early redemption and modification of senior notes and bonds and asset-backed securities issued | – | – | – | 5,467 | – | – | 5,467 |
| Foreign exchange | – | (9,929) | (8,045) | (1,839,780) | – | – | (1,857,754) |
| Dividend declared to shareholders of the Company (note 13) | – | – | – | – | – | 288,384 | 288,384 |
| Dividend paid to non-controlling shareholders of the subsidiaries | – | – | – | – | – | 26,112 | 26,112 |
| At 31 December 2020 | 817,461 | 11,195,931 | 353,193 | 35,648,457 | 20,206 | – | 48,035,248 |
| At 1 January 2019 | 356,189 | 19,155,554 | 379,281 | 24,207,743 | 260,419 | – | 44,359,186 |
| Financing cash flows | 487,664 | (2,659,574) | (81,358) | (595,213) | (160,782) | (422,770) | (3,432,033) |
| Interest paid | – | (1,294,709) | (35,745) | (2,263,028) | (20,850) | – | (3,614,332) |
| Finance cost incurred during the year (note 9) | – | 1,294,709 | 35,745 | 2,382,217 | 20,861 | – | 3,733,532 |
| Inception of leases | – | – | 146,473 | – | – | – | 146,473 |
| Disposal of subsidiaries (note 43) | – | (2,620,000) | – | – | – | – | (2,620,000) |
| Loss on repurchase, early redemption and modification of senior notes and bonds and asset-backed securities issued | – | – | – | 817 | 4,900 | – | 5,717 |
| Foreign exchange | – | 109,382 | – | 350,734 | – | – | 460,116 |
| Dividend declared to shareholders of the Company (note 13) | – | – | – | – | – | 195,940 | 195,940 |
| Dividend paid to non-controlling shareholders of the subsidiaries | – | – | – | – | – | 226,830 | 226,830 |
| At 31 December 2019 | 843,853 | 13,985,362 | 444,396 | 24,083,270 | 104,548 | – | 39,461,429 |

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## 45. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes amounts due to related parties as disclosed in note 34, borrowings as disclosed in note 35, lease liabilities as disclosed in note 36, senior notes and bonds as disclosed in note 37, asset-backed securities issued as disclosed in note 38, net of the cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of borrowings, senior notes and bonds and asset-backed securities issued to ensure compliance with financial covenants.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding and considers the cost of capital and the risks associated with each class of capital, the Group does not have any target gearing ratio.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

## 46. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---:|---:|
| **Financial assets** | | |
| Financial assets at amortised cost | 40,420,786 | 29,209,165 |
| Financial assets at FVTPL | – | 1,449,051 |
| Equity instruments designated at FVTOCI | 54,582 | 60,086 |
| Derivative financial instruments | – | 1,241 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | 53,784,924 | 45,433,200 |
| Derivative financial instruments | 194,468 | 32,704 |

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, financial assets at FVTPL, equity instruments designated at FVTOCI, restricted/pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, borrowings, senior notes and bonds, asset-backed securities issued, lease liabilities and derivative financial instruments. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

*(i) Currency risk*

The Group mainly has bank balances, borrowings, lease liabilities, obligations under finance leases and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The Group entered into foreign currency forward contracts and foreign currency option contracts to hedge certain material senior notes denominated in foreign currency. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness. Details of the foreign currency forward contracts and the foreign currency option contracts entered into by the Group at the end of the reporting period are set out in note 40.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward contracts and the foreign currency option contracts match the critical terms of the fixed rate senior notes dominated in USD (i.e. notional amount of the foreign currency forward contracts and the foreign currency option contracts, outstanding principal amounts of the senior notes, maturity dates, interest payments and principal repayment dates). Details of the terms of the foreign currency forward contracts and foreign currency option contracts are disclosed in note 40. The Group does not hedge 100% of its senior notes.

For the year ended 31 December 2020

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Market risk (continued)

*(i) Currency risk (continued)*

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Assets** | | |
| USD | 1,212,758 | 223,293 |
| HKD | 109,603 | 60,509 |
| **Liabilities** | | |
| USD | 29,576,744 | 18,340,921 |
| HKD | 386,412 | 134,367 |

Other than the derivative contracts entered into by the Group as mentioned above, the Group currently does not enter into any other derivative contracts to minimise the currency risk exposure. However, the management will consider further hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in USD and HKD against RMB.

The sensitivity analyses below were prepared based on the Group's sensitivity to a 10% increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (taking into consideration of certain senior notes with foreign currency forward contracts and foreign currency option contracts designated as the relevant hedging instruments) and adjusts their translation at the year end for a 10% change in foreign currency rates. Accordingly, the sensitivity analysis includes bank balances, borrowings, lease liabilities, obligations under finance leases and senior notes (taking into consideration of those senior notes subject to foreign currency forward contracts and foreign currency option contracts designated as hedging instruments). 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis also includes bank balances, borrowings, lease liabilities, obligations under finance leases and senior notes. A positive (negative) number indicates an increase (a decrease) in profit for the year.

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Market risk (continued)

*(i) Currency risk (continued)*

Foreign currency sensitivity analysis

The impact of RMB strengthening for 10% against the relevant currencies are as follow:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **USD** | | |
| Increase in profit for the year | 2,618,283 | 1,550,663 |
| **HKD** | | |
| (Decrease) increase in profit for the year | 27,681 | 7,386 |

The impact of RMB weakening for 10% against the relevant currencies are as follow:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **USD** | | |
| Decrease in profit for the year | (2,721,153) | (1,704,928) |
| **HKD** | | |
| Increase (decrease) in profit for the year | (27,681) | (7,386) |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

*(ii) Interest rate risk*

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate loan receivables included in trade and other receivables, borrowings, lease liabilities, obligations under finance leases, senior notes and bonds and asset-backed securities issued.

For the year ended 31 December 2020

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Market risk (continued)

*(ii) Interest rate risk* (continued)

The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark rates.

Sensitivity analysis

Bank balances and restricted/pledged bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances and restricted/pledged bank deposits at the end of the reporting period. A 25 basis points (2019: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2019: 25 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would have increased/decreased by RMB53,682,000 (2019: RMB43,206,000).

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2019: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would have decreased/increased by RMB5,986,000 (2019: RMB18,788,000), assuming the interest on such borrowings would not be capitalised.

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2020 and 2019, other than those financial assets whose carrying best present the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group is disclosed in note 51.

*Trade receivables, contract assets and payments on behalf of residents included in other receivables*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality then applies internal credit rating and defines credit limits by customers. The Group reviews the customer's credit quality on a timely basis and carried out monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivable, contract assets and payments on behalf of residents individually or based on provision matrix or collective basis, where appropriate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Except for the contract assets in relation to the construction of properties for the government which is considered to be at low credit risk, the Group had no concentration of credit risk in respect of the trade receivables, contract assets and payments on behalf of residents with exposure spread over a number of counter parties.

*Other receivables (excluding payments on behalf of residents), amounts due from non-controlling shareholders of the subsidiaries of the Company, associates and joint ventures, restricted/pledged bank deposits and bank balances*

The credit risk of other receivables (excluding payments on behalf of residents), amounts due from related parties are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of the subsidiaries of the Company with these relevant non-controlling shareholders, associates, joint ventures and related parties. Based on assessment under ECL model by the directors of the Company, the expected credit loss on other receivables (excluding payments on behalf of residents and loan receivables), loan receivables and amount due from a joint venture for the year ended 31 December 2020 was RMB47,596,000, RMB32,850,000 and RMB12,616,000 (2019: RMB38,951,000, RMB16,250,000 and RMB8,606,000), respectively. Details of the quantitative disclosures are set out below in this note.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC, Singapore and Japan.

For the year ended 31 December 2020

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

*Financial guarantees*

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to forfeit the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market prices of the properties are higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For the joint ventures and associates which are engaged in property development, the Group provided guarantees on outstanding obligations under the bank borrowings incurred by the joint ventures and associates for developing their projects. If the joint venture or associate defaults on the payment of bank borrowing during the term of guarantee, the relevant bank may demand the Group to repay the outstanding amount of the borrowing and any accrued interest thereon. The management considers the credit risk exposure to financial guarantees provided to joint ventures and associates is limited because the facilities are secured by the properties under development and the market prices of the properties under development are higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's internal credit risk grading assessment comprises the following categories:

| | External credit rating | Internal credit rating | Notes | 12 m or life-time ECL | Gross carrying amount 2020 RMB'000 | Gross carrying amount 2019 RMB'000 |
|---|---|---|---|---|---|---|
| Trade receivables | | | | | | |
| – property development receivables | N/A | (i) | 30 | Life-time ECL (individual assessment) | 813,028 | 1,361,356 |
| – property operation services, sales of fuel pumps and lease receivables | N/A | (i) | 30 | Life-time ECL (provision matrix) | 664,695 | 643,944 |
| | | | | Life-time ECL (credit-impaired and provision matrix) | 394,927 | 582,020 |
| | | | | | 1,872,650 | 2,587,320 |
| Contract assets | | | | | | |
| – construction of properties | N/A | Low risk | 28 | Life-time ECL (individual assessment) | 754,206 | 692,359 |
| – others | N/A | N/A | 28 | Life-time ECL (collective basis) | 67,534 | 70,522 |
| | | | | | 821,740 | 762,881 |

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

*Financial guarantees* (continued)

| | External credit rating | Internal credit rating | Notes | 12 m or life-time ECL | Gross carrying amount 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|---|---|---|
| Payments on behalf of residents | N/A | (ii) | 30 | Life-time ECL (collective basis) | 795,215 | 740,732 |
| (included in other receivables) | N/A | (ii) | 30 | Life-time ECL (credit-impaired and collective basis) | 479,820 | 331,888 |
| | | | | | 1,275,035 | 1,072,620 |
| Loan receivables | N/A | (iii) | 30 | 12m ECL | 196,001 | 193,224 |
| (included in other receivables) | | | | Life-time ECL (credit-impaired and individual assessment) | 62,798 | 32,500 |
| | | | | | 258,799 | 225,724 |
| Amount due from a joint venture (non-current) | N/A | (iv) | 24 | Life-time ECL (credit-impaired and individual assessment) | 81,505 | 81,505 |
| Other receivables (excluding payments on behalf of residents and loan receivables), amounts due from related parties (excluding the non-current amount due from a joint venture) | N/A | (v) | 30/24 | 12m ECL | 8,569,040 | 2,458,238 |
| | | | | Life-time ECL (credit-impaired and individual assessment) | 47,596 | 38,951 |
| | | | | | 8,616,636 | 2,497,189 |
| Restricted/pledged bank deposits and bank balances | AAA | Low risk | 31 | 12m ECL | 28,630,247 | 23,043,008 |
| Financial guarantee contracts | N/A | Low risk | 51 | 12m ECL | 18,063,583 | 12,482,714 |

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# 46. FINANCIAL INSTRUMENTS (continued)

## (b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

*Financial guarantees (continued)*

Notes:

**(i) Trade receivables**

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables arising from property operation services and sale of fuel pumps, which are assessed collectively based on provision matrix or individually as at 31 December 2020 and 2019.

For trade receivables arising from property development and lease receivables, the amount of the loss allowance at 31 December 2020 and 2019 was considered as insignificant to the consolidated financial statements of the Group.

For trade receivables arising from property operation services, sales of fuel pumps and lease receivables in which impairment loss allowance was made:

| | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| | Category | Average loss rate | Gross carrying amount RMB'000 | Impairment loss allowance RMB'000 | Average loss rate | Gross carrying amount RMB'000 | Impairment loss allowance RMB'000 |
| 0 – 30 days | Not credit-impaired | 0.5% | 447,821 | 2,239 | 0.5% | 416,384 | 2,082 |
| 31 – 90 days | Not credit-impaired | 2.0% | 216,874 | 4,337 | 2.0% | 227,560 | 4,551 |
| 91 – 180 days | Credit-impaired | 6.0% | 181,162 | 10,870 | 6.0% | 265,481 | 15,929 |
| 181 – 365 days | Credit-impaired | 12.0% | 135,529 | 16,263 | 12.0% | 246,174 | 29,541 |
| Over 1 year | Credit-impaired | 45.0% | 78,236 | 35,206 | 45.0% | 70,365 | 31,664 |
| | | | 1,059,622 | 68,915 | | 1,225,964 | 83,767 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

# 46. FINANCIAL INSTRUMENTS (continued)

## (b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

*Financial guarantees (continued)*

Notes: (continued)

**(ii) Payments on behalf of residents**

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on payments on behalf of residents on a timely basis. The Group uses four categories for those receivables which reflect their credit risk.

| Category | Group definition of category |
|---|---|
| Type I | Communities for which the Group have terminated or plan to terminate or non-renew of the related property management contracts because their financial performance does not meet the Group's expectations, the amounts are credit-impaired and the Group has low realistic prospect of recovery. |
| Type II | Communities for which the Group provides for the pre-delivery property management services for the property developers before the properties are delivered to owners, the property developers have a lower risk of default and a stronger capability to meet contractual cash flows than individual residents. |
| Type III | Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities. The residents of the communities are diversified and have a low risk of default. |
| Type IV | Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents, which indicates the payments on behalf of residents are credit-impaired. |

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed on collective basis or individually as at 31 December 2020 and 2019.

| | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| | Category | Average loss rate | Gross carrying amount RMB'000 | Impairment loss allowance RMB'000 | Average loss rate | Gross carrying amount RMB'000 | Impairment loss allowance RMB'000 |
| Type I | Credit-impaired | 95% | 122,729 | 116,593 | 95% | 98,409 | 93,489 |
| Type II | Not credit-impaired | 5% | 124,511 | 6,226 | 5% | 110,838 | 5,542 |
| Type III | Not credit-impaired | 1% | 670,704 | 6,707 | 1% | 629,894 | 6,299 |
| Type IV | Credit-impaired | 20% | 357,091 | 71,418 | 20% | 233,479 | 46,696 |
| | | | 1,275,035 | 200,944 | | 1,072,620 | 152,026 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

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# 46. FINANCIAL INSTRUMENTS (continued)

## (b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

*Financial guarantees (continued)*

Notes: (continued)

**(iii) Loan receivables**

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

As at 31 December 2019, included in loan receivables, the principal amounts of RMB32,500,000 were pledged by equity interest in the borrowers. During the year ended 31 December 2020, the pledge of equity interests were released and the allowance for credit losses amounting to RMB16,250,000 as at 31 December 2019 was reversed upon the repayment of the aforesaid loan receivables.

During the year ended 31 December 2019, the Group entered into several agreements with certain individual shareholders of value-added services companies, in relation to fund provision and cooperation in value-added services business. As at 31 December 2020, included in loan receivables, the carrying amount of RMB62,798,000 are past due, including the carrying amount of RMB17,000,000 which was pledged by land use rights in the PRC owned by a borrower. The aforesaid loan receivables were past due. The Group had initiated legal proceedings in relevant district courts regarding the default in repayment of debts. Up to 31 December 2020 and the date of these consolidated financial statements are authorised for issuance, the legal proceedings have not been completed. In the opinion of the directors of the Company, the risk of default by these counterparties is significantly increased and the Group provided RMB32,850,000 allowance for credit losses during the year ended 31 December 2020.

As at 31 December 2020, included in loan receivables, the principal amounts of RMB181,400,000 are settled subsequent to 31 December 2020 and the remaining balances amounting to RMB14,601,000 are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

The remaining balances of loan receivables amounting to RMB193,224,000 are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

**(iv) Amount due from a joint venture (non-current)**

During the year ended 31 December 2018, the Group entered into a cooperative agreement with three independent third parties to establish a joint venture and engage in sub-leasing of office premises and commercial buildings. Pursuant to the cooperative agreement, upon the formation establishment of the joint venture, all the Group's interests in the lease agreements in relation to the lease of office premises and commercial buildings located in Shanghai and the sub-leasing agreements with tenants were transferred to the joint venture. The gross amount due from a joint venture of RMB81,505,000 (2019: RMB81,505,000) as at 31 December 2020 represented funds advanced by the Group for its purchases of property, plant and equipment. The balance is expected to be settled in three years since the incorporation of the joint venture.

During the year ended 31 December 2020, the joint venture suffered losses in the sub-leasing business and is in financial difficulty. In the opinion of the directors of the Company, the risk of default by the joint venture is significantly increased and the Group further provided RMB4,010,000 (2019: RMB8,606,000) credit loss allowance under life-time ECL (2019: 12m ECL) during the year ended 31 December 2020.

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

*Financial guarantees (continued)*

Notes: (continued)

**(v) Other receivables (excluding payments on behalf of residents and loan receivables), amounts due from related parties (excluding the non-current amount due from a joint venture)**

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

In relation to the past-due balance of RMB8,645,000 (2019: RMB38,951,000) included in the other receivables as at 31 December 2020, there was information indicating that the debtors were in severe financial difficulty and there is no realistic prospect of recovery. In the opinion of the directors of the Company, the risks of default by the debtors are significantly increased and the Group provided RMB8,645,000 (2019: RMB38,951,000) credit loss allowance during the year ended 31 December 2020.

The remaining balances RMB8,569,040,000 (2019: RMB2,458,238,000) of other receivables (excluding payments on behalf of residents and loan receivables), amounts due from related parties as at 31 December 2020 are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on amounts due to joint ventures, associates and non-controlling shareholders of subsidiaries of the Company, borrowings, senior notes and bonds and asset-backed securities issued as significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected exchange rates at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management consider that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

For the year ended 31 December 2020

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

*Liquidity table*

| | Weighted average effective interest rate % | On demand or less than 3 month RMB'000 | 3 months to 1 year RMB'000 | 1 – 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | – | 6,102,869 | – | – | – | 6,102,869 | 6,102,869 |
| Amounts due to related parties | – | 817,461 | – | – | – | 817,461 | 817,461 |
| Borrowings | | | | | | | |
| – fixed rate | 8.40 | 892,617 | 2,619,790 | 7,189,313 | 120,981 | 10,822,701 | 9,599,671 |
| – variable rate | 8.48 | 254,012 | 718,663 | 718,319 | – | 1,690,994 | 1,596,260 |
| Lease liabilities | 9.35 | 25,703 | 72,190 | 252,650 | 117,983 | 468,526 | 353,193 |
| Senior notes and bonds | 10.05 | 2,901,757 | 12,141,641 | 26,826,355 | – | 41,869,753 | 35,648,457 |
| Asset-backed securities issued | 6.10 | 13,564 | 6,606 | – | – | 20,170 | 20,206 |
| Financial guarantee contracts | | 18,063,583 | – | – | – | 18,063,583 | – |
| *Derivatives-net settlement* | | | | | | | |
| Derivative financial instruments | | 185,903 | 19,515 | 7,886 | – | 213,304 | 194,468 |
| | | 29,257,469 | 15,578,405 | 34,994,523 | 238,964 | 80,069,361 | 54,332,585 |
| At 31 December 2019 | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | – | 3,285,284 | 1,349,785 | 1,781,098 | – | 6,416,167 | 6,416,167 |
| Amounts due to related parties | – | 843,853 | – | – | – | 843,853 | 843,853 |
| Borrowings | | | | | | | |
| – fixed rate | 8.50 | 1,327,160 | 3,885,117 | 5,027,516 | – | 10,239,793 | 8,975,234 |
| – variable rate | 9.27 | 533,815 | 1,649,833 | 3,424,574 | – | 5,608,222 | 5,010,128 |
| Lease liabilities | 9.28 | 31,506 | 94,517 | 286,202 | 170,483 | 582,708 | 444,396 |
| Senior notes and bonds | 10.11 | 2,122,967 | 5,839,872 | 22,360,573 | – | 30,323,412 | 24,083,270 |
| Asset-backed securities issued | 6.45 | 64,813 | 26,273 | 20,170 | – | 111,256 | 104,548 |
| Financial guarantee contracts | – | 12,482,714 | – | – | – | 12,482,714 | – |
| *Derivative-net settlement* | | | | | | | |
| Derivative financial instruments | – | – | 19,253 | 22,385 | – | 41,638 | 32,704 |
| | | 19,820,561 | 12,864,650 | 32,922,518 | 170,483 | 65,778,212 | 45,038,749 |

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## 46. FINANCIAL INSTRUMENTS (continued)

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

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors have set up a valuation committee to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The valuation committee reports the findings to the directors every quarter to explain the cause of fluctuations in the fair value.

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Fair value as at 31 December 2020 RMB'000 | 2019 RMB'000 | Fair value hierarchy | Valuation technique and key input |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| – Money market fund investments | – | 29,051 | Level 3 | Market approach – Expected performance of government debentures, treasury notes, corporate bonds and short-term fixed deposits. |
| – Debt Instrument | – | 1,420,000 | Level 3 | Probability weighted expected return model – Fair value is estimated based on expected value, discount rate and probability of outcome of judicial auction. |
| Equity instruments designated at FVTOCI | 54,582 | 60,086 | Level 3 | Discounted cash flow –Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return. |
| Derivative financial instruments | | | | |
| – Assets | – | 1,241 | Level 2 | Discounted cash flow – Fair value is estimated based on, inter alia, the contracted exchange rate and the forward rate. |
| – Liabilities | 194,468 | 32,704 | | |

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## 46. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value measurements of financial instruments (continued)

Fair value of the Group's other financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

| | Fair value hierarchy | 2020 Carrying amount RMB'000 | 2020 Fair value RMB'000 | 2019 Carrying amount RMB'000 | 2019 Fair value RMB'000 |
|---|---|---|---|---|---|
| Senior notes | Level 1 | 29,082,838 | 30,102,143 | 18,287,277 | 18,659,519 |
| Listed corporate bonds | Level 1 | 6,565,619 | 6,688,038 | 5,646,207 | 5,640,375 |
| Unlisted corporate bonds | Level 3 | – | – | 149,786 | 152,666 |
| Asset-backed securities issued | Level 3 | 20,206 | 19,608 | 104,548 | 175,531 |

The management of the Group estimates the fair value of other financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

## 47. OPERATING LEASE

### The Group as lessor

All of the properties held for rental purposes have committed lessees for the next 1 and 20 years respectively.

Minimum lease payments receivable on leases are as follows:

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Within one year | 246,801 | 256,709 |
| In the second year | 194,386 | 216,840 |
| In the third year | 147,430 | 183,843 |
| In the fourth year | 99,922 | 151,403 |
| In the fifth year | 83,576 | 115,084 |
| After five years | 338,616 | 595,849 |
| | 1,110,731 | 1,519,728 |

## 48. CAPITAL AND OTHER COMMITMENTS

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements | 10,134,485 | 12,506,925 |
| Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements | 509,790 | 1,284,716 |
| Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements | 33,517 | 34,302 |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | 26,865 | 26,672 |

## 49. SHARE-BASED PAYMENT TRANSACTIONS

### (a) Share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of the Company and its subsidiaries ("Eligible Employees"). Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors of the Company at their discretion. The expiry date of the Options may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

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## 49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (a) Share option scheme of the Company (continued)

During the years ended 31 December 2019 and 2020, no share options granted by the Company were lapsed.

As at 31 December 2020, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 72,558,000 (2019: 75,098,000) of HKD0.1 each, representing approximately 1.3% (2019: 1.3%) of the issued share capital of the Company.

Details of the share options granted under the Scheme is as follows:

| Category of grantees | Date of grant | Exercise price per share HKD | Vesting period | Exercisable period |
|---|---|---|---|---|
| Directors | 29 August 2011 | 0.836 | 29/8/2011 – 28/8/2012 | 29/8/2012 – 28/8/2021 |
| | | | 29/8/2011 – 28/8/2013 | 29/8/2013 – 28/8/2021 |
| | | | 29/8/2011 – 28/8/2014 | 29/8/2014 – 28/8/2021 |
| | 16 October 2012 | 0.8 | 16/10/2012 – 15/10/2013 | 16/10/2013 – 15/10/2022 |
| | | | 16/10/2012 – 15/10/2014 | 16/10/2014 – 15/10/2022 |
| | | | 16/10/2012 – 15/10/2015 | 16/10/2015 – 15/10/2022 |
| Employees | 29 August 2011 | 0.836 | 29/8/2011 – 28/8/2012 | 29/8/2012 – 28/8/2021 |
| | | | 29/8/2011 – 28/8/2013 | 29/8/2013 – 28/8/2021 |
| | | | 29/8/2011 – 28/8/2014 | 29/8/2014 – 28/8/2021 |
| | 16 October 2012 | 0.8 | 16/10/2012 – 15/10/2013 | 16/10/2013 – 15/10/2022 |
| | | | 16/10/2012 – 15/10/2014 | 16/10/2014 – 15/10/2022 |
| | | | 16/10/2012 – 15/10/2015 | 16/10/2015 – 15/10/2022 |

## 49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (a) Share option scheme of the Company (continued)

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2020 and 2019:

| Category | Date of grant | Vesting period | Outstanding at 1 January 2019 '000 | Granted during the year '000 | Lapsed during the year '000 | Exercised during the year '000 | Outstanding at 31 December 2019 '000 | Granted during the year '000 | Lapsed during the year '000 | Exercised during the year '000 | Outstanding at 31 December 2020 '000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Directors | 29 August 2011 | 29/8/2011 – 28/8/2012 | 1,158 | – | (80) | – | 1,078 | – | – | – | 1,078 |
| | | 29/8/2011 – 28/8/2013 | 2,617 | – | (181) | – | 2,436 | – | – | – | 2,436 |
| | | 29/8/2011 – 28/8/2014 | 7,805 | – | (539) | – | 7,266 | – | – | – | 7,266 |
| | 16 October 2012 | 16/10/2012 – 15/10/2013 | 1,435 | – | (340) | (17) | 1,078 | – | – | – | 1,078 |
| | | 16/10/2012 – 15/10/2014 | 3,067 | – | (728) | (31) | 2,308 | – | – | – | 2,308 |
| | | 16/10/2012 – 15/10/2015 | 9,848 | – | (2,336) | (118) | 7,394 | – | – | – | 7,394 |
| | | | 25,930 | – | (4,204) | (166) | 21,560 | – | – | – | 21,560 |
| Employees | 29 August 2011 | 29/8/2011 – 28/8/2012 | 2,740 | – | – | (414) | 2,326 | – | – | (218) | 2,108 |
| | | 29/8/2011 – 28/8/2013 | 5,178 | – | – | (828) | 4,350 | – | – | (435) | 3,915 |
| | | 29/8/2011 – 28/8/2014 | 19,481 | – | – | (2,900) | 16,581 | – | – | (1,524) | 15,057 |
| | 16 October 2012 | 16/10/2012 – 15/10/2013 | 3,070 | – | – | (41) | 3,029 | – | – | (36) | 2,993 |
| | | 16/10/2012 – 15/10/2014 | 5,943 | – | – | (86) | 5,857 | – | – | (73) | 5,784 |
| | | 16/10/2012 – 15/10/2015 | 21,686 | – | – | (291) | 21,395 | – | – | (254) | 21,141 |
| | | | 58,098 | – | – | (4,560) | 53,538 | – | – | (2,540) | 50,998 |
| Total | | | 84,028 | – | (4,204) | (4,726) | 75,098 | – | – | (2,540) | 72,558 |
| Exercisable at the end of the year | | | | | | | 75,098 | | | | 72,558 |
| Weighted average exercise price (HKD) | | | | | | | 0.82 | | | | 0.82 |
| Weighted average exercise price at the date of exercise (HKD) | | | | | | 0.83 | | | | 0.83 | |

In respect of the Company's share options exercised during the year ended 31 December 2020, the weighted average share price at the dates of exercise was HKD1.49 (2019: HKD1.42).

## 49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (a) Share option scheme of the Company (continued)

The closing price of the shares on the date of grant was HKD0.82 at 29 August 2011 and HKD0.77 at 16 October 2012. Binomial Option Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

| | **16 October 2012** | **29 August 2011** |
|---|---|---|
| Market price | HKD0.77 | HKD0.820 |
| Exercise price | HKD0.80 | HKD0.836 |
| Expected volatility | 44.87% | 40.43% |
| Risk-free rate | 0.66% | 1.74% |
| Expected dividend yield | 5.12% | 4.88% |

The estimated fair value of the options at the date of grant was RMB16,174,000 on 29 August 2011 and RMB13,682,000 on 16 October 2012, respectively. The Group did not recognise any expense for the years ended 31 December 2020 and 2019 in relation to share options granted by the Company.

### (b) Share option scheme of Colour Life

Colour Life, a non-wholly owned subsidiary of the Company, operates a share option scheme (the "Colour Life's Scheme"). The Colour Life's Scheme was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to certain directors and employees of the Colour Life and its subsidiaries and non-controlling shareholders of certain subsidiaries of Colour Life ("Eligible Persons"). Under the Colour Life's Scheme, the Board of Directors of Colour Life is authorised to grant options at a consideration of HKD1 per option respectively to the Eligible Persons to subscribe for shares of Colour Life ("Colour Life's Shares").

The maximum number of Colour Life's Shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of Colour Life shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Colour Life in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Colour Life's share capital or with a value in excess of HKD5 million must be approved in advance by Colour Life's shareholders.

The exercisable period of an option is determined by the directors of Colour Life at their discretion. The expiry date of Colour Life's Options may be determined by the Board of Directors of Colour Life which shall not be later than the expiry day of Colour Life's Scheme.

## 49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (b) Share option scheme of Colour Life (continued)

The exercise price is determined by the directors of Colour Life, and will not be less than the greater of: (i) the closing price of Colour Life on the offer date; (ii) the average of the closing price of Colour Life's shares for the five trading days immediately preceding the offer of Colour Life's options and (iii) the nominal value per share of Colour Life.

As at 31 December 2020, the total number of Colour Life's shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 67,788,000 (2019: 84,473,000) of HKD0.1 each, representing approximately 4.7% (2019: 5.9%) of the issued share capital of Colour Life.

Details of the share options granted under Colour Life's Scheme is as follows:

| Category of grantees | Date of grant | Exercise price per share HKD | Vesting period | Exercisable period |
|---|---|---|---|---|
| Directors | 29 September 2014 | 6.66 | N/A | 29/9/2014 – 28/9/2024 |
| | | | 29/9/2014 – 28/9/2015 | 29/9/2015 – 28/9/2024 |
| | | | 29/9/2014 – 28/9/2016 | 29/9/2016 – 28/9/2024 |
| | | | 29/9/2014 – 28/9/2017 | 29/9/2017 – 28/9/2024 |
| | 30 April 2015 | 11 | 30/4/2015 – 29/4/2016 | 30/4/2016 – 29/4/2025 |
| | | | 30/4/2015 – 29/4/2017 | 30/4/2017 – 29/4/2025 |
| | | | 30/4/2015 – 29/4/2018 | 30/4/2018 – 29/4/2025 |
| | 18 March 2016 | 5.76 | 18/3/2016 – 17/3/2017 | 18/3/2017 – 17/3/2026 |
| | | | 18/3/2016 – 17/3/2018 | 18/3/2018 – 17/3/2026 |
| | | | 18/3/2016 – 17/3/2019 | 18/3/2019 – 17/3/2026 |
| | 27 November 2018 | 4.11 | 27/11/2018 – 26/11/2019 | 27/11/2019 – 26/11/2029 |
| | | | 27/11/2018 – 26/11/2020 | 27/11/2020 – 26/11/2029 |
| | | | 27/11/2018 – 26/11/2021 | 27/11/2021 – 26/11/2029 |
| Employees and non-controlling shareholders of certain subsidiaries | 29 September 2014 | 6.66 | N/A | 29/9/2014 – 28/9/2024 |
| | | | 29/9/2014 – 28/9/2015 | 29/9/2015 – 28/9/2024 |
| | | | 29/9/2014 – 28/9/2016 | 29/9/2016 – 28/9/2024 |
| | | | 29/9/2014 – 28/9/2017 | 29/9/2017 – 28/9/2024 |
| | 30 April 2015 | 11 | 30/4/2015 – 29/4/2016 | 30/4/2016 – 29/4/2025 |
| | | | 30/4/2015 – 29/4/2017 | 30/4/2017 – 29/4/2025 |
| | | | 30/4/2015 – 29/4/2018 | 30/4/2018 – 29/4/2025 |
| | 18 March 2016 | 5.76 | 18/3/2016 – 17/3/2017 | 18/3/2017 – 17/3/2026 |
| | | | 18/3/2016 – 17/3/2018 | 18/3/2018 – 17/3/2026 |
| | | | 18/3/2016 – 17/3/2019 | 18/3/2019 – 17/3/2026 |
| | 27 November 2018 | 4.11 | 27/11/2018 – 26/11/2019 | 27/11/2019 – 26/11/2029 |
| | | | 27/11/2018 – 26/11/2020 | 27/11/2020 – 26/11/2029 |
| | | | 27/11/2018 – 26/11/2021 | 27/11/2021 – 26/11/2029 |

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## 49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (b) Share option scheme of Colour Life (continued)

The following table of the Company discloses movements of Colour Life's share options held by Eligible Persons during the years ended 31 December 2020 and 2019:

| Category | Date of grant | Vesting period | Outstanding at 1 January 2019 '000 | Granted during the year '000 | Lapsed during the year '000 | Exercised during the year '000 | Outstanding at 31 December 2019 '000 | Granted during the year '000 | Lapsed during the year '000 | Exercised during the year '000 | Outstanding at 31 December 2020 '000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Directors | 29 September 2014 | N/A | 520 | – | – | – | 520 | – | – | – | 520 |
| | | 29/9/2014 – 28/9/2015 | 1,014 | – | – | – | 1,014 | – | – | – | 1,014 |
| | | 29/9/2014 – 28/9/2016 | 1,014 | – | – | – | 1,014 | – | – | – | 1,014 |
| | | 29/9/2014 – 28/9/2017 | 498 | – | – | – | 498 | – | – | – | 498 |
| | 30 April 2015 | 30/4/2015 – 29/4/2016 | 376 | – | – | – | 376 | – | – | – | 376 |
| | | 30/4/2015 – 29/4/2017 | 375 | – | – | – | 375 | – | – | – | 375 |
| | | 30/4/2015 – 29/4/2018 | 375 | – | – | – | 375 | – | – | – | 375 |
| | 18 March 2016 | 18/3/2016 – 17/3/2017 | 367 | – | – | – | 367 | – | – | – | 367 |
| | | 18/3/2016 – 17/3/2018 | 366 | – | – | – | 366 | – | – | – | 366 |
| | | 18/3/2016 – 17/3/2019 | 366 | – | – | – | 366 | – | – | – | 366 |
| | 27 November 2018 | 27/11/2018 – 26/11/2019 | 934 | – | – | – | 934 | – | – | – | 934 |
| | | 27/11/2018 – 26/11/2020 | 933 | – | – | – | 933 | – | – | – | 933 |
| | | 27/11/2018 – 26/11/2021 | 933 | – | – | – | 933 | – | – | – | 933 |
| | | | 8,071 | – | – | – | 8,071 | – | – | – | 8,071 |
| Employees and non-controlling shareholders of certain subsidiaries | 29 September 2014 | N/A | 4,143 | – | (56) | – | 4,087 | – | (1,311) | – | 2,776 |
| | | 29/9/2014 – 28/9/2015 | 8,559 | – | (101) | – | 8,458 | – | (2,492) | – | 5,966 |
| | | 29/9/2014 – 28/9/2016 | 8,559 | – | (101) | – | 8,458 | – | (2,492) | – | 5,966 |
| | | 29/9/2014 – 28/9/2017 | 4,298 | – | (45) | – | 4,253 | – | (1,183) | – | 3,070 |
| | 30 April 2015 | 30/4/2015 – 29/4/2016 | 5,733 | – | (206) | – | 5,527 | – | (1,428) | – | 4,099 |
| | | 30/4/2015 – 29/4/2017 | 5,732 | – | (206) | – | 5,526 | – | (1,428) | – | 4,098 |
| | | 30/4/2015 – 29/4/2018 | 5,732 | – | (206) | – | 5,526 | – | (1,428) | – | 4,098 |
| | 18 March 2016 | 18/3/2016 – 17/3/2017 | 6,080 | – | (111) | (1) | 5,968 | – | (1,641) | – | 4,327 |
| | | 18/3/2016 – 17/3/2018 | 6,080 | – | (111) | (1) | 5,968 | – | (1,641) | – | 4,327 |
| | | 18/3/2016 – 17/3/2019 | 6,078 | – | (111) | (1) | 5,966 | – | (1,641) | – | 4,325 |
| | 27 November 2018 | 27/11/2018 – 26/11/2019 | 5,555 | – | – | – | 5,555 | – | – | – | 5,555 |
| | | 27/11/2018 – 26/11/2020 | 5,555 | – | – | – | 5,555 | – | – | – | 5,555 |
| | | 27/11/2018 – 26/11/2021 | 5,555 | – | – | – | 5,555 | – | – | – | 5,555 |
| | | | 77,659 | – | (1,254) | (3) | 76,402 | – | (16,685) | – | 59,717 |
| Total | | | 85,730 | – | (1,254) | (3) | 84,473 | – | (16,685) | – | 67,788 |
| Exercisable at the end of the year | | | | | | | 84,473 | | | | 67,788 |
| Weighted average exercise price (HKD) | | | | | | | 6.78 | | | | 6.60 |
| Weighted average exercise price at the date of exercise (HKD) | | | | | | 5.76 | | | | | |

49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme of Colour Life (continued)

In respect of the Colour Life's share options exercised during the year ended 31 December 2019, the weighted average share price at the dates of exercise was HKD5.89.

The closing price of Colour Life's shares on the date of grant was HKD6.66 on 29 September 2014, HKD10.88 on 30 April 2015, HKD5.76 on 18 March 2016 and HKD4.11 on 27 November 2018, respectively. Binomial Option Pricing Model had been used to estimate the fair value of Colour Life's options. The variables and assumptions used in computing the fair value of the share options are based on Colour Life's best estimate. The value of Colour Life's option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

| | **27 November 2018** | **18 March 2016** | **30 April 2015** | **29 September 2014** |
|---|---|---|---|---|
| Market price | HKD4.11 | HKD5.76 | HKD10.88 | HKD6.66 |
| Exercise price | HKD4.41 | HKD5.76 | HKD11.00 | HKD6.66 |
| Expected volatility | 52.95% | 46.2% | 46.26% | 48.82% |
| Risk-free rate | 2.28% | 1.27% | 1.63% | 2.01% |
| Expected dividend yield | 1.85% | 1.55% | 0.83% | 0.01% |

The estimated fair value of the options at the date of grant was RMB114,820,000 on 29 September 2014, RMB104,714,000 on 30 April 2015, RMB72,023,000 on 18 March 2016 and RMB36,249,000 on 27 November 2018, respectively. Colour Life recognised the total expense of RMB6,698,000 (2019: RMB13,567,000) in share option reserve of Colour Life included in non-controlling interests for the year ended 31 December 2020 in relation to share options granted by Colour Life.

(c) Share option scheme of Morning Star

Morning Star, a wholly-owned subsidiary of the Company, operates a share option scheme (the "Morning Star's Scheme"). The Morning Star's Scheme was adopted pursuant to a resolution passed on 24 December 2015 for the primary purposes of providing incentives to certain directors and employees of the Morning Star and its subsidiaries ("Morning Star's Eligible Employees"). According to the Morning Star's Scheme, the Board of Directors of Morning Star is authorised to grant options at a consideration of HKD1 per option respectively to the Morning Star's Eligible Employees to subscribe for shares of Morning Star ("Morning Star's Shares").

The exercisable period of an option is determined by the directors of Morning Star at their discretion. The expiry date of Morning Star's Options may be determined by the Board of Directors of Morning Star which shall not be later than the expiry day of Morning Star's Scheme.

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## 49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (c) Share option scheme of Morning Star (continued)

Binomial Option Pricing Model had been used to estimate the fair value of these share-based payment transactions with cash alternative arrangements. The estimated fair value of the share options of Morning Star is RMB5,743,000 which represented the goods or services received from the Morning Star's Eligible Employees. The variables and assumptions used in computing the fair value of the share options are based on the management of the Company's best estimate. The expected volatility is based on the historical annualised daily volatilities of comparable companies as if the same sector. Risk-free rate is based on the yield of Hong Kong Exchange Fund Notes as of valuation date as quoted from Bloomberg. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

| | **24 December 2015** |
|---|---|
| Share price | HKD1.85 |
| Exercise price | HKD1.00 |
| Expected volatility | 45.5% – 54.6% |
| Risk-free rate | 0.25% – 0.84% |
| Expected dividend yield | 0% |

Details of the share options granted under Morning Star's Scheme is as follows:

| **Category of grantees** | **Date of grant** | **Granted** | **Vesting period** | **Exercisable period** | **Vesting condition** |
|---|---|---|---|---|---|
| Employees | 24 December 2015 | 2,000,000 | 25/12/2015–30/3/2017 | 1/4/2017–30/4/2017 | The net profit of Morning Star for year ending 31 December 2016 meets RMB10,000,000 |
| | | 3,000,000 | 25/12/2015–30/3/2018 | 1/4/2018–30/4/2018 | The net profit of Morning Star for year ending 31 December 2017 meets RMB20,000,000 |
| | | 2,000,000 | 25/12/2015–30/3/2019 | 1/4/2019–30/4/2019 | The net profit of Morning Star for year ending 31 December 2018 meets RMB40,000,000 |

Morning Star recognised the total expense of RMB116,000 in share option reserve of Morning Star included in non-controlling interests for the year ended 31 December 2019 in relation to share options granted by Morning Star. Upon the expiry date of the share option scheme of Morning Star in 2019, none of Morning Star's shares is to be issued upon the exercise of the option granted under share option scheme of Morning Star.

During the year ended 31 December 2020, upon the completion of disposal of the Group's 100% equity interests in Morning Star, the related share option reserves were transferred to accumulated profits accordingly.

## 49. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### (d) Share award scheme of Colour Life

Up to 1 January 2019, total of 1,597,000 Colour Life's shares were acquired by a trustee for the Colour Life's Share Award Scheme at a consideration of RMB5,585,000 in aggregate.

During the year ended 31 December 2019, total of 2,038,000 Colour Life's shares were acquired by the Trustee for the Colour Life's Share Award Scheme at a consideration of RMB7,647,000.

During the year ended 31 December 2019, 1,833,000 shares held for the Colour Life's Share Award Scheme were awarded to eligible employees of the Colour Life for their performance and contribution and were were immediately vested. The fair value of the awarded shares at the date of grant of RMB6,567,000 were recognised as expenses and credited to other non-controlling interests.

Up to 31 December 2020 and 2019, total of 1,802,000 Colour Life's shares acquired have not been awarded to eligible employees.

## 50. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

For the year ended 31 December 2020, the total cost charged to the consolidated statement of profit or loss and other comprehensive income of RMB130,577,000 (2019: RMB214,030,000) respectively, represented contributions from the continuing operation payable to the scheme.

## 51. CONTINGENT LIABILITIES

(a) As at 31 December 2020, the Group provided guarantees amounting to RMB12,842,583,000 (2019: RMB12,482,714,000 given to banks for mortgage facilities granted to purchasers of the Group's properties for sales. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

(b) The Group provided guarantees on outstanding obligations under the bank borrowings incurred by the joint ventures and associates for developing their projects. As at 31 December 2020, the Group's aggregate shares of such guarantees provided in respective of loans borrowed by these joint ventures amounted to RMB1,683,000,000 and associates amounted to RMB853,000,000.

In the opinion of the directors, the possibility of the default of the parties is remote and the fair value of guarantee contracts is insignificant at the inception and at the end of each reporting period.

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## 52. RELATED PARTY DISCLOSURES

During the years ended 31 December 2019 and 2020, in addition to those disclosed in elsewhere in the consolidated financial statements, the Group had following significant transactions with related parties:

### (a) Related party transactions

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Commission income** | | |
| Entities controlled by Mr. Pan Jun, a director of the Company | 23,583 | 72,331 |
| **Project management fee income** | | |
| Associates | 150,615 | – |
| Joint ventures | 55,523 | – |

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Short-term benefits | 108,650 | 118,693 |
| Post-employment benefits | 1,629 | 5,599 |
| | 110,279 | 124,292 |

### (c) Others

During the year ended 31 December 2020, the Group had sold certain properties to its key management personnel of the Group, at a cash consideration of RMB56,093,000 (2019: RMB22,529,000).

## 53. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2020 and 2019, pursuant to the agreements entered into with the Group's certain independent property developers, all of which are customers of the Group, these customers agreed to dispose of their properties to the Group for the settlement of trade receivables due to the Group. During the year ended 31 December 2020, the carrying amounts of trade receivables of RMB12,048,000 (2019: RMB38,173,000) were settled by the customers by transfer of properties to the Group.

During the year ended 31 December 2020, the Group entered into new lease agreements for the use of leased properties and office equipment and a parcel of leasehold land with lease terms ranging from 1 to 20 years. On the lease commencement, the Group recognised both right-of-use asset and lease liability of RMB24,233,000 (2019: RMB146,473,000).

## 54. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Properties for sale | 10,350,784 | 8,164,030 |
| Investment properties | 3,985,665 | 4,673,918 |
| Pledged bank deposits | 414,118 | 940,506 |
| Property, plant and equipment | 513,833 | 575,845 |
| | 15,264,364 | 14,354,299 |

The Group's equity interests in certain subsidiaries have been pledged to secure certain banking and other facilities granted to the Group.

At 31 December 2019, the Group's 51% equity interest in Shenzhen Yushi with carrying amount of RMB953,752,000 was secured for the other loan of the Group amounting to RMB250,000,000. Details are set out in note 35. The pledge was released upon the settlement of the aforesaid loan in 2020.

In addition, the lease liabilities of RMB353,193,000 (2019: RMB444,396,000) are recognised with related right-of-use assets of RMB560,407,000 (2019: RMB603,621,000) as at 31 December 2020. 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.

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## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

### (a) Material subsidiaries of the Company

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company as at 31 December 2020 and 2019 are as follows:

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share/ registered capital RMB'000 | Effective interest held by the Group 2020 | Effective interest held by the Group 2019 | Principal activities | Legal form |
|---|---|---|---|---|---|---|
| Colour Life ∆^ | The Cayman Islands 16 March 2011 | 84,313 | 51.98% | 51.69% | Investment holding | Limited liability company |
| Fantasia Group China* | The PRC 20 January 2006 | 1,624,844 | 100% | 100% | Investment holding | Limited liability company |
| Shenzhen Colour Life*# | The PRC 25 August 2006 | 100,000 | 51.98% | 51.69% | Provision of property operation services | Limited liability company |
| 深圳市花樣年地產集團有限公司 Shenzhen Huayangnian Property Development Group Co., Ltd* | The PRC 28 September 1996 | 150,000 | 100% | 100% | Investment holding and property investment | Limited liability company |
| 成都望叢房地產開發有限公司 Chengdu Wangcong Property Development Co., Ltd.* | The PRC 28 June 2014 | 394,000 | 100% | 100% | Property development and property investment | Limited liability company |
| 成都花樣家置業有限公司 Chengdu Huayangjia Properties Co., Ltd.* | The PRC 9 April 2018 | 180,000 | 100% | 100% | Property development | Limited liability company |
| 成都禦府房地產開發有限公司 Chengdu Yufu Property Development Co., Ltd.* | The PRC 2 August 2010 | 10,000 | 80% | 80% | Property development | Limited liability company |
| 四川瀚峰置業有限公司 Sichuan Hanfeng Real Estate Co., Ltd.* ("Sichuan Hanfeng") | The PRC 23 July 2008 | 594,750 | 55% | 55% | Property development and property investment | Limited liability company |
| 四川亙興商貿有限公司 Sichuan Genxing Commercial Co., Ltd.* | The PRC 9 May 2012 | 50,000 | 91% | 91% | Property development | Limited liability company |
| 花樣年(成都)生態旅遊開發有限公司 Fantasia (Chengdu) Ecological Tourism Co., Ltd. ("Chengdu Tourism")* | The PRC 7 September 2006 | 1,921,386 | 70% | 70% | Property development | Limited liability company |

## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

### (a) Material subsidiaries of the Company (continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share/ registered capital RMB'000 | Effective interest held by the Group 2020 | 2019 | Principal activities | Legal form |
|---|---|---|---|---|---|---|
| 成都牽銀投資有限公司 Chengdu Qianyin Investment Co., Ltd.* | The PRC 9 June 2010 | 60,000 | 80% | 80% | Property development | Limited liability company |
| 成都匯科房地產開發有限公司 Chengdu Huike Property Development Co., Ltd.* | The PRC 8 April 2020 | 10,000 | 100% | 100% | Property development | Limited liability company |
| 成都德旺置業有限公司 Chengdu Dewang Property Co., Ltd.* | The PRC 28 February 2020 | 20,000 | 100% | 100% | Property development | Limited liability company |
| 成都花錦房地產開發有限公司 Chengdu Huajin Property Development Co., Ltd.* | The PRC 27 November 2020 | 10,000 | 100% | 100% | Property development | Limited liability company |
| 成都望浦勵成房地產開發有限公司 Chengdu Wangpu Licheng Property Development Co., Ltd.* | The PRC 3 January 2020 | 10,000 | 51% | 51% | Property development | Limited liability company |
| 桂林萬豪房地產開發有限公司 Guilin Wanhao Property Co., Ltd.* | The PRC 14 November 2007 | 357,143 | 70% | 70% | Property development and property investment | Limited liability company |
| 桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Co., Ltd.* | The PRC 14 November 2007 | 250,000 | 100% | 100% | Property development | Limited liability company |
| Suzhou Linjiayan | The PRC 5 September 1994 | 348,790 | 51% | 42.81% | Property development | Limited liability company |
| 南京星潤置業有限公司 Nanjing Xingrun Property Co., Ltd.* | The PRC 15 May 2017 | 50,000 | 100% | 100% | Property development and property investment | Limited liability company |
| 蘇州銀莊置地有限公司 Suzhou Yinzhuang Real Estate Co., Ltd.* | The PRC 25 January 2006 | 500,000 | 100% | 100% | Property development and property investment | Limited liability company |

For the year ended 31 December 2020

## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

### (a) Material subsidiaries of the Company (continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share/ registered capital RMB'000 | Effective interest held by the Group 2020 | 2019 | Principal activities | Legal form |
|---|---|---|---|---|---|---|
| 杭州花創房地產開發有限公司 Hangzhou Huachuang Property Development Co., Ltd.* | The PRC 19 February 2020 | 101,961 | 100% | 100% | Property development | Limited liability company |
| 惠州TCL房地產開發有限公司 Huizhou TCL Property Development Co., Ltd.* | The PRC 29 December 2004 | 100,000 | 100% | 100% | Property development and property investment | Limited liability company |
| 廣東(惠州)TCL工業文化創意園發展有限公司 Guangdong (Huizhou) TCL Industrial Custom Innovation Park Development Co., Ltd.* | The PRC 2 September 2010 | 20,000 | 100% | 100% | Property development | Limited liability company |
| 武漢TCL置地投資有限公司 Wuhan TCL Real Estate Investment Co., Ltd.* | The PRC 6 May 2011 | 30,000 | 100% | 100% | Property development and property investment | Limited liability company |
| 武漢TCL康城房地產開發有限公司 Wuhan TCL Kangcheng Property Development Co., Ltd.* | The PRC 12 September 2012 | 10,000 | 100% | 100% | Property development and property investment | Limited liability company |
| 武漢中森華永紅房地產開發有限公司 Wuhan Zhongsenhua Yonghong Property Development Co., Ltd.* | The PRC 14 June 2011 | 100,000 | 100% | 100% | Property development and property investment | Limited liability company |
| 武漢美樂居置業有限公司 Wuhan Meileju Property Development Co., Ltd.* | The PRC 21 November 2014 | 10,000 | 50.1% | 50.1% | Property development | Limited liability company |
| 武漢升陽置業發展有限公司 Wuhan Shengyang Property Development Co., Ltd.* | The PRC 30 January 2002 | 88,800 | 100% | 100% | Property development | Limited liability company |
| 天津市花千里房地產開發有限公司 Tianjin Huaqianli Real Estate Co., Ltd.* | The PRC 22 December 2010 | 941,667 | 60% | 60% | Property development and property investment | Limited liability company |

## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

### (a) Material subsidiaries of the Company (continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share/ registered capital RMB'000 | Effective interest held by the Group 2020 | 2019 | Principal activities | Legal form |
|---|---|---|---|---|---|---|
| 天津花樣年碧雲天房地產開發有限公司 Tianjin Fantasia Biyuntian Property Development Co., Ltd.* | The PRC 05 June 2019 | 60,784 | 51% | 51% | Property development | Limited liability company |
| 懷來軟通智雲房地產開發有限公司 Huailai Ruantong Zhiyun Property Development Co., Ltd.* | The PRC 26 November 2018 | 25,000 | 55% | 55% | Property development | Limited liability company |
| 青島金港藍灣商業發展有限公司 Qingdao Jingang Lanwan Commercial Development Co., Ltd.* | The PRC 13 September 2013 | 433,149 | 65% | 65% | Property development | Limited liability company |
| 青島怡和萬勝置業有限公司 Qingdao Wansheng Property Co., Ltd.* | The PRC 13 September 2013 | 883,907 | 65% | 65% | Property development | Limited liability company |
| 青島美域星海置業有限公司 Qingdao Meiyu Xinghai Property Co., Ltd.* | The PRC 13 September 2013 | 658,247 | 65% | 65% | Property development | Limited liability company |
| 青島花樣年碧海雲天房地產開發有限公司 Qingdao Fantasia Biyuntian Property Development Co., Ltd.* | The PRC 10 December 2019 | 450,000 | 53% | 53% | Property development | Limited liability company |
| 太倉起浩商貿有限公司 Taicang Qihao Commercial Trading Co., Ltd.* | The PRC 12 February 2007 | 150,000 | 100% | 100% | Property investment | Limited liability company |
| 寧夏回族自治區新聖基建築工程有限公司 Ningxia Huizu Xinshengji Engineering Project Co., Ltd.* | The PRC 22 July 2009 | 100,000 | 100% | 100% | Provision of property operation services | Limited liability company |
| 深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.*# | The PRC 11 December 2000 | 35,000 | 51.98% | 51.69% | Provision of property operation services | Limited liability company |

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## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

### (a) Material subsidiaries of the Company (continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share/ registered capital RMB'000 | Effective interest held by the Group 2020 | 2019 | Principal activities | Legal form |
|---|---|---|---|---|---|---|
| 深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Co., Ltd.*# | The PRC 12 June 2007 | 90,000 | 51.98% | 51.69% | Provision of property operation services | Limited liability company |
| 萬象美物業管理有限公司 Wanxiangmei Property Management Co., Ltd.* | The PRC 8 May 2015 | 50,000 | 51.98% | 51.69% | Provision of property operation services | Limited liability company |
| 深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd.*# | The PRC 19 Oct 2000 | 50,000 | 51.98% | 51.69% | Provision of property operation services | Limited liability company |
| 深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Co., Ltd.*# | The PRC 15 November 2001 | 5,000 | 51.98% | 51.69% | Provision of engineering services | Limited liability company |
| 深圳市花創置業有限公司 Shenzhen Huachuang Property Co., Ltd.*& ("Shenzhen Huachuang") | The PRC 10 July 2020 | 98,039 | 51% | N/A | Investment holding | Limited liability company |

* The English name is for identification purpose only.

\# These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Colour Life as at 31 December 2020 and 2019.

Δ Except for the subsidiary directly held by the Company, all other subsidiaries are indirectly owned by the Company.

& The subsidiary is inactive as at 31 December 2020.

^ During the year ended 31 December 2020, approximately 20,788,000 Colour Life's ordinary shares of HK$0.10 each were issued to the Company as scrip dividend.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results, assets or debt securities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Fantasia Group China and Shenzhen Colour Life, none of the subsidiaries had issued debt securities at the end of the year.

## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

### (b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follow:

| Principal activities | Principal place of business | Number of subsidiaries 2020 | 2019 |
|---|---|---|---|
| Investment holding | BVI | 14 | 20 |
| | Hong Kong | 36 | 19 |
| | PRC | 36 | 25 |
| | USA | 5 | 5 |
| | Singapore | 1 | 1 |
| | Cayman | 6 | 1 |
| Property development | PRC | 238 | 221 |
| | Singapore | 1 | 1 |
| Property investment | PRC | 1 | 2 |
| | Japan | 1 | 1 |
| | USA | 1 | 1 |
| Property agency services | PRC | 1 | 1 |
| Property operation services | PRC | 211 | 202 |
| Hotel operations | PRC | 2 | 5 |
| | USA | 1 | 1 |
| Other operations | Hong Kong | 1 | 5 |
| | PRC | – | 2 |
| | Macao | – | 1 |
| | | 556 | 514 |

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## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

### (c) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company as at 31 December 2020 and 2019 that have material non-controlling interests.

| Name of subsidiary | Place of incorporation and principal place of business | Ownership interests and rights held by non-controlling interests | | Profit (loss) attributable to other non-controlling interests | | Accumulated other non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| Colour Life and its subsidiaries | PRC | 48% | 48.31% | 281,260 | 277,980 | 2,187,033 | 2,051,500 |
| Sichuan Hanfeng | PRC | 45.4% | 45.4% | 370,652 | 313,898 | 931,271 | 1,038,671 |
| Chengdu Tourism | PRC | 30% | 30% | 10,319 | (17,506) | 850,639 | 840,319 |
| Suzhou Linjiayan | PRC | 49% | N/A | 166,675 | – | 367,197 | – |
| Shenzhen Huachuang | PRC | 49% | N/A | – | – | 2,000,000 | – |
| | | | | 828,906 | 574,372 | 6,336,140 | 3,930,490 |
| Individually immaterial subsidiaries with non-controlling interests | | | | (55,010) | 53,889 | 3,458,706 | 2,925,256 |
| | | | | 773,896 | 628,261 | 9,794,846 | 6,855,746 |

## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

### (c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represented amounts before intra-group eliminations.

| | Colour Life and its subsidiaries | | Chengdu Tourism | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Current assets | 6,134,395 | 4,975,944 | 4,375,507 | 4,390,367 |
| Non-current assets | 4,162,042 | 4,399,999 | 938,503 | 938,606 |
| Current liabilities | (4,949,649) | (3,717,573) | (1,930,434) | (1,946,248) |
| Non-current liabilities | (792,366) | (1,606,374) | (548,112) | (581,659) |
| Equity attributable to owners of the Company | 2,367,389 | 2,000,496 | 1,984,825 | 1,960,747 |
| Non-controlling interests | 2,187,033 | 2,051,500 | 850,639 | 840,319 |
| Revenue | 3,596,450 | 3,845,003 | 812,876 | 360,048 |
| Expenses | (3,054,395) | (3,309,312) | (778,478) | (418,400) |
| Profit (loss) for the year | 542,055 | 535,691 | 34,398 | (58,352) |
| Profit (loss) attributable to the owners of the Company | 260,795 | 257,711 | 24,079 | (40,846) |
| Profit (loss) attributable to the non-controlling interests | 281,260 | 277,980 | 10,319 | (17,506) |
| Net cash inflow from operating activities | 825,816 | 544,636 | 413,950 | 227,170 |
| Net cash outflow (inflow) from investing activities | (293,136) | (42,443) | 284,073 | (32,696) |
| Net cash inflow (outflow) from financing activities | 226,993 | (1,449,805) | (1,116,203) | 234,852 |
| Net cash inflow (outflow) | 759,673 | (947,612) | (418,180) | 429,326 |

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## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

### (c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

| | Sichuan Hanfeng | | Suzhou Linjiayan | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Current assets | 6,717,220 | 7,724,650 | 1,728,814 | N/A |
| Non-current assets | 564,855 | 601,101 | 15,903 | N/A |
| Current liabilities | (4,655,891) | (5,957,456) | (995,336) | N/A |
| Non-current liabilities | – | (80,473) | – | N/A |
| Equity attributable to owners of the Company | 1,694,913 | 1,249,151 | 382,184 | N/A |
| Non-controlling interests | 931,271 | 1,038,671 | 367,197 | N/A |
| Revenue | 2,104,054 | 3,278,922 | 1,536,210 | N/A |
| Change in fair value of investment properties | 310,174 | 84,515 | – | N/A |
| Expenses | (1,597,813) | (2,672,032) | (1,196,056) | N/A |
| Profit for the year | 816,415 | 691,405 | 340,154 | N/A |
| Profit attributable to the owners of the Company | 445,763 | 377,507 | 173,479 | N/A |
| Profit attributable to the non-controlling interests | 370,652 | 313,898 | 166,675 | N/A |
| Net cash inflow from operating activities | 306,748 | 1,337,856 | 857,718 | N/A |
| Net cash inflow (outflow) from investing activities | 232,644 | (139,098) | 15,903 | N/A |
| Net cash outflow from financing activities | (542,160) | (918,258) | (936,516) | N/A |
| Net cash (outflow) inflow | (2,768) | 280,500 | (62,895) | N/A |

| | Shenzhen Huachuang | |
|---|---|---|
| | **2020** | **2019** |
| | **RMB'000** | **RMB'000** |
| Current assets | 4,081,633 | N/A |
| Equity attributable to owners of the Company | 2,081,633 | N/A |
| Non-controlling interests | 2,000,000 | N/A |
| Net cash outflow from investing activities | (4,000,000) | N/A |
| Net cash inflow from financing activities | 4,081,663 | N/A |
| Net cash inflow | 81,663 | N/A |

## 56. FINANCIAL SUMMARY OF THE COMPANY

### Statement of financial position of the Company

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Investments in subsidiaries | 5,103,676 | 4,246,010 |
| Amounts due from subsidiaries | 18,056,124 | 9,966,870 |
| | 23,159,800 | 14,212,880 |
| CURRENT ASSETS | | |
| Other receivables | 302,782 | 2,890 |
| Derivative financial instruments | – | 1,241 |
| Bank balances and cash | 90,903 | 22,154 |
| | 393,685 | 26,285 |
| CURRENT LIABILITIES | | |
| Other payables | 8,202 | 10,012 |
| Amounts due to subsidiaries | 550,336 | 43,553 |
| Derivative financial instruments | 193,780 | 13,759 |
| Bank borrowing | 260,166 | – |
| Senior notes | 12,937,290 | 1,733,751 |
| | 13,949,774 | 1,801,075 |
| NET CURRENT LIABILITIES | (13,556,089) | (1,774,790) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 9,603,711 | 12,438,090 |
| NON-CURRENT LIABILITIES | | |
| Derivative financial instruments | 688 | 18,945 |
| Senior notes | 14,592,859 | 16,553,526 |
| | 14,593,547 | 16,572,471 |
| NET LIABILITIES | (4,989,836) | (4,134,381) |
| CAPITAL AND RESERVES | | |
| Share capital | 498,588 | 498,359 |
| Reserves | (5,488,424) | (4,632,740) |
| | (4,989,836) | (4,134,381) |

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## 56. FINANCIAL SUMMARY OF THE COMPANY (continued)

### Movement of reserves

| | Share premium RMB'000 | Accumulated losses RMB'000 | Hedging reserve RMB'000 | Share-based payments reserve RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2019 | 1,366,840 | (4,261,464) | – | 17,320 | (2,877,304) |
| Loss for the year | – | (1,562,929) | – | – | (1,562,929) |
| Fair value change on hedging instruments designated as cash flow hedges | – | – | 439 | – | 439 |
| Total comprehensive (expense) income for the year | – | (1,562,929) | 439 | – | (1,562,490) |
| Issue of shares upon exercise of share options | 4,050 | – | – | (1,056) | 2,994 |
| Dividend distributed to shareholders of the Company (note 13) | (195,940) | – | – | – | (195,940) |
| At 31 December 2019 | 1,174,950 | (5,824,393) | 439 | 16,264 | (4,632,740) |
| Loss for the year | – | (579,887) | – | – | (579,887) |
| Fair value change on hedging instruments designated as cash flow hedges | – | – | 10,706 | – | 10,706 |
| Total comprehensive (expense) income for the year | – | (579,887) | 10,706 | – | (569,181) |
| Issue of shares upon exercise of share options | 3,792 | – | – | (1,911) | 1,881 |
| Dividend distributed to shareholders of the Company (note 13) | (288,384) | – | – | – | (288,384) |
| At 31 December 2020 | 890,358 | (6,404,280) | 11,145 | 14,353 | (5,488,424) |

## 57. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) In February 2021, the Company issued guaranteed fixed rate senior notes with nominal value of USD150,000,000 which carry fixed interest of 11.875% per annum and mature in 2023. The proceeds are to be used for refinancing certain of the Group's existing indebtedness.

(ii) In February 2021, the Company issued guaranteed fixed rate senior notes with nominal value of USD250,000,000 which carry fixed interest of 10.875% per annum and mature in 2024. The proceeds are to be used for refinancing certain of the Group's existing indebtedness.

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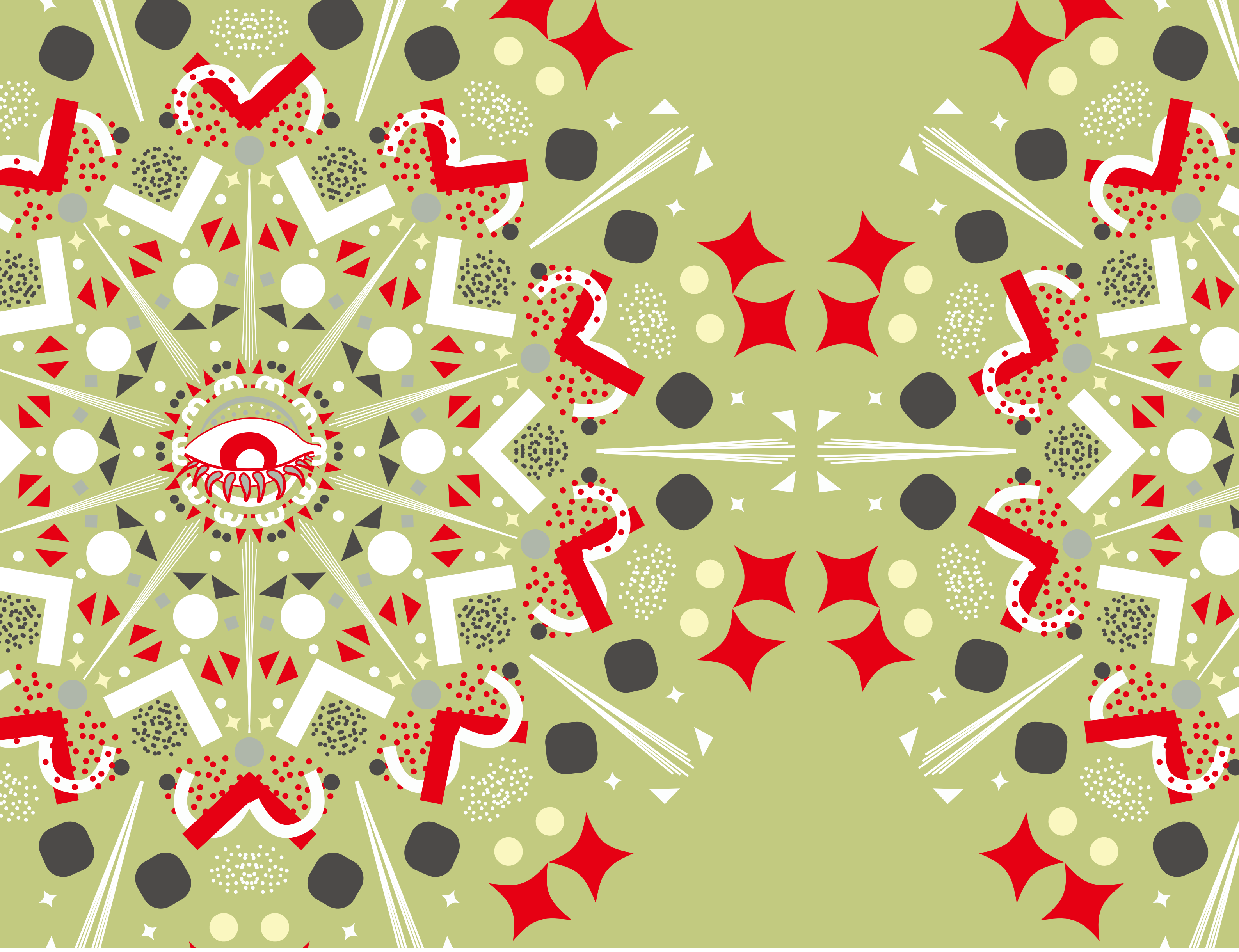

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HONG KONG BRANCH
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Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 01777

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