



LEADING HOLDINGS GROUP LIMITED

領地控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 6999

2020

Annual Report



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Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Liu Yuhui (*Chairman*)
Mr. Luo Changlin
Ms. Zeng Xurong
Ms. Hou Xiaoping

Independent non-executive directors

Ms. Jin Xu
Ms. Liang Yunxing
Mr. Fang Min

JOINT COMPANY SECRETARIES

Mr. Luo Changlin
Ms. Mak Po Man Cherie

AUTHORIZED REPRESENTATIVES

Mr. Liu Yuhui
Ms. Mak Po Man Cherie

AUDIT COMMITTEE

Ms. Liang Yunxing (*Chairperson*)
Ms. Jin Xu
Mr. Fang Min

REMUNERATION COMMITTEE

Ms. Jin Xu (*Chairperson*)
Ms. Liang Yunxing
Mr. Liu Yuhui

NOMINATION COMMITTEE

Mr. Liu Yuhui (*Chairperson*)
Ms. Jin Xu
Ms. Liang Yunxing

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

46/F, Tower A
Leading International Finance Center
No. 151, 2nd Tianfu Street
Gaoxin District
Chengdu, Sichuan Province
PRC

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants

COMPLIANCE ADVISOR

Giraffe Capital Limited

LEGAL ADVISOR AS TO HONG KONG LAW

Sidley Austin

PRINCIPAL BANKS

Agricultural Bank of China,
Chengdu Tongzilin Branch

Agricultural Bank of China,
Chengdu Zijin Branch

STOCK CODE

06999

COMPANY'S WEBSITE

www.leading-group.com

Glossary and Definition

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| “Acting in Concert Deed” | the acting in concert deed dated 18 February 2020 and executed by the Ultimate Controlling Shareholders, details of which are set out in the section headed “Relationship with Controlling Shareholders — Acting in Concert Deed” in the Prospectus |
| “AGM” | the annual general meeting of the Company to be held on Tuesday, 22 June 2021 |
| “Articles of Association” or “Articles” | the amended and restated articles of association of the Company, conditionally adopted on 16 November 2020 and came into effect upon Listing |
| “ASP” | average selling price |
| “Audit Committee” | the audit committee of the Board |
| “Board” | the board of Directors |
| “BVI” | the British Virgin Islands |
| “Cayman Companies Law” | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands |
| “China” or “PRC” | the People’s Republic of China |
| “Company” | Leading Holdings Group Limited (領地控股集團有限公司) (formerly known as Leading China Holdings Limited (領地中國控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 15 July 2019, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6999) |
| “close associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules, and unless the context requires otherwise, refers to Yuan Di, Fan Tai, Yue Lai, Jin Sha Jiang, Ling Yue, Lian Rong, San Jiang Yuan, Fu Sheng, Shan Yuan, Mr. Liu Yuhui, Mr. Liu Ce, Mr. Liu Haowei, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli, and a Controlling Shareholder shall mean each or any one of them |
| “core connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “COVID-19” | a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus |

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| “Deed of Non-Competition” | the deed of non-competition dated 16 November 2020 and executed by the Ultimate Controlling Shareholders in favor of the Company, details of which are set out in the section headed “Relationship with Controlling Shareholders — Deed of Non-competition” in the Prospectus |
| “Director(s)” | the director(s) of the Company |
| “Fan Tai” | Fan Tai Investment Holding Limited, a company incorporated in the BVI with limited liability on 29 August 2019, which is wholly owned by Mr. Liu Ce and is one of the Controlling Shareholders |
| “Fu Sheng” | Fu Sheng Capital Limited, a company incorporated in the BVI with limited liability on 5 June 2019, which is wholly-owned by Ms. Long Yiqin and is one of the Controlling Shareholders |
| “GFA” | gross floor area |
| “Group” | the Company and its subsidiaries |
| “Guangdong Leading Real Estate” | Guangdong Leading Real Estate Development Co., Ltd.* (廣東領地房地產開發有限公司), a company established in the PRC with limited liability on 14 November 2006 and an indirect wholly-owned subsidiary of the Company |
| “HK\$” or “Hong Kong dollar(s)” | Hong Kong dollars, the lawful currency of Hong Kong |
| “independent third party” | an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates (within the meaning of the Listing Rules) |
| “Jin Sha Jiang” | Jin Sha Jiang Holding Limited, a company incorporated in the BVI with limited liability on 5 June 2019, which is wholly owned by Mr. Liu Yuhui and is one of the Controlling Shareholders |
| “Leading Group” | Leading Group Co., Ltd.* (領地集團有限公司) (formerly known as Meishan Baoma Real Estate Development Co., Ltd.* (眉山地區寶馬房地產開發有限公司) upon its incorporation), a company established in the PRC with limited liability on 19 April 1999 and an indirect wholly-owned subsidiary of the Company |
| “Lian Rong” | Lian Rong Capital Limited, a company incorporated in the BVI with limited liability on 29 August 2019, which is wholly owned by Mr. Liu Haowei and is one of the Controlling Shareholders |

Glossary and Definition

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| “Liang Yuan Asset Management” | Liang Yuan Asset Management Co., Ltd.* (量源資產管理有限公司), a company established in the PRC with limited liability on 12 August 2011 which is owned as to 33.34% by Mr. Liu Yuhui, 33.33% by Mr. Liu Ce and 33.33% by Mr. Liu Haowei |
| “Ling Yue” | Ling Yue Capital Holding Limited, a company incorporated in the BVI with limited liability on 29 August 2019, which is wholly owned by Mr. Liu Haowei and is one of the Controlling Shareholders |
| “Listing Date” | 10 December 2020, the date on which dealings in the Shares on the Main Board first commence |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Listing” | the listing of the Shares on the Main Board |
| “Meishan Leading Real Estate” | Meishan Leading Real Estate Development Co., Ltd.* (眉山領地房地產開發有限公司), a company established in the PRC with limited liability on 15 November 2002 and an indirect wholly-owned subsidiary of the Company |
| “Memorandum” | the amended and restated memorandum of association of the Company, conditionally adopted on 16 November 2020 and came into effect upon Listing |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| “Mr. Liu Ce” | Mr. Liu Ce (劉策) (formerly known as Liu Huan (劉歡)), one of the Ultimate Controlling Shareholders. He is the son of Ms. Hou Sanli |
| “Mr. Liu Haowei” | Mr. Liu Haowei (劉浩威), the vice president of the Group and one of the Ultimate Controlling Shareholders. He is the son of Ms. Wang Tao |
| “Mr. Liu Shan” | Mr. Liu Shan (劉山) (formerly known as Liu Yuxian (劉玉賢)), the spouse of Ms. Wang Tao |
| “Mr. Liu Yuhui” | Mr. Liu Yuhui (劉玉輝), the chairman of the Board, executive Director, chief executive officer of the Company and one of the Ultimate Controlling Shareholders. He is the spouse of Ms. Long Yiqin |
| “Mr. Liu Yuqi” | Mr. Liu Yuqi (劉玉奇), the spouse of Ms. Hou Sanli |

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| “Ms. Hou Sanli” | Ms. Hou Sanli (侯三利), one of the Ultimate Controlling Shareholders. She is the mother of Mr. Liu Ce |
| “Ms. Long Yiqin” | Ms. Long Yiqin (龍一勤), one of the Ultimate Controlling Shareholders. She is the spouse of Mr. Liu Yuhui |
| “Ms. Wang Tao” | Ms. Wang Tao (王濤), one of the Ultimate Controlling Shareholders. She is the mother of Mr. Liu Haowei |
| “Nomination Committee” | the nomination committee of the Board |
| “Over-allotment Option” | the option granted by the Company to allot and issue up to 37,500,000 additional Shares in connection with the global offering of the Company as disclosed in the Prospectus |
| “Prospectus” | the prospectus of the Company dated 26 November 2020 |
| “Remuneration Committee” | the remuneration committee of the Board |
| “RMB” | the lawful currency of the PRC |
| “Rong Liang Group” | Rong Liang Group Co., Ltd.* (融量集團有限公司) (formerly known as Chengdu Shouxin Investment Co., Ltd.* (成都首信投資有限公司)), a company established in the PRC with limited liability on 10 May 2006, which is owned as to approximately 33.17% by Mr. Liu Haowei, 33.16% by Mr. Liu Yuhui, 33.16% by Mr. Liu Ce, 0.17% by Ms. Wang Tao, 0.17% by Ms. Long Yiqin and 0.17% by Ms. Hou Sanli |
| “San Jiang Yuan” | San Jiang Yuan Investment Limited, a company incorporated in the BVI with limited liability on 5 June 2019, which is wholly owned by Ms. Wang Tao and is one of the Controlling Shareholders |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Shan Yuan” | Shan Yuan Holdings Limited, a company incorporated in the BVI with limited liability on 5 June 2019, which is wholly owned by Ms. Hou Sanli and is one of the Controlling Shareholders |
| “Share Option Scheme” | the share option scheme conditionally adopted by the Company on 16 November 2020, a summary of the principal terms and conditions of which is set forth in the section headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix V to the Prospectus |

Glossary and Definition

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| “Share(s)” | ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company, which are to be traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Borrowing Agreement” | the stock borrowing agreement entered into between CCB International Capital Limited and Yue Lai for the purposes of facilitating the settlement of over-allocations in connection with the global offering of the Company, details of which are set out in the section headed “Structure of the Global Offering — Stock Borrowing Agreement” in the Prospectus |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “substantial shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “Ultimate Controlling Shareholders” | Mr. Liu Yuhui, Mr. Liu Ce, Mr. Liu Haowei, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli |
| “Xinjiang Leading Real Estate” | Xinjiang Leading Real Estate Development Co., Ltd.* (新疆領地房地產開發有限公司), a company established in the PRC with limited liability on 2 February 2010 and an indirect non-wholly owned subsidiary of the Company, which is owned as to 85% by Leading Group and 15% by Sichuan Chuanyi Investment Co., Ltd.* (四川省川億投資有限公司), an independent third party (other than being a substantial shareholder of Xinjiang Leading Real Estate) |
| “Yuan Di” | Yuan Di Capital Limited, a company incorporated in the BVI with limited liability on 29 August 2019, which is wholly owned by Mr. Liu Ce and is one of the Controlling Shareholders |
| “Yue Lai” | Yue Lai Investment Limited, a company incorporated in the BVI with limited liability on 5 June 2019, which is wholly owned by Mr. Liu Yuhui and is one of the Controlling Shareholders |
| “%” | per cent |

* for identification purpose only

MARKET REVIEW

The year 2020 has been an extraordinary year. With the outbreak of Covid-19 pandemic, and with a complex economic and political situation inside and outside China, the world had been undergoing unprecedented changes. In this year, China's economic resilience was prominent. Real estate, as a stabilizer and ballast of economic development, outperformed expectations. Although China's real estate market has gradually stepped out of the impact of the pandemic, the central government did not relax its regulatory efforts, still adhering to the positioning that "houses are for living in and not for speculative investment".

At the same time, the national 14th Five-year Plan proposed to develop both renting and purchase of housing and to implement city-specific policies, in a bid to promote stable and healthy development of real estate market. With promoting high-quality development as the theme, deepening supply-side structural reform as the main line, and reform and innovation as the fundamental impetus, construction of a new development pattern should be accelerated, and through economic cycle circulation and enabling good industrial linkage, a dynamic balance between supply and demand should be achieved.

On the financial side, in the face of downward pressure on the economy, the central government has increased its efforts to make counter-cyclical adjustment, stressing that fiscal policy should be active and effective; monetary policy should be flexible and moderate; and a reasonable abundance of liquidity should be maintained. With several reductions in reserve and interest rates, China's monetary environment has been somewhat loose as a whole. However, the overall real estate financial regulation in the second half of the year showed a gradual tightening trend, and real estate companies are facing increasing difficulty in raising funds, leading to an obvious rise in pressure on fund management of the industry. Most real estate enterprises chose to change their fund-raising approaches and increase their cooperation ratio to meet the policy requirements. In the long run, the three control red lines for ecological protection, permanent basic farmland and urban development boundary will undoubtedly impel real estate enterprises to change their development pattern and pay more attention to the health of their own financial indicators, thus playing a positive role in healthy development of the industry.

The era of crude land dividend for China's real estate industry has come to an end. There are no more big fluctuations and obvious opportunities in the industry, and the industry has grown mature and stable.

BUSINESS REVIEW

The year 2020 is an important milestone in the Group's leap-over development. On December 10, 2020, Leading Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As the first real estate enterprise in Sichuan Province to be listed on the Hong Kong Stock Exchange, the Group is committed to becoming a famous national real estate enterprise. This round of listing vigorously promoted the Group's diversified capital channels and created an important path for the Group to access the international capital market, laying a solid foundation for long-term and healthy development of the Company.

In 2020, Leading Group was awarded "Blue Chip Company" in the Blue Chip Annual Conference of Top 100 Real Estate Development Companies of China Real Estate Association

In 2020, Leading Center was rated as Gold level in Pre-certification of LEED-CS 2009

In 2020, "Guan" series of Leading Group ranked among top 50 of "Chinese Product Brands"

In 2020, Emei Lotus Lake Project won the 5th Reard Global Design Award

For the year ended December 31, 2020, the Group's revenue was RMB13,158.1 million, with a year-on-year increase of 73.9%. The Group's net profit was RMB1,060.6 million, with a year-on-year increase of 57.8%.

Steady Growth of Contracted Sales

In terms of contracted sales, despite many market fluctuations in 2020, the Group successfully achieved contracted sales of RMB22,134.3 million with a year-on-year growth of 44.8%, and cumulative contracted GFA sales of 2.7 million sq.m..

A High-quality and Deep-penetration Development Strategy

1. Adherence to deep penetration and pursuit of quality development: As a property developer with deep-penetration business in the southwest of China, further scale development is a must for the Group's survival and development. At present, 69% of the Group's reserved land area is located in Sichuan-Chongqing Economic Belt where it has penetrated deeply, relatively intensively distributed to Chengdu, Leshan, Meishan, Mianyang, Nanchong and other cities; while pursuing scale growth, the Group focuses more on high-quality in-step development. By adhering to the urbanization strategy and controlling asset turnover, financial security and operating profit, the Group tried to achieve balance between scale and profit to ensure steady growth and established its core competitiveness of the Company.
2. Adherence to refined and digital management: Technology empowerment has become an important exploration and development direction for the real estate industry. With visualized operational data, it developed advantages of refined management and improved per capita efficiency. At this stage, the real estate sector does quite a good job in using digitalization in marketing process, but digitalization in construction process is still lagging behind. In the future, the Group should achieve digital coverage in the whole process of design, construction and operation, and eventually reach the goal of moving from rough development to precision development.

3. Adherence to the perfect integration of product strength and service strength. As a real estate company with stable development, the Group's brand concept has gradually evolved to the diversified idea of "For Better Healthy Living". With customer satisfaction as the focus, through all-around improvement of product design, standardization of building construction, application of green building materials and comprehensive property services, we eventually implanted the concept of "health" into the Group's products, forming a comprehensive layout with three dimensions of healthy industry, healthy housing and healthy life.

It is believed that through such advantages as high brand recognition, quality land storage and product portfolio, the Group will lay a solid foundation for its rapid and sustainable development, and further enhance the market position of the brand and improve its overall competitiveness. We strive to become a famous real estate brand with product value to customers, development value to employees, responsibility value to society, and investment value to shareholders.

Outlook for 2021

The Group has optimized its layout and scientifically and systematically formulated its development strategy after an in-depth study of the national top-level design. Real estate companies with deep penetration into the southwest of China should give full play to their geographical advantages and develop markets and customers in depth around the Chengdu-Chongqing metropolitan area and city clusters, with the greater southwest as the core. With diversified business formats, we will strengthen the deployment in areas with developed industrial and make deep penetration into cities. While consolidating the southwest market, the Group will steadily expand its business in Guangdong-Hong Kong-Macao Greater Bay Area and maintain that in Central China area, forming a strategic deployment of one core and two wings.

In addition to making a good strategic layout, there is a need for good tactical planning. Specifically, three focused actions will be taken: focusing on management efficiency, brand service and capital safety. Increasing benefits by way of management is reflected in doing a good job in standardization and refinement; by using institutionalization as a management tool, improving per capita efficiency in an all-around way. The brand service should be supported by product strength improvement, to achieve the value system of products; more attention should be paid to soft service value in addition to hardware products; in-depth capture and interpretation of customer needs should be made; around customer satisfaction, good service should be rendered to achieve the brand chain extension. Lastly, strengthening corporate fund management can improve the Company's fund management ability, enhance the efficiency of fund use, directly or indirectly promote cost reduction and efficiency enhancement, effectively control financial risks, ensure fund safety, and provide guarantee for sustainable development of the Group.

In the future, although the total volume of real estate may reach a ceiling, there will still be excellent real estate companies with their performance and profits rising against the trend. There is a ceiling for the industry, but not for excellent real estate companies. In the new year, the Group will definitely maintain firm commitment to the in-step development strategy of profit, quality and scale. With the assistance of diversified capital, the Group will ensure its rapid development with a prudent investment attitude, a refined management pattern and excellent per capita efficiency, thus achieving stable long-term development.

Leading Holdings Group Limited
Mr. Liu Yuhui
Chairman

Hong Kong, 29 March 2021

Management Discussion and Analysis

LAND BANK

As at 31 December 2020, the total GFA of land reserves of the Group was approximately 16,539,991 sq.m.. The following table sets forth a summary of the Group's properties developed/under development as of 31 December 2020:

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|--|---|-----------|------------------------------------|---|-------------------|-----------------------------------|----------------------------------|--|
| Properties developed by the Group and its subsidiaries | | | | | | | | |
| 1. | Chengdu Yipin Center | Chengdu | 100% | Commercial/Carpark/ Others | 20,534 | 2024/6/30 | 141,509 | Within the planned red line of Chadianzi Yipintianxia Street, Jinniu District, Chengdu City, Sichuan Province |
| 2. | Chengdu Global Financial Center | Chengdu | 100% | Office/Commercial/ Carpark/Ancillary | 18,514 | 2017/7/31 | 14,422 | No. 151, Tianfu Second Street, No. 750, Jitai Road, High-tech Zone, Chengdu, Sichuan Province |
| 3. | Chengdu Xishan Lantai Mansion | Chengdu | 100% | Residential/Carpark/ Ancillary/Others | 34,756 | 2021/4/30 | 80,837 | No. 988, Huaxin Avenue, Baihe Town, Longquanyi District, Chengdu City, Sichuan Province |
| 4. | Chengdu Yue Center | Chengdu | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 27,400 | 2022/1/10 | 76,119 | No. 521, East Section of Industrial Avenue, Xindu District, Chengdu City, Sichuan Province |
| 5. | Chongqing Leading Guanyun House | Chongqing | 100% | Residential/Carpark/ Ancillary/Others | 40,372 | 2021/11/12 | 85,761 | No. N23/03, N District, Jieshitutuan, Banan District, Chongqing |
| 6. | Chengdu Jinxiang Lantai Mansion | Chengdu | 55% | Residential/Office/ Commercial/ Carpark/Ancillary/ Others | 46,473 | 2019/5/31 | 24,629 | 1-1, Jinxi Courtyard, Middle Section of Hengshan Avenue, Xipu Town, Pixian County, Chengdu City, Sichuan Province |
| 7. | Chengdu Tianfu Lantai Mansion (Xinlong) | Chengdu | 99% | Residential/ Commercial/ Carpark/Ancillary/ Others | 159,963 | 2022/3/31 | 187,486 | Group 2, 5, 6, Yangliu Village and Group 2, Liuhe Village, Huayuan Town, Xinjin County, Chengdu City, Sichuan Province |

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|-----|--|-----------|--|---|----------------------|--|--|--|
| 8. | Chengdu Tianfu Lantai Mansion (Jingyang) | Chengdu | 100% | Residential/Carpark/ Ancillary/Others | 38,967 | 2021/10/30 | 98,053 | Group 2, 3, Yangliu Village, Huayuan Town, Xinjin County, Chengdu City, Sichuan Province |
| 9. | Chengdu Haina Shidai | Chengdu | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 41,822 | 2017/2/28 | 16,882 | Zhili Road and Zhixinger Road, Chengdu City, Sichuan Province |
| 10. | Chengdu Lantai House | Chengdu | 70% | Residential/Carpark/ Others | 40,897 | 2020/10/30 | 50,324 | No. 1555, Guoning West Road, Hongguang Town, Pidu District, Chengdu City, Sichuan Province |
| 11. | Chengdu Leading Tianyu | Meishan | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 57,523 | 2022/10/16 | 186,878 | Diagonally opposite to Volkswagen 4S Store, Renshou Avenue, Renshou County, Chengdu City, Sichuan Province |
| 12. | Meishan Changshoufang | Meishan | 80% | Residential/ Commercial/ Carpark/Ancillary/ Others | 71,770 | 2022/12/30 | 181,669 | Binjiang Avenue, Pengshan District, Meishan City, Sichuan Province |
| 13. | Panzhuhua Leading Sunshine Flower City | Panzhuhua | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 186,791 | 2023/3/31 | 506,693 | Ganbatang Area, Huacheng New District, Panzhuhua City, Sichuan Province |
| 14. | Xichang Yueqionghai | Xichang | 51% | Residential/ Commercial/ Carpark/Ancillary/ Others | 65,968 | 2022/6/30 | 280,996 | Beside Jianchang Water Town, East Extension Line of Hangtai Road, Xichang City, Sichuan Province |
| 15. | Xichang Leading Lantai House | Xichang | 95% | Residential/ Commercial/ Carpark/Ancillary/ Others | 99,752 | 2019/5/24 | 20,369 | Xijiao Yaoshan Village, North of Nanshan Avenue, South of Haihe Road, Xichang City, Sichuan Province |
| 16. | Xichang Leading Haiyueli | Xichang | 53% | Commercial/Carpark/ Ancillary/Others | 41,652 | 2021/5/30 | 81,115 | Zhanglin Village, Wangjia Village and Lianhe Village, Gaojian Township, Xichang City, Sichuan Province |
| 17. | Xichang Lantai House Qingyun | Xichang | 51% | Residential/ Commercial/ Carpark/Ancillary | 16,896 | 2019/10/18 | 1,774 | Chensuo Village, Gaojian Township, Xichang City, Sichuan Province |

Management Discussion and Analysis

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|-----|---|----------|--|---|----------------------|--|--|--|
| 18. | Xichang Leading Triumph International Mansion | Xichang | 83% | Residential/ Commercial/ Carpark/Ancillary/ Others | 33,287 | 2017/1/31 | 3,338 | No. 599, Section 5, East Extension Line of Hangtai Road, Xichang City, Sichuan Province |
| 19. | Xichang Leading Jinxiu Lantai Mansion | Xichang | 80% | Residential/ Commercial/ Carpark/Ancillary/ Others | 62,578 | 2022/10/2 | 239,854 | Near Zhonghang East Road, West New City, Xichang, Sichuan Province |
| 20. | Urumchi Leading Lantai House | Urumchi | 95% | Residential/ Commercial/ Carpark/Ancillary/ Others | 103,928 | 2022/6/30 | 230,637 | No. 616, Junggar Street, East of Suzhou Road, Urumqi, Xinjiang Uygur Autonomous Region |
| 21. | Urumchi Leading Tianyu | Urumchi | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 115,428 | 2022/6/30 | 311,578 | South of Hongguangshan Road, Shuimogou District, Urumqi City, Xinjiang Uygur Autonomous Region |
| 22. | Korla Leading Lantai House | Korla | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 63,624 | 2022/10/30 | 103,376 | Leading Triumph Mansion, near southwest No. 6 Shihua Avenue, No. 5 Community, Construction Area, Korla City, Bazhou, Xinjiang Uygur Autonomous Region |
| 23. | Korla Leading Triumph Mansion | Korla | 85% | Residential/ Commercial/ Carpark/Ancillary/ Others | 87,933 | 2021/12/31 | 111,193 | Next to Peacock Park, No. 6 Shihua Avenue, Korla, Xinjiang Uygur Autonomous Region |
| 24. | Chengteh Lantai House | Chengteh | 40% | Residential/ Commercial/ Carpark/Ancillary/ Others | 53,279 | 2020/7/30 | 7,950 | Yuanbao Mountain, Shuangtashan Town, Shuangluan District, Chengde City, Hebei Province |
| 25. | Chengteh Lantai House Yunshang | Chengteh | 51% | Residential/ Commercial/ Ancillary/Others | 85,483 | 2023/6/30 | 186,130 | Sicaigou B, Dayuanbao Mountain, Shuangtashan Town, Shuangluan District, Chengde City, Hebei Province |
| 26. | Chengteh Lantai House Yueshan | Chengteh | 51% | Residential/ Commercial/ Carpark/Ancillary/ Others | 34,981 | 2022/9/30 | 52,466 | Yuanbao Mountain, Shuangluan District, Chengde City, Hebei Province |

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|-----|---|-----------|--|---|----------------------|--|--|---|
| 27. | Jilin Triumph Mansion | Changchun | 55% | Residential/ Commercial/ Carpark/Ancillary/ Others | 132,188 | 2020/5/22 | 7,384 | Xincheng West Street, Jingyue Development Zone, Changchun City, Jilin Province |
| 28. | Xingyang Leading Tianyu | Xingyang | 70% | Residential/ Commercial/ Carpark/Ancillary/ Others | 29,396 | 2022/4/30 | 80,193 | Northwest of the intersection of Jingcheng Road and Gongye East Road, Xingyang City, Zhengzhou City, Henan Province |
| 29. | Shangqiu Leading Lantai House | Shangqiu | 51% | Residential/ Commercial/ Carpark/Ancillary/ Others | 59,698 | 2025/12/30 | 193,849 | East to Zhenxing Road, West to Planning Shangqiu Road, South to Nanjing Road, North to Xiwang Road Henan Province |
| 30. | Zhumadian Royal Lantai Mansion Phase I | Zhumadian | 70% | Residential/ Commercial/ Carpark/Ancillary/ Others | 182,936 | 2021/6/1 | 404,444 | Northwest of the intersection of Tianzhongshan Avenue and Jianshe Avenue, Zhumadian City, Henan Province |
| 31. | Zhumadian Royal Lantai Mansion Phase II | Zhumadian | 70% | Residential/Carpark/ Ancillary/Others | 70,590 | 2023/6/1 | 200,882 | Northeast of the intersection of Zhangtai Road and Jianshe Avenue, Zhumadian City, Henan Province |
| 32. | Zhumadian Royal Lantai Mansion Phase III | Zhumadian | 70% | Residential/Carpark/ Ancillary/Others | 75,863 | 2025/3/1 | 208,355 | Southwest of the intersection of Lizhuang Road and Chunliu Road, Zhumadian City, Henan Province |
| 33. | Zhumadian Royal Lantai Mansion Phase IV | Zhumadian | 70% | Residential/Carpark/ Ancillary/Others | 168,489 | 2025/12/1 | 339,236 | Northeast corner of the intersection of Tongshan Avenue and Jianshe Avenue, Zhumadian City, Henan Province |

Management Discussion and Analysis

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|-----|--|-----------|--|---|----------------------|--|--|--|
| 34. | Zhumadian Royal Lantai Mansion Phase V | Zhumadian | 70% | Residential/ Commercial/ Carpark/Ancillary/ Others | 156,270 | 2023/8/1 | 388,318 | The southeast side of the intersection of Lizhuang Road and Chunliu Road, and the northwest side of the intersection of Zhangtai Road and Jianshe Avenue, Zhumadian City, Henan Province |
| 35. | Jingzhou Leading Lantai House | Jingzhou | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 54,070 | 2021/12/31 | 208,275 | Northwest of the intersection of Chutian Road and Dongqiao Road, Jingbei New District, Jingzhou District, Jingzhou City, Hubei Province |
| 36. | Jingzhou Leading Fengming Lantai Mansion | Jingzhou | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 48,399 | 2022/8/31 | 188,088 | No.66, Fengming Avenue, Jingzhou District, Jingzhou City, Hubei Province |
| 37. | Leshan Amazon | Leshan | 100% | Residential/ Commercial/ Carpark/Ancillary | 91,900 | 2014/10/16 | 2,571 | No. 418 and No. 424, North Section of Longyou Road, Shizhong District, Leshan City, Sichuan Province |
| 38. | Leshan Haina Mansion | Leshan | 51% | Residential/ Commercial/ Carpark/Ancillary/ Others | 36,200 | 2016/1/5 | 6,904 | No.1589 Muyuan Road, Muchuan County, Leshan City, Sichuan Province |
| 39. | Leshan Lantai House | Leshan | 60% | Residential/ Commercial/ Carpark/Ancillary/ Others | 88,108 | 2021/12/31 | 156,422 | East of the intersection of Sansu Road and Ruixiang Road, Qingjiang New District, Shizhong District, Leshan City, Sichuan Province |
| 40. | Leshan Tianyu | Leshan | 100% | Residential/ Commercial/ Carpark/Ancillary | 29,796 | 2020/3/1 | 14,033 | Intersection of Hanlin Road and Fenghuang Road, Tongjiang District, Leshan City, Sichuan Province |

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|-----|--|---------|--|---|----------------------|--|--|--|
| 41. | Leshan Lanshan | Leshan | 70% | Residential/ Commercial/ Carpark/Ancillary/ Others | 89,630 | 2021/10/1 | 155,006 | No. 881, Section 1, Ruixiang Road, Leshan City, Sichuan Province |
| 42. | Leshan International Mansion | Leshan | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 127,204 | 2019/5/17 | 3,568 | Taoyuan New Village, Mouzi Town, Shizhong District, Leshan City, Sichuan Province |
| 43. | Zunyi Lantai House | Zunyi | 55% | Residential/ Commercial/ Carpark/Ancillary/ Others | 39,759 | 2022/11/30 | 130,977 | Intersection of Shanghai Road and Ningbo Road, Huichuan District, Zunyi City, Guizhou Province |
| 44. | Meishan Triumph International Mansion | Meishan | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 256,303 | 2020/11/27 | 57,506 | Southwest corner of the intersection of Hubin Road and Meizhou Avenue, Meishan City, Sichuan Province |
| 45. | Meishan Triumph Square | Meishan | 79% | Residential/ Commercial/ Carpark/Ancillary | 73,976 | 2015/5/19 | 17,092 | Northeast of the intersection of Suyuan Road and Dongpo Avenue, Dongpo District, Meishan City, Sichuan Province |
| 46. | Meishan Huayu Phase II | Meishan | 60% | Residential/ Commercial/ Carpark/Ancillary/ Others | 9,102 | 2020/6/3 | 5,568 | Southeast corner of the intersection of Suyuan Road and Chongguang Street, Meishan City, Sichuan Province |
| 47. | Meishan Triumph International Mansion Phase II | Meishan | 57% | Residential/ Commercial/ Carpark/Ancillary/ Others | 39,838 | 2019/7/30 | 8,744 | Northeast of the intersection of Jiangxiang Road and Qingyihang, Dongpo District, Meishan City, Sichuan Province |
| 48. | Meishan Lantai House | Meishan | 55% | Residential/ Commercial/ Carpark/Ancillary/ Others | 109,814 | 2022/12/10 | 369,014 | Northwest corner of the intersection of Fucheng Road and Shuangfeng Street, Dongpo District, Meishan City, Sichuan Province |

Management Discussion and Analysis

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|-----|-------------------------|---------|--|---|----------------------|--|--|--|
| 49. | Meishan Guanjiang House | Meishan | 55% | Residential/ Commercial/ Carpark/Ancillary/ Others | 65,695 | 2022/3/30 | 170,221 | Southwest corner of the intersection of Binjiang Avenue and Qitong Road, Meishan City, Sichuan Province |
| 50. | Haifeng Tianyu | Shanwei | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 35,774 | 2022/3/1 | 190,326 | Plot KJC-B07, Ecological Technology City, Haifeng County, Shanwei City, Guangdong Province |
| 51. | Huizhou Lantai House | Huizhou | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 83,840 | 2023/3/30 | 268,624 | West of Jinqian Road, Xincheng, North Railway Station, Huicheng District, Huizhou City, Guangdong Province |
| 52. | Foshan Haina Longting | Foshan | 100% | Residential/ Commercial/ Carpark/Others | 36,943 | 2017/8/30 | 4,374 | On the north side of Qinggong Road and the east side of Dayong, North and South, Chancheng District, Foshan City, Guangdong Province |
| 53. | Foshan Haina Junting | Foshan | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 20,536 | 2017/4/1 | 1,075 | West Guangyun Chantan Cross Road, Zhenli, Dali, Nanhai District, Guangdong Province |
| 54. | Foshan Haina Mansion | Foshan | 100% | Residential/ Commercial/ Carpark/Others | 46,812 | 2014/12/31 | 1,420 | No. 5, Lishui Avenue Middle, Nanhai District, Foshan City, Guangdong Province |
| 55. | Foshan Haina Haoting | Foshan | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 37,276 | 2016/1/21 | 1,621 | No. 139, Lishui Avenue Middle, Lishui Town, Nanhai District, Foshan City, Guangdong Province |
| 56. | Foshan Haina Haoyuan | Foshan | 100% | Residential/ Commercial/ Carpark/Others | 21,192 | 2017/3/28 | 215 | Jianxing Villagers Group, Ganjiao Village, Lishui Town, Nanhai District, Foshan City, Guangdong Province |

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|-----|---------------------------------------|----------|--|---|----------------------|--|--|--|
| 57. | Mianyang Tianyu | Mianyang | 65% | Residential/ Commercial/ Carpark/Ancillary/ Others | 26,140 | 2020/3/31 | 7,923 | No. 2, Hongqiao Road, Chengnan New District, Mianyang City, Sichuan Province |
| 58. | Mianyang Lantai House | Mianyang | 62% | Residential/ Commercial/ Carpark/Ancillary/ Others | 56,060 | 2020/8/20 | 7,072 | No. 94, Sanxing Road, Youxian District, Mianyang City, Sichuan Province |
| 59. | Nanchong Lantai House | Nanchong | 82% | Residential/Carpark/ Ancillary/Others | 59,774 | 2022/5/20 | 247,245 | No. 118, Maoyuan South Road, Shunqing District, Nanchong City, Sichuan Province |
| 60. | Nanchong Tianyu | Nanchong | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 25,053 | 2020/11/9 | 15,097 | No. 561, Jinyuling Road, Shunqing District, Nanchong City, Sichuan Province |
| 61. | Ya'an Yunjing | Ya'an | 100% | Residential/ Commercial/ Carpark/Ancillary | 30,184 | 2020/11/6 | 18,838 | Daxing Town, Yucheng District, Ya'an City, Sichuan Province |
| 62. | Ya'an Guanjiang Mansion | Ya'an | 100% | Residential/ Commercial/ Carpark/Ancillary | 39,149 | 2020/11/23 | 26,152 | Qianjin Village, Daxing Town, Yucheng District, Ya'an City, Sichuan Province |
| 63. | Ya'an Tianyu | Ya'an | 95% | Residential/ Commercial/ Carpark/Ancillary | 18,253 | 2019/9/12 | 14,081 | Yazhou Avenue, Yucheng District, Ya'an City, Sichuan Province |
| 64. | Ya'an Lantai House | Ya'an | 95% | Residential/ Commercial/ Carpark/Ancillary | 43,790 | 2021/2/2 | 35,316 | No. 6, Ankang Road, Yucheng District, Ya'an City, Sichuan Province |
| 65. | Ya'an Lantai House Phase III 3 | Ya'an | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 53,520 | 2021/9/30 | 180,585 | Plot 2-12, Daxing District, Yucheng District, Ya'an City, Sichuan Province |
| 66. | Mianyang Guanjiang House | Mianyang | 100% | Residential/ Commercial/ Carpark/Others | 144,705 | 2023/11/30 | 581,704 | Putisi Village, Ningxiang Temple Neighborhood Committee, High-tech Zone, Mianyang City, Sichuan Province |
| 67. | Mianyang Leading Dongyuan Yuecheng | Mianyang | 50% | Residential/ Commercial/ Carpark/Ancillary/ Others | 116,755 | 2023/6/30 | 487,543 | C, Dengta Community, Qingyi Town, Fucheng District, Mianyang City, Sichuan Province |

Management Discussion and Analysis

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|-----|------------------------------------|---------|--|---|----------------------|--|--|--|
| 68. | Ya'an Yuejiangting | Ya'an | 51% | Residential/ Commercial/ Carpark/Ancillary/ Others | 16,674 | 2021/10/22 | 76,424 | Daxing Area, Yucheng District, Ya'an City, Sichuan Province |
| 69. | Xichang Tianyu | Xichang | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 26,935 | 2022/8/31 | 112,331 | Section 1, Linhuanhai Road, Chengdongchuanxing, Xichang City, Sichuan Province |
| 70. | Kaili Leading Tianyu | Kaili | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 251,148 | 2025/5/30 | 942,162 | Daxing Area, Yucheng District, Ya'an City, Sichuan Province |
| 71. | Chengdu Xindu Yue House | Xindu | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 310,866 | 2024/10/31 | 582,496 | No. 600, East Section of Xueyuan, Xindu District, Chengdu City, Sichuan Province |
| 72. | Luzhou Lantai House | Luzhou | 54% | Residential/ Commercial/ Carpark/Ancillary/ Others | 52,767 | 2022/11/30 | 180,443 | East side of Changjiang Primary School, Shawan District, Luzhou City, Sichuan Province |
| 73. | Chengdu Tianfu Kangcheng (Duneng) | Chengdu | 91% | Residential/ Commercial/ Carpark/Ancillary | 90,121 | 2025/3/3 | 229,601 | East of Huanhu East Road, Shigao Town, Renshou County |
| 74. | Chengdu Tianfu Kangcheng (Shengyu) | Chengdu | 100% | Commercial/Carpark/ Ancillary/Others | 60,638 | 2028/6/30 | 271,425 | East of Huanhu East Road, Shigao Town, Renshou County |
| 75. | Chengdu Tianfu Kangcheng (Yuandi) | Chengdu | 91% | Residential/ Commercial/ Carpark/Ancillary | 85,773 | 2022/9/30 | 356,594 | East of Huanhu East Road, Shigao Town, Renshou County |
| 76. | Urumqi Jinshang Lantai Mansion | Urumchi | 60% | Residential/ Commercial/ Carpark/Ancillary/ Others | 25,371 | 2022/10/30 | 69,961 | East of Liyushan Road, High-tech Zone, Urumqi City |
| 77. | Urumqi Tianjing Yunzhu | Urumchi | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 30,178 | 2022/12/30 | 108,083 | Main Road, Changchun Middle Road, Urumqi City |
| 78. | Yibin Guanjiang House | Yibin | 55% | Residential/ Commercial/ Carpark/Ancillary | 132,479 | 2024/5/31 | 445,301 | Lingang Economic and Technological Development Zone, Yibin City |

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|-----|-------------------------------------|-------------|--|---|----------------------|--|--|---|
| 79. | Nanchong Jinwei Leading Yue Town | Nanchong | 45% | Residential/ Commercial/ Carpark/Ancillary/ Others | 90,142 | 2024/8/24 | 289,099 | Plot 2 on the east side of Financial Avenue, North New City, Shunqing District, Nanchong City |
| 80. | Guangyuan Leading Town | Guangyuan | 100% | Residential/ Commercial/ Carpark/Ancillary | 290,480 | 2024/9/30 | 601,327 | Located on the east side of Kangyang Avenue in Heishipo Forest Park and the north side of Qiaoge Road in Xuefeng Office, Lizhou District, Guangyuan City |
| 81. | Panzhuhua Ruxiang Flower City | Panzhuhua | 51% | Commercial/Carpark/ Ancillary | 10,562 | 2022/9/20 | 39,173 | Ganbatang Area, Huacheng New District, Panzhuhua City |
| 82. | Chengdu Leading Guanjiang House | Duijiangyan | 100% | Residential/ Commercial/ Carpark/Ancillary/ Others | 78,475 | 2023/8/31 | 238,073 | North of Baishui East Road, East of Shangshan East Road, Duijiangyan City, Sichuan Province |
| 83. | Suining Taoli Jun | Suining | 34% | Residential/ Commercial/ Carpark/Ancillary/ Others | 30,808 | 2023/5/30 | 124,436 | East of Suizhou North Road, North of Hongqiao East Street, Suining Economic Development Zone |
| 84. | Xichang Leading Guanyuan | Xichang | 70% | Residential/ Commercial/ Carpark/Ancillary/ Others | 90,531 | 2023/3/31 | 175,984 | The southeast area of the downtown area of Xichang |
| 85. | Luohe Lishang Lantai Mansion | Luohe | 76% | Residential/ Commercial/ Carpark/Ancillary/ Others | 106,858 | 2024/7/31 | 336,507 | West of High-speed Railway Bridge, on the north side of Shali Industry Cluster, South of Lihe, Luohe City, Henan Province |
| 86. | Huili Xuefu No.1 | Huili | 32% | Residential/ Commercial/ Carpark/Ancillary/ Others | 33,459 | 2022/9/30 | 131,083 | Yingding Community of Huili No.1 Middle School |

Management Discussion and Analysis

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|--|--|-------------|--|---|----------------------|--|--|---|
| 87. | Zhangjiajie Xinsong Leading Robot Happy Town | Zhangjiajie | 35% | Residential/ Commercial/ Carpark/Ancillary | 77,783 | 2022/12/31 | 278,740 | On the east side of Huatian Phase I, on the south side of Binhe Road, on the north side of Indigo Plaza, on the west side of Yingbin Road, Guanliping Office, Yongding District, Zhangjiajie City |
| 88. | Chengdu Tianfu Leading Town | Chengdu | 50% | Residential/ Commercial/ Carpark/Ancillary/ Others | 271,501 | 2023/9/30 | 766,198 | (No. 18, Section 2, Shengwu Cheng Middle Road, Shuangliu District) Tianfu International Biological City, Chengdu City, Sichuan Province |
| 89. | Chengdu Leading Hexing Lifu Lantai Mansion | Pengzhou | 51% | Residential/ Commercial/ Carpark/Ancillary/ Others | 64,309 | 2023/5/31 | 167,988 | Qinyang Village, Zhihe Town, Pengzhou City |
| 90. | Chengdu Huguang Heyue | Pengzhou | 51% | Residential/ Commercial/ Carpark/Ancillary | 41,343 | 2023/3/10 | 137,196 | South side of Section 1, Huanhu Road, West side of Kaixuan Avenue, Zhihe Street, Pengzhou City |
| | Sub-total | | | | | | 15,348,524 | |
| Properties developed by the Groups joint ventures and associates | | | | | | | | |
| 91. | Chengdu Bocuilong Lake | Chengdu | 49.0% | Residential/Carpark/ Others | 29,995 | 2019/12/26 | 2,062 | Group 6, Garden Community, Dongsheng Street, Shuangliu District, Chengdu City, Sichuan Province |
| 92. | Leshan EmeiThe Grand Sight | Leshan | 61.2% | Commercial/Ancillary | 50,302 | 2021/1/21 | 32,212 | On the north side of Exiu Lake, Emeishan City, Sichuan Province |

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|-----|--------------------------------------|-------------|--|---|----------------------|--|--|---|
| 93. | Xuzhou Dongchen Hua House | Xuzhou | 47.0% | Residential/ Commercial/ Carpark/Ancillary/ Others | 31,251 | 2021/9/30 | 52,744 | Rongchuangchen Mansion, North of Laohu Mountain, Yangguang Road, Dahuangshan Town, Economic Development Zone, Xuzhou City, Jiangsu Province |
| 94. | Xuzhou Fengming Taoyuan Fengyasong | Xuzhou | 47.0% | Residential/ Commercial/ Carpark/Ancillary | 141,979 | 2022/6/30 | 102,232 | The southern plot of Xuzhou City, Jiangsu Province is located at Taihe South Road, Jiawang District, west of Fengming Road, and north of Shanshui Avenue. The northern plot is located on the north side of Taihe Road, Jiawang District, south of Fuhong Road, and west of Fengming Road |
| 95. | Xuzhou Fengming Taoyuan | Xuzhou | 47.0% | Residential/ Commercial/ Carpark/Ancillary/ Others | 234,196 | 2021/6/15 | 28,111 | Fengming East Road, West of Paihonggou, Yancun, South of Jiabian Road, Jiawang District, Xuzhou City, Jiangsu Province |
| 96. | Zhangjiakou Yuanjun Manting Fangyuan | Zhangjiakou | 33.8% | Residential/ Commercial/ Carpark/Ancillary/ Others | 170,592 | 2025/5/30 | 105,247 | Shalingzi Town, Xuanhua District, Zhangjiakou City, Henan Province |
| 97. | Leshan Qingjiang Lantai Mansion | Leshan | 40.0% | Residential/ Commercial/ Carpark/Ancillary/ Others | 50,000 | 2020/12/25 | 9,328 | No. 533 Ruihan Road, Shizhong District, No. 1065 Taibai Road, Shizhong District, Leshan City, Sichuan Province |
| 98. | Ya'an Tianlan | Ya'an | 51.0% | Residential/ Commercial/ Carpark/Ancillary | 15,530 | 2020/5/29 | 6,219 | Chenghou Road, Yucheng District, Ya'an City, Sichuan Province |

Management Discussion and Analysis

| No. | Project Names | City | Interest Attributable to the Group | Primary Intended Use | Site Area (sq.m.) | Actual/ Estimated Completion Date | Land Bank ⁽¹⁾ (sq.m.) | Address |
|------|--|----------|--|---|----------------------|--|--|--|
| 99. | Ya'an Tianlu Bay | Ya'an | 34.0% | Residential/ Commercial/ Carpark/Ancillary/ Others | 70,140 | 2023/9/30 | 76,758 | Daxing Town, Yucheng District, Ya'an City, Sichuan Province |
| 100. | Shenzhen Guanlan | Shenzhen | 50.0% | Residential/ Commercial/ Carpark/Ancillary | 20,652 | 2023/9/30 | 66,460 | Northwest of the intersection of Pingan Road and Zhanggui Road, Guanlan Street, Longhua District, Shenzhen |
| 101. | Leshan Hengbang Shuanglin Global Center | Leshan | 48.0% | Residential/Office/ Commercial/ Carpark/Ancillary | 31,632 | 2021/5/30 | 102,279 | The junction of Fenghuang Road and Boyang Road, Central District, Leshan City, Sichuan Province |
| 102. | Leshan Qingjiang House | Leshan | 35.0% | Residential/ Commercial/ Carpark/Ancillary | 113,204 | 2023/10/10 | 160,349 | Intersection of Fengzhou Road and Zhile Road, Qingjiang District, Leshan City, Sichuan Province |
| 103. | Jiangyou Shidaizhiguang | Jiangyou | 35.0% | Residential/ Commercial/ Carpark/Ancillary/ Others | 94,359 | 2022/11/30 | 116,475 | Libai Avenue, Jiangyou City, Mianyang City, Sichuan Province |
| 104. | Xichang Nanshan House | Xichang | 20.5% | Residential/ Commercial/ Carpark/Ancillary/ Others | 66,322 | 2024/6/30 | 69,484 | Zhangjiatun Village, Xijiao Township, Xichang City, Sichuan Province |
| 105. | EmeiLotus Lake | Leshan | 40.0% | Residential/ Commercial/ Carpark/Ancillary/ Others | 247,377 | 2025/11/1 | 167,830 | Penggui Village, Guihuaqiao Town, Shili Village, Shengli Town, Emeishan City, Sichuan Province |
| 106. | Leshan Country Garden Leading Tangyue Lantai Mansion | Leshan | 50.0% | Residential/ Commercial/ Carpark/Ancillary | 56,197 | 2023/7/5 | 93,677 | South of Tanmu South Street, Leshan City Center |
| | Sub-total | | | | | | <u>1,191,467</u> | |
| | Total | | | | | | <u>16,539,991</u> | |

Note:

- (1) Total GFA of the Group's land bank includes (i) GFA available for sale and total leasable GFA for completed properties, (ii) GFA for properties under development and (iii) GFA for properties held for future development. For projects that are developed by the Group's joint ventures and associates, the total GFA will be adjusted by our equity interest in the respective project.

INVESTMENT PROPERTIES

The following table sets forth a summary of the Group's investment properties as of 31 December 2020:

| No. | Province | City | Project Names | Address | Property Types | Total GFA (sq.m.) | Tenure |
|-----|----------|---------|--|---|---|-------------------------------------|-------------------|
| 1 | Sichuan | Chengdu | Chengdu International Finance Center | No. 151, 2nd Tianfu Street and No.750, Jitai Road, Gaoxin District, Chengdu, Sichuan Province | Shopping Mall Office Carpark Ancillary | 30,200 17,530 24,810 3,088 | Medium term lease |
| | | | | | Sub-total: | 75,627 | |
| 2 | Sichuan | Leshan | Leshan Amazon | No. 418 and No. 424, North Section of Longyou Road, Shizhong District, Leshan City, Sichuan Province | Supporting Commercial Facility for Residential Area | 2,482 | Medium term lease |
| | | | | | Sub-total: | 2,482 | |
| 3 | Sichuan | Leshan | Leshan Times Square | No. 336, Baiyun Street, Shizhong District, Leshan, Sichuan Province | Shopping Mall Supporting Commercial Facility for Residential Area Carpark Warehouse | 29,830 4,504 961 | Medium term lease |
| | | | | | Sub-total: | 35,295 | |
| 4 | Sichuan | Leshan | Leshan Amazon and Part of Times Square | No. 418 and No. 424, North Section of Longyou Road, and No.336, Baiyun Street, Shizhong District, Leshan City, Sichuan Province | Supporting Commercial Facility for Residential Area Carpark and Supporting Facilities Ancillary | 9,815 2,362 1,244 | Medium term lease |
| | | | | | Sub-total: | 13,421 | |
| 5 | Jilin | Jilin | Jilin International Commerce Center | East of Caiyu Street, Jingyue Development Zone, Changchun City, Jilin Province | Shopping Mall Carpark | 76,322 | Medium term lease |
| | | | | | Sub-total: | 76,322 | |
| 6 | Sichuan | Chengdu | Chengdu Leading Center | No. 3 and No. 5, Xiyu Street, Qingyang District, Chengdu, Sichuan Province | First-floor Commercial Area in Office East and West Towers of Office Carpark Ancillary | 9,954 103,042 25,611 8,658 | Medium term lease |
| | | | | | Sub-total: | 147,264 | |
| 7 | Sichuan | Xindu | Gangji Hanxiangfu Preschool Gangji Famer's Market in Diexiang Manor | No. 600, East Section of Xueyuan, Xindu District, Chengdu City, Sichuan Province | Preschool Farmer's Market | 1,799 3,438 | Medium term lease |
| | | | | | Sub-total: | 5,237 | |
| | | | | | Total: | 355,648 | |

FINANCIAL REVIEW

Revenue

During the year, the Group derived its revenue from four business lines, namely (i) sale of properties; (ii) commercial property operations; (iii) hotel operations; and (iv) project management.

Revenue of the Group increased by 73.9% from approximately RMB7,568.2 million for the year ended 31 December 2019 to approximately RMB13,158.1 million for the year ended 31 December 2020, primarily due to the increase in the revenue from sale of properties. The following table sets forth the details of the Group's total revenue by business line for the years indicated:

| | For the year ended 31 December | | | |
|--------------------------------|--------------------------------|--------------|------------------|--------------|
| | 2020 | % | 2019 | % |
| | (RMB'000) | | (RMB'000) | |
| Sale of properties | 13,027,945 | 99.0 | 7,452,435 | 98.5 |
| Commercial property operations | 84,396 | 0.6 | 70,876 | 0.9 |
| Hotel operations | 41,194 | 0.3 | 37,102 | 0.5 |
| Project management | 4,548 | 0.1 | 7,751 | 0.1 |
| Total | 13,158,083 | 100.0 | 7,568,164 | 100.0 |

Sale of Properties

Revenue from sale of properties of the Group increased by 74.8% from approximately RMB7,452.4 million for the year ended 31 December 2019 to approximately RMB13,027.9 million for the year ended 31 December 2020, primarily due to the increase in the aggregate GFA recognized from 885,841 sq.m. for the year ended 31 December 2019 to 1,603,784 sq.m. for the year ended 31 December 2020. The increase of the Group's GFA recognized was primarily contributed by increase in the number of completed and delivered property projects of the Group, particularly in the Chengdu-Chongqing Economic Zone and Sichuan province.

ASP of recognized GFA remained relatively stable at approximately RMB8,123 per sq.m. for the year ended 31 December 2020 and approximately RMB8,413 per sq.m. for the year ended 31 December 2019,

Commercial Property Operations

Revenue from commercial property operations of the Group increased by 19.0% from approximately RMB70.9 million for the year ended 31 December 2019 to approximately RMB84.4 million for the year ended 31 December 2020, primarily due to an increase in occupancy rates of the Group's investment properties during the year.

Hotel Operations

Revenue from hotel operations of the Group increased by 11.1% from approximately RMB37.1 million for the year ended 31 December 2019 to approximately RMB41.2 million for the year ended 31 December 2020, primarily due to an increase in the occupancy rates of the hotels managed by the Group.

Project Management

Revenue from project management of the Group decreased by 42.3% from approximately RMB7.8 million for the year ended 31 December 2019 to approximately RMB4.5 million for the year ended 31 December 2020, primarily due to completion of an existing residential property development project in Guang'an, Sichuan province.

Cost of Sales

The Group's cost of sales primarily represents the costs it incurs directly for the property development activities as well as its commercial property, hotel and project management operations. The principal components of cost of sales for property development include cost of properties sold, which represents direct construction costs, land acquisition costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

The cost of sales of the Group increased by 75.7% from approximately RMB5,465.8 million for the year ended 31 December 2019 to approximately RMB9,601.9 million for the year ended 31 December 2020, which was generally in line with the increase in the sale of properties.

Gross Profit and Gross Profit Margin

As the result of the foregoing, gross profit of the Group increased by 69.1% from approximately RMB2,102.4 million for the year ended 31 December 2019 to approximately RMB3,556.2 million for the year ended 31 December 2020.

Gross profit margin of the Group remained relatively stable at approximately 27.0% for the year ended 31 December 2020 and approximately 27.8% for the year ended 31 December 2019.

OTHER INCOME

The Group's other income and gains primarily consist of interest income, management consulting service fees, commercial compensation and others. Interest income primarily consists of interest income on bank deposits. Commercial compensation primarily represents (i) liquidated damages the Group received from property purchasers who defaulted on the payments due pursuant to their purchase agreements with the Group; and (ii) liquidated damages the Group received from the Group's property-developer business partners who breached their contracts with the Group.

Other income of the Group increased by 66.5% from approximately RMB44.8 million for the year ended 31 December 2019 to approximately RMB74.6 million for the year ended 31 December 2020, primarily due to the increase in bank interest income, compensation and government grants. The increase in bank interest income and compensation, which primarily included the liquidated damages from the Group's property purchases, was in line with the business expansion of the Group. In addition, the local governments provided subsidies for employment stabilization to combat the COVID-19's adverse effects on the economy, which caused the increase in government grants.

Selling and Marketing Expenses

The Group's selling and marketing expenses mainly include advertising and marketing fees that the Group incurs in connection with the Group's pre-sales of properties, including the commission fees paid to third-party sales agents, as well as advertising and marketing fees incurred in relation to the leasing of the commercial properties the Group operates and manages.

Selling and marketing expenses of the Group increased by 62.4% from approximately RMB400.0 million for the year ended 31 December 2019 to approximately RMB649.7 million for the year ended 31 December 2020, which was primarily due to the increase in the commission fees arising from the increase in the revenue attributable to third-party sales agents.

Administrative Expenses

The Group's administrative expenses primarily include costs for management and administrative staff.

Administrative expenses of the Group increase by 7.6% from approximately RMB532.7 million for the year ended 31 December 2019 to approximately RMB573.3 million for the year ended 31 December 2020, primarily attributable to the increase in the management and administrative staff costs resulting from the Group's business expansion. The number of management and administrative staff of the Group increased from 1,088 as at 31 December 2019 to 1,303 as at 31 December 2020.

Fair Value Gains/Losses on Investment Properties

The Group develops and holds certain commercial areas in our properties on a long-term basis for rental, operating income or capital appreciation.

The Group recorded fair value losses on investment properties in the amount of approximately RMB49.3 million for the year ended 31 December 2020, as compared to fair value gains on investment properties in the amount of approximately RMB160.8 million for the year ended 31 December 2019. The change is primarily due to the COVID-19 pandemic's adverse effect on the valuation of the investment properties of the Group.

Finance Costs

The Group's finance costs mainly represents the Group's interest expenses on bank and other borrowing as well as interest from a significant financing component of contract liabilities, which is related to the pre-sale deposits the Group received from its customers, less capitalized interest relating to properties under development.

Finance costs of the Group increased by 33.0% from approximately RMB230.4 million for the year ended 31 December 2019 to approximately RMB306.5 million for the year ended 31 December 2020, primarily due to the increase in the interest on bank and other borrowings in connection with the business expansion of the Group, partially offset by the increase in the capitalized interest.

Share of Profits and Losses of Joint Ventures and Associates

The Group recorded share of losses of joint ventures in the amount of approximately RMB29.8 million for the year ended 31 December 2020, as compared to share of profits of joint ventures in the amount of approximately RMB3.8 million for the year ended 31 December 2019. The change is primarily due to the decrease in the number of properties delivered for joint ventures.

The Group recorded share of profits of associates in the amount of approximately RMB17.2 million for the year ended 31 December 2020, as compared to share of losses of associates in the amount of approximately RMB7.0 million for the year ended 31 December 2019. The change is primarily due to the increase in the number of properties delivered for associates.

Income Tax Expense

Income tax expenses represent corporate income tax and land appreciation tax (“**LAT**”) payable by the Group’s subsidiaries in the PRC.

Income tax expenses of the Group increased by 103.5% from approximately RMB469.7 million for the year ended 31 December 2019 to approximately RMB955.8 million for the year ended 31 December 2020, primarily due to the increase in PRC corporate income tax of the Group resulted from the increase in profits before tax of the Group, which was in line with the business expansion of the Group.

Profit for the Year

As a result of the foregoing, the Group recorded a profit for the year of approximately RMB1,060.6 million for the year ended 31 December 2020, as compared to a profit of approximately RMB672.3 million for the year ended 31 December 2019.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Property development require substantial capital investment for land acquisition and construction, and it may take many months or years before positive cash flow can be generated. To date, the Group has funded its growth principally from cash generated from operations of the Group and borrowings from banks, and trust and other financings.

Following the continuous expansion of property portfolio of the Group, it is expected the saleable GFA of the Group will continue to increase from which the Group expects to generate additional operating cash. The Group intends to continue to monitor its development and construction schedules, property sales and land acquisition plans based on the cash inflow associated with existing and planned external financing opportunities, including but not limited to the issuance of corporate bonds or other debt offerings and property sales proceeds.

CASH POSITION

As at 31 December 2020, the Group had cash and bank balances of approximately RMB5,925.1 million (31 December 2019: RMB3,177.6 million), pledged deposits of approximately RMB144.9 million (31 December 2019: RMB158.5 million) and restricted cash of approximately RMB1,603.0 million (31 December 2019: RMB1,637.4 million).

INDEBTEDNESS

As at 31 December 2020, the Group had total indebtedness, including interest-bearing bank and other borrowings and lease liabilities, amounted to approximately RMB14,268.4 million (31 December 2019: approximately RMB11,769.5 million), of which RMB10,179.1 million was carried at fixed rates.

The following table sets forth the components of the Group's indebtedness as at the dates indicated:

| | As of 31 December | |
|--|--------------------------|------------------|
| | 2020 | 2019 |
| | (RMB'000) | (RMB'000) |
| Non-current | | |
| Bank loans — secured | 6,530,220 | 2,608,097 |
| Bank loans — unsecured | 800,803 | — |
| Other loans — secured | 2,836,268 | 3,209,311 |
| Other loans — unsecured | — | 174,612 |
| Non-current portion of lease liabilities | 4,824 | 9,777 |
| Current | | |
| Bank loans — secured | 91,200 | — |
| Other loans — secured | — | 1,484,800 |
| Current portion of lease liabilities | 6,220 | 4,512 |
| Current portion of long term bank loans — secured | 764,477 | 3,158,230 |
| Current portion of long term other loans — secured | 3,234,389 | 1,120,129 |
| Total indebtedness | 14,268,401 | 11,769,468 |

Note:

- (1) Other loans include financing arrangement with trust companies, asset management companies, other financial institutions and other third-party companies.

The following table sets forth the maturity profiles of the Group's bank and other borrowings as at the dates indicated:

| | As of 31 December | |
|------------------------------------|--------------------------|------------------|
| | 2020 | 2019 |
| | (RMB'000) | (RMB'000) |
| Repayable within one year | 4,090,066 | 5,763,159 |
| Repayable in the second year | 7,328,913 | 4,132,477 |
| Repayable within two to five years | 1,248,501 | 1,859,543 |
| Repayable over five years | 1,589,877 | — |
| Total | 14,257,357 | 11,755,179 |

Gearing Ratio

The net gearing ratio (as calculated by total borrowings, including interest-bearing bank and other borrowings, less cash and bank balances divided by total equity as at the end of the respective period) was approximately 0.9 times as at 31 December 2020 (31 December 2019: approximately 1.4 times). The decrease in the net gearing ratio as at 31 December 2020 was mainly due to effective measures implemented to enhance the capital structure of the Group.

Credit Risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits with banks. The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets. To manage this risk, deposits are mainly placed with licensed banks which are all high-credit-quality financial institutions.

The Group has no significant concentrations of credit risk in view of its large number of customers. The credit risk of the Group's other financial assets, which mainly comprise restricted cash and pledged deposits, other receivables, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Directors do not expect any significant losses from non-performance of these counterparties.

Liquidity Risk

The Group aims to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects. The objective of the Group is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. The Group reviews its liquidity position on an ongoing basis, including review of the expected cash inflows and outflows, pre-sales/sales results, maturity of its borrowings and the progress of the planned property development projects in order to monitor its liquidity requirements in the short and long terms.

The Group has established a set of liquidity risk management measures, including budgeting, prudent land acquisition decisions, stringent cost control and alternative financing channels. Through these liquidity risk management measures, the Group aims to maintain sufficient reserves of, and adequate committed lines of funding from, financial institutions to meet the Group's liquidity requirements in the short and long term.

Foreign Exchange Risks

The Group mainly operates its business in the PRC, and substantial all of its revenue and expenses are denominated in Renminbi, while the net proceeds from the Listing is payable in Hong Kong dollars. As at 31 December 2020, among the Group's cash at bank and on hand, RMB72.1 million, RMB0.6 million and RMB3.4 million was denominated in Hong Kong dollars, AUD dollars and US dollars, respectively, such amount was subject to the exchange rate fluctuation. The Group does not have any policy to hedge against foreign exchange risk. However, the Group will closely monitor its foreign exchange exposure, and strive to maintain the value of the Group's cash.

Interest Rate Risk

The Group's exposure to changes in market interest rate relates primarily to the Group's interest-bearing bank and other borrowings. The Group does not use financial derivatives to hedge interest rate risk, and use variable rate bank borrowings and other borrowings to manage its interest cost.

Pledge of Assets

As at 31 December 2020, certain of the Group's bank and other borrowings are secured by the pledges of the Group's assets with carrying values of approximately RMB14,729.3 million (31 December 2019: approximately RMB10,607.1 million) which include (i) property, plant and equipment; (ii) land use right; (iii) investment properties; (iv) properties under development; and (v) completed properties held for sale. The Group legally transferred the equity interests in certain subsidiaries as collateral to trust financing companies as at 31 December 2020.

Contingent Liabilities

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If the Group fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, the Group does not conduct independent credit checks on its customers but rely on the credit checks conducted by the mortgagee banks.

The following table sets forth the Group's total guarantees as at the dates indicated:

| | As of 31 December 2020 (RMB'000) | 2019 (RMB'000) |
|--|---|-------------------|
| Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties | 11,594,320 | 8,882,032 |
| Guarantees given to banks and other institutions in connection with facilities granted to related parties and third parties ⁽¹⁾ | 1,497,640 | 1,765,900 |
| Total | 13,091,960 | 10,647,932 |

Note:

- (1) All guarantees provided by or to the Controlling Shareholders and their respective close associates on the borrowings of the Group or the Controlling Shareholders and their respective close associates had been fully released immediately before the Listing.

Commitment

As at 31 December 2020, the Group's capital commitment it had contracted but yet provided for was RMB24,213.4 million, compared with RMB14,294.1 million as at 31 December 2019.

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities disclosed above, as at 31 December 2020, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

During the year ended 31 December 2020, the Group had undergone acquisitions and disposals of subsidiaries for the purpose of the reorganisation in preparation for the Listing. Please refer to the prospectus of the Company dated 26 November 2020 (the "**Prospectus**") for further details.

Save as disclosed in the Prospectus, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at 31 December 2020.

Employee and Remuneration Policy

As at 31 December 2020, the Group had 1,669 employees (31 December 2019: 1,305 employees). For the year ended 31 December 2020, the staff cost recognised as expenses of the Group amounted to RMB537.7 million (31 December 2019: RMB473.2 million).

The Group enters into individual employment contracts with its employees to cover matters such as wages, salaries, benefits and terms for termination. The Group generally formulates its employees' remuneration package to include a salary, bonus and various allowances. In general, the Group determines employee salaries based on each employee's qualification, position and seniority. The Group has designed a periodic review system to assess the performance of its employees, which forms the basis of its determination on salary raise, bonus and promotion.

As required by PRC regulations, the Group make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds. The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. When there are employees who leave the scheme prior to becoming fully vested in the contribution, the amount of the forfeited contribution will be used to reduce future contribution payable by the Group.

The Directors and members of the senior management receive compensation from the Group in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans. The Board will review and determine the remuneration and compensation packages of the Directors and senior management, and will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Liu Yuhui (劉玉輝), aged 47, was appointed as a Director on 15 July 2019. He was appointed as the chairman of the Board and chief executive officer of the Company and re-designated as an executive Director on 16 December 2019. He is responsible for overseeing the business development and business strategies of the Group. Mr. Liu Yuhui is an entrepreneur with over 20 years of experience in the PRC real estate industry. Mr. Liu Yuhui co-founded the Group together with his two brothers, Mr. Liu Shan and Mr. Liu Yuqi in April 1999 through the establishment of Leading Group. Capitalizing on his experience in the PRC real estate industry, Mr. Liu Yuhui has guided the Group's sustained and steady business development for the past two decades. Mr. Liu Yuhui has held various directorships in the Group's subsidiaries, including Leading Group since June 2008 and Guangdong Leading Real Estate since November 2008.

Mr. Liu Yuhui obtained a master's degree in business administration from the University of Wales in the United Kingdom in December 2013. He also completed an academic program related to real estate investment in Massachusetts Institute of Technology in the United States in October 2015. Mr. Liu Yuhui has been the deputy chairman of The General Association of Sichuan Entrepreneurs (四川省川商總會) since June 2016.

Mr. Liu Yuhui is the uncle of Mr. Liu Ce, one of the Controlling Shareholders, and Mr. Liu Haowei, vice president and senior management member of the Group. Please refer to the section headed "Senior Management" below for further information of Mr. Liu Haowei.

Mr. Liu was a director of Sichuan Leibo Tianli Electric Power Development Co., Ltd. (四川雷波天利電力開發有限責任公司), a company established in the PRC with limited liability, whose license was revoked on 10 March 2009 as the company failed to commence its business for more than six months from the date of its establishment without justifiable reason or ceased business operations for more than six consecutive months. Mr. Liu confirmed that as of the date of this annual report, no claims have been made against him and he was not aware of any threatened or potential claims made against him and there are no outstanding claims and/or liabilities as a result of the revocation of business license of the above company.

Mr. Luo Changlin (羅昌林), aged 48, was appointed as an executive Director and chief financial officer of the Company on 16 December 2019. He is responsible for managing the financial operations and cost control of the Group. Mr. Luo joined the Group in January 2011 as the cost manager of the financial management center of the Group. He was later promoted as the general manager of the financial management center of the Group in March 2016 and as the assistant president of the Group in July 2018.

Mr. Luo has over 20 years of experience in financial management. Prior to joining the Group, from July 1996 to October 2004, Mr. Luo served as the project finance manager in the first branch of China No.5 Metallurgical Construction Company (中國第五冶金建設有限公司一分公司) (now known as the first engineering branch of China MCC 5 Group Corp. Ltd. (中國五冶集團有限公司第一工程分公司)), a company which is principally engaged in engineering contracting and property development business wholly owned by Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司) which is listed on the Main Board of the Stock Exchange (stock code: 1618) and the Shanghai Stock Exchange (stock code: 601618). From December 2004 to December 2010, Mr. Luo worked at Sichuan Jianye Construction Engineering Co., Ltd. (四川建業建築工程有限公司) (now known as Central Asia Construction Engineering Co., Ltd. (中亞建業建設工程有限公司)), a company which is principally engaged in construction engineering, with his last position as the general manager of finance department.

Biographies of Directors and Senior Management

Mr. Luo obtained a diploma in finance and accounting from Mianyang College of Economy and Technology (綿陽經濟技術高等專科學校) in the PRC in July 1996. He also obtained a bachelor's degree in accounting from China Central Radio and Television University (中央廣播電視大學) (now known as the Open University of China (國家開放大學)) in the PRC in July 2014. In December 2019, Mr. Luo obtained a master's degree in business administration from the University of Electronic Science and Technology of China (電子科技大學) in the PRC.

Ms. Zeng Xurong (曾旭蓉), aged 48, was appointed as an executive Director on 16 December 2019 and is responsible for the overall administrative functions, risk management and procurement of the Group. Ms. Zeng has over 17 years of experience in management and general administration in the real estate industry. She joined the Group in July 2002 as an accountant-in-charge and was later promoted as the audit manager of the Group in July 2007. She was later appointed as the general manager of the audit and supervision department of the Group in January 2010 and was mainly responsible for supervising the internal audit of the Group.

Ms. Zeng obtained a diploma in finance and accounting from Leshan Finance and Trade School (樂山財貿學校) (now merged into Leshan Vocational and Technical College (樂山職業技術學院)) in the PRC in July 1993. She also obtained a college degree in accounting from Southwestern University of Finance and Economics (西南財經大學) in the PRC in December 1997.

Ms. Hou Xiaoping (侯小萍), aged 44, was appointed as an executive Director on 16 December 2019 and is responsible for financing and fund raising for the projects of the Group. Ms. Hou joined the Group in June 2014 as the general manager of the financing center of the Group and was later promoted as the assistant to the president of the Group in May 2018.

Ms. Hou has over 20 years of experience in financing and accounting field. Prior to joining the Group, from July 1996 to August 2008, Ms. Hou worked at Tibet Trust Corporation Limited (西藏信託有限公司), an asset management company with her last position being the general manager of the finance department. From August 2008 to February 2013, Ms. Hou served as a manager of the finance department of Tibet Autonomous Region Investment Co., Ltd. (西藏自治區投資有限公司). She was subsequently appointed as the director and the financial controller of the same company from March 2013 to May 2014.

Ms. Hou completed secondary vocational school education in finance and accounting in Tibet Autonomous Region Finance and Economics School (西藏自治區財經學校) (now merged with School of Finance and Economics, Tibet University (西藏大學財經學院)) in the PRC in July 1996. She also obtained a diploma in law from China Central Radio and Television University (中央廣播電視大學) (now known as the Open University of China (國家開放大學)) in the PRC in July 2006.

Ms. Hou is the aunt of Mr. Liu Ce, one of the Controlling Shareholders.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Jin Xu (金旭), aged 51, was appointed as an independent non-executive Director on 16 November 2020 and is responsible for providing independent advice on the operations and management of the Group.

Ms. Jin has over 26 years of experience in fund management. From July 1993 to November 2001, Ms. Jin worked in the China Securities Regulatory Committee with her last position as the head of the general office of fund supervision department. From November 2001 to June 2004, Ms. Jin worked in China Asset Management Co., Ltd. (華夏基金管理有限公司), a company which is principally engaged in asset management, with her last position being the deputy general manager. From July 2004 to April 2006, she was the general manager of Baoying Fund Management Co., Ltd. (寶盈基金管理有限公司), a company which is engaged in fund establishment and management as well as asset management. In 2006, Ms. Jin worked as the chief representative in the Beijing Representative Office of Mellon Global Investment Co., Ltd. (梅隆全球投資有限公司), a company which is principally engaged in asset management. From May 2007 to December 2014, Ms. Jin was the general manager of Guotai Asset Management Co., Ltd. (國泰基金管理有限公司), a company which is principally engaged in fund establishment and management. Ms. Jin joined China Merchants Fund Management Co., Ltd. (招商基金管理有限公司), a company which is principally engaged in fund establishment and management, in January 2015 where she held the position of general manager and now as the vice chairman.

Since February 2017, she has been the chairman of the Public Fund Professional Committee of the China Securities Investment Fund Industrial Association (中國證券投資基金業協會公募基金專業委員會). Since July 2017, Ms. Jin has been the vice president of the Shenzhen Investment Fund Industrial Association (深圳市投資基金同業公會). She is the receiver of the “Leading Character of Funds Industry” (基金行業領軍人物獎) award from Sina Finance (新浪財經).

Ms. Jin obtained a bachelor's degree and a master's degree in economic law from Peking University in the PRC in July 1990 and July 1993, respectively. In May 1996, she obtained a master of law degree in comparative law from New York University in the United States.

Ms. Liang Yunxing (梁運星), aged 47, was appointed as an independent non-executive Director on 16 November 2020 and is responsible for providing independent advice on the operations and management of the Group.

Ms. Liang has over 21 years of experience in accounting and financial management. Ms. Liang worked for over 14 years with China National Travel Service (HK) Group Corporation (中國旅遊集團有限公司) (“CTSG”), one of the major multinational state-owned enterprises in the PRC with headquarter in Hong Kong, and its subsidiaries from July 1998 to October 2012. During that period, from October 2006 to April 2009, Ms. Liang was the general manager of the finance department of China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 308) and the flagship company of CTSG in the travel industry. From May 2009 to October 2012, Ms. Liang was a director and the chief financial officer of HKCTS (China) Investment Limited (港中旅(中國)投資有限公司), one of the largest tourism property developers in mainland China focusing on developing large-scaled scenic spots, hotels, resorts, commercial properties and residential units. Ms. Liang then became an executive director and chief financial officer of Chinalco Mining Corporation International (中鋁礦業國際) from November 2012 to March 2015, which is a resource development company subsequently delisted from the Stock Exchange in March 2017 (previous stock code: 3668). Since May 2015, Ms. Liang has been the chief risk management officer of Shanghai Dajian Assets Management Company Limited (上海大見資產管理有限公司), an asset management company.

Biographies of Directors and Senior Management

Ms. Liang obtained a bachelor's degree in international accounting and a master's degree in accounting from Renmin University of China (中國人民大學) in the PRC in July 1995 and July 1998, respectively. Ms. Liang was accredited as a Chinese certified public accountant by Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in June 2006.

Ms. Liang was a supervisor of Anshan Hejia Beverage Co., Ltd. (鞍山合佳飲料有限公司), a company established in the PRC with limited liability, whose license was revoked on 23 August 2018, as the company failed to commence its business for more than six months from the date of its establishment without justifiable reason or ceased business operations for more than six consecutive months. Ms. Liang confirmed that as of the date of this annual report, no claims have been made against her and she was not aware of any threatened or potential claims made against her and there are no outstanding claims and/or liabilities as a result of the revocation of business license of the above company.

Mr. Fang Min (方敏), aged 48, was appointed as an independent non-executive Director on 16 November 2020 and is responsible for providing independent advice on the operations and management of the Group.

Mr. Fang has been teaching in the School of Economics of Peking University in the PRC since July 1999 and is now a professor in the School of Economics of Peking University. In September 2005, he was awarded the Second Prize of National Teaching Achievement Award (國家級教學成果獎二等獎) by Ministry of Education of the PRC (中華人民共和國教育部). In May 2009, he received the First Prize of Teaching Achievement Award of Beijing (Higher Education) (北京市教育教學成果(高等教育)一等獎) from the People's Government of Beijing (北京市人民政府). In May 2017, he received the Excellence Award in Finance Teaching of Cao Fengqi Finance Development Foundation (曹鳳岐金融發展基金金融教學優秀獎) from Cao Fengqi Finance Development Foundation of Peking University (北京大學曹鳳岐金融發展基金).

Mr. Fang obtained his bachelor's degree and master's degree in economics from Sichuan University (四川大學) in the PRC in July 1993 and July 1996, respectively. In July 1999, he obtained his doctor's degree in economics from Renmin University of China (中國人民大學) in the PRC. Mr. Fang obtained the Teacher's Qualification Certificate of PRC (中華人民共和國教師資格證書) from the Education Committee of Beijing (北京市教育委員會) in December 2002.

Save as disclosed above, none of the Directors have held any other directorships in listed companies during the three years immediately preceding the date of this annual report.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no information relating to the Directors that is required to be disclosed pursuant to paragraphs (b) to (v) or Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of the Shareholders as of the date of this annual report.

SENIOR MANAGEMENT

Mr. Xu Chuanhai (徐川海), aged 47, first joined the Group in March 2011 as the general manager of marketing development center of Leading Group where he was responsible for sales management of the Group until March 2012. He rejoined the Group in August 2017 as the vice president of the Group and since then he has been responsible for marketing and sales management of the Group.

Mr. Xu has more than 16 years of experience in business management. Prior to joining the Group, from 2003 to 2007, Mr. Xu served as a manager in the sales and marketing department of Chengdu Grand Real Estate Development Co., Ltd. (成都遠大房地產開發有限責任公司), a company which is principally engaged in property development, pharmaceuticals and healthcare, where he was responsible for the sales and marketing activities of the company. From 2007 to 2008, Mr. Xu worked at Chengdu Gongying Investment Co., Ltd. (成都共贏投資有限公司) (now known as Xinjiang Mutual Benefit Equity Investment Co., Ltd. (新疆互利股權投資有限公司)), a company which is principally engaged in private equity investment business. From March 2012 to February 2017, Mr. Xu worked in Wanda Commercial Management Co., Ltd. (萬達商業管理有限公司), a commercial operational service provider, with his last position as the deputy manager of marketing. From February to August 2017, Mr. Xu served as a regional general manager of Guangdong Aoyuan Commercial Real Estate Group Co., Ltd. (廣東奧園商業地產集團有限公司), a commercial properties development company wholly owned by China Aoyuan Group Limited (中國奧園集團股份有限公司), which is a company listed on the Main Board of the Stock Exchange (stock code: 3883).

Mr. Xu obtained a diploma in science and technology records management from Chongqing Institute of Industrial Management (重慶工業管理學院) in the PRC in June 1993. He also obtained a bachelor's degree in industrial engineer from the University of Electronic Science and Technology of China (電子科技大學) in Chengdu, the PRC in December 2000.

Mr. Liu Haowei (劉浩威), aged 27, was appointed as the vice president of the Group in January 2019 and is primarily responsible for the execution of the Group's business strategies and the management of the Group's real estate projects in Chongqing.

Mr. Liu Haowei joined the Group in May 2015 as a general manager of Guangdong Leading Real Estate. Since May 2015, Mr. Liu Haowei has been responsible for the daily operation and the overall management and operation of the Group's real estate projects, including those in Zhumadian and Chongqing, playing a key role in the Group's business expansion in those areas. Mr. Liu Haowei currently holds various directorships in the Group's subsidiaries, including the centralized management platform of the Group, Leading Group, Guangdong Leading Real Estate and Xinjiang Leading Real Estate.

Mr. Liu Haowei obtained a bachelor's degree in business administration from the University of California, Irvine in the United States in June 2014. He also completed a private equity program in Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in the PRC in December 2015 and a capital investment and financing program in Peking University in the PRC in June 2017.

Mr. Liu Haowei is the nephew of Mr. Liu Yuhui, the chairman of the Board, an executive Director and chief executive officer of the Company, and the cousin of Mr. Liu Ce, one of the Controlling Shareholders.

Corporate Governance Report

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

Compliance with the model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct for securities transactions conducted by Directors and relevant employees of the Company. After making specific enquires to all the Directors and relevant employees of the Company, each of them has confirmed that they have complied with the required standards set out in the Model Code since the Listing Date and up to 31 December 2020.

The Company is not aware of any incident of non-compliance of the Model Code committed by any Directors, or relevant employees since the Listing Date and up to 31 December 2020.

Compliance with the corporate governance code

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

The Company has adopted the code provisions stated in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Except for the deviation from code provision A.2.1 of the CG Code, the Company’s corporate governance practices have complied with the code on corporate governance practices. Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Liu Yuhui is the chairman of the Board and the chief executive officer of the Company. In view of the fact that Mr. Liu Yuhui is the founder of the Group and has been operating and managing the Group since 1999, the Board believes that it is in the best interest of the Group to have Mr. Liu Yuhui taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance.

The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Save for the deviation from code provision A.2.1 of the CG Code, the Board is of the view that the Company has adopted, applied and complied with the CG Code from the Listing Date up to 31 December 2020.

Trainings of the directors

Immediately prior to the Listing, all Directors have been given a comprehensive training session covering a wide range of topics including but not limited to directors' duties and responsibilities, corporate governance and continuing obligations of a listed company.

To ensure that each Director's better understanding in respect of the Company's conduct and business activities to perform their responsibilities as a Director, the Company will arrange appropriate training, including arranging and funding suitable training and professional development programme for the Directors. For newly appointed Directors, the Company shall also arrange for suitable induction training, so as to ensure that they have an appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements upon commencement of their directorship in the Company. During the period from the Listing Date to 31 December 2020, all the Directors, together with the relevant senior management of the Company, have attended suitable induction and/or trainings arranged by the Company.

THE BOARD

The Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The powers and duties of the Board include convening general meetings and reporting the Board's work at the Shareholders' meetings, determining the Group's business and investment plans, preparing annual financial budgets and final reports of the Group, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles of Association. The Board assumes the responsibility of leadership and control of the Company, and supervises and approves strategic development objectives, significant decisions of operations and financial performance of the Company.

Senior management of the Company is responsible for the day-to-day operations and management of the Group's business. Executive Directors and senior management of the Company meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Board has established various Board committees and has delegated various duties to the Board committees, including the Audit Committee, the Remuneration Committee, and the Nomination Committee (collectively, the "**Board Committees**"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference.

BOARD COMPOSITION

Executive directors

Mr. Liu Yuhui (*Chairman and Chief Executive Officer*)
Mr. Luo Changlin
Ms. Zeng Xurong
Ms. Hou Xiaoping

Independent non-executive directors

Ms. Jin Xu
Ms. Liang Yunxing
Mr. Fang Min

The Company has entered into service agreements with each of the executive Director, and letters of appointment with each of the independent non-executive Directors. Further details of the term of appointment of the Directors are set out in the section headed “Directors’ Report — Directors’ Service Agreements and Letters of Appointment” on page 55 of this annual report.

The Directors’ respective biographical information is set out on pages 35 to 39 of this annual report. Save as disclosed, there is no relationship (including financial, business, family or other material relationship) between members of the Board.

During the period from the Listing Date to 31 December 2020, the Board had complied with Rule 3.10 and Rule 3.10A of the Listing Rules relating to the appointment of (i) at least three independent non-executive Directors; (ii) independent non-executive directors representing one-third of the Board; and (iii) at least one independent non-executive Director possessing appropriate qualification, or accounting or related financial management expertise.

The Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers each of the independent non-executive Directors to be independent.

Chairman and chief executive officer

The roles of chairman and chief executive officer of the Company are performed by Mr. Liu Yuhui. Further details are set out in the section headed “Corporate Governance Practices — Compliance with the corporate governance code” above.

Board meetings and annual general meeting

The Board meets regularly to discuss and formulate the overall strategy, operations and financial performance of the Group. Board meetings are held at least four times a year and notices of Board meetings are given to the Directors 14 days before the convening of the meeting, in order to give all Directors the opportunity to attend.

During the year ended 31 December 2020, the Board held one Board meetings and the Directors made positive contributions to the affairs of the Group. The attendance record of each Director is set out below:

| Name of Director | Number of meetings attended/number of meetings held during the year ended 31 December 2020 |
|---|---|
| Executive Directors | |
| Mr. Liu Yuhui (<i>Chairman and Chief Executive Officer</i>) | 1/1 |
| Mr. Luo Changlin | 1/1 |
| Ms. Zeng Xurong | 1/1 |
| Ms. Hou Xiaoping | 1/1 |
| Independent non-executive Directors | |
| Ms. Jin Xu | 1/1 |
| Ms. Liang Yunxing | 1/1 |
| Mr. Fang Min | 1/1 |

Note:

Ms. Jin Xu, Ms. Liang Yunxing and, Mr. Fang Min were appointed as Directors on 16 November 2020.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities. Each of the Board Committees has specific written terms of reference which clearly specify their authority and duties. The chairpersons of the Board Committees will report their findings and recommendations to the Board after each meeting of the Board Committees.

AUDIT COMMITTEE

The Group has established the Audit Committee on 16 November 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three members, namely, Ms. Liang Yunxing, Ms. Jin Xu and Mr. Fang Min, all of whom are independent non-executive Directors. Ms. Liang Yunxing is the chairperson of the Audit Committee and is the independent non-executive Director with the appropriate professional qualifications.

The primary duties of the Audit Committee include, but not limited to (i) reviewing and supervising the financial reporting process and internal control system of the Group, risk management and internal audit; (ii) providing advice and comments to the Board; and (iii) performing other duties and responsibilities as may be assigned by the Board.

As the Company was listed on the Main Board of the Stock Exchange on 10 December 2020, no meeting of the Audit Committee was held during the period from the Listing Date to 31 December 2020.

On 29 March 2021, the Audit Committee held a meeting to (i) review and discuss the report to the Audit Committee prepared by the auditors, Ernst & Young, and the matters the Audit Committee should pay attention to as recommended by the auditors, including any material concerns raised to the management in relation to accounting records, financial statements or internal control systems and the management's responses; (ii) review the risk management and internal control systems of the Group and, if appropriate, make recommendations to the Board on the following matters: (a) to review the effectiveness of financial controls, risk management and internal control systems of the Group; and (b) to review the adequacy of resources of the accounting and financial reporting function of the Group, staff qualifications and experience, and review staff training programmes and relevant budget; (iii) review and discuss the audited annual consolidated financial statements, the draft annual results announcement and the draft annual report of the Group for the year ended 31 December 2020 and, if appropriate, make recommendations to the Board; (iv) review and discuss the draft of letter of representation prepared by the auditors, Ernst & Young, and make recommendations to the Board; and (v) consider and make recommendations to the Board on the re-appointment of Ernst & Young as the Company's independent external auditors for a term until the conclusion of the next annual general meeting of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the audited annual consolidated financial statements of the Company for the year ended 31 December 2020. The Audit Committee is of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Remuneration committee

The Group has established the Remuneration Committee on 16 November 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The Remuneration Committee consists of one executive Director and two independent non-executive Directors, namely, Mr. Liu Yuhui, Ms. Jin Xu and Ms. Liang Yunxing. Ms. Jin Xu is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but not limited to (i) establishing, reviewing and providing advices to the Board on the Company's policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management member; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

As the Company was listed on the Main Board of the Stock Exchange on 10 December 2020, no meeting of the Remuneration Committee was held during the period from the Listing Date to 31 December 2020.

On 29 March 2021, the Remuneration Committee held a meeting to (i) discuss and make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration; and (ii) review the remuneration packages of individual Directors and senior management.

Nomination committee

The Group has established the Nomination Committee on 16 November 2020 with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee consists of one executive Director and two independent non-executive Directors, namely Mr. Liu Yuhui, Ms. Jin Xu and Ms. Liang Yunxing. Mr. Liu Yuhui is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee include, but not limited to (i) review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of the Board members; (iii) assess the independence of the independent non-executive Directors; and (iv) make recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of the Directors and succession planning for the Directors.

As the Company was listed on the Main Board of the Stock Exchange on 10 December 2020, no meeting of the Nomination Committee was held during the period from the Listing Date to 31 December 2020.

On 29 March 2021, the Nomination Committee held a meeting to (i) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board; (ii) assess the independence of independent non-executive Directors; (iii) review and adopt the policy on nomination of Directors (the “**Nomination Policy**”); and (iv) review the re-appointment of Directors who are subject to retire by rotation at the forthcoming AGM.

Nomination policy

The Company has adopted the Nomination Policy which sets out the selection criteria and procedures to nominate Board candidates. When making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, the Nomination Committee would consider a number of factors in assessing the suitability of the proposed candidate, including but not limited to:

- (i) reputation for integrity;
- (ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategy;
- (iii) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;
- (iv) the ability to assist and support management and make significant contributions to the Group;
- (v) commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board Committees;
- (vi) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment or re-appointment of an independent non-executive Directors; and

(vii) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

Appointment of any proposed candidates to the Board or re-appointment of any existing members of the Board shall be made in accordance with the Articles of Association and other applicable rules and regulations. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

Board diversity policy

The Company recognises the benefits of having a diversified Board. The Company has adopted the Board Diversity Policy with the aim of achieving an appropriate level of diversity among Board members according to the circumstances of the Group from time to time. In summary, the Board Diversity Policy sets out that when considering the nomination and appointment of a Director, with the assistance of the Nomination Committee, the Board would consider a range of diversity of perspectives, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and the potential contributions that the candidate is expected to bring to the Board, in order to better serve the needs and development of the Company. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to the Board.

The Nomination Committee will review the Nomination Policy and the Board Diversity Policy from time to time to ensure its continued effectiveness.

ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration of the members of the senior management by band for the year ended 31 December 2020 is as follows:

| Remuneration bands (RMB) | Number of individuals |
|---------------------------------|------------------------------|
| Nil–1,000,000 | 2 |
| 1,000,001–1,500,000 | 3 |

AUDITOR'S REMUNERATION

The Company has appointed Ernst & Young as its external auditors for the year ended 31 December 2020.

During the year ended 31 December 2020, the remunerations paid or payable to Ernst & Young in respect of its audit services and non-audit services are RMB5,295,000 and nil respectively.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2020, which give a true and fair view of the state of affairs of the Group and of the operating results and cash flow for the year. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates, reasonable information and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 68 to 75 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the Company's risk management and internal control systems on an ongoing basis. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk management structure of the company

The Group believes that risk management is crucial to the success of any property developer in the PRC. Key operational risks facing the Group include changes in PRC political and economic conditions, changes in the PRC regulatory environment, availability of suitable land sites for developments at reasonable prices, availability of financing to support the Group's developments, ability to complete development projects on time and competition from other property developers.

The Group has established the following structures and measures to manage risks:

- The Board and senior management team are responsible for determining the Group's business and investment plans, preparing the Group's annual financial budgets and final reports and formulating proposals for profit distributions, and is in charge of the overall risk control of the Group. Any significant business decisions involving material risks are revised by the Board.
- The Group's management team at headquarters level is in charge of the daily business operations and risk monitoring of local projects, and is responsible for the supervision of different aspects of local operations on a daily basis as well as the supervision and approval of any material business decisions of respective project companies. The Group has formulated clear reporting lines between the management at the Group's city company level and group level.

- The Group's final site selection decisions are made by site selection committee. This committee was specifically formed to review and approve such business development and consists of Directors, managers of sales and market department and other managers of relevant department at the headquarters level.
- The Group's internal audit and risk control department is responsible for monitoring the implementation of the Group's internal control measures.
- The Group's legal department is responsible for legal matters at the Group's headquarter level and for its local subsidiaries. The legal department supervises the legal compliance of production, operation, employment, financing, material transactions and acquisitions.

Risk management and internal control procedure

The Company has established internal control measures led by the Board whereby the management is responsible for assisting the Board of Directors in completing the identification and evaluation of risk factors of the business systems, implementing the Company's policies and procedures and participating in the design and operation of such measures that meet the Company's management requirements, which provides reliable assurance for the Company to carry out its business to prevent the occurrence of significant operational risks and losses. The Group also has an internal audit and risk control function which primarily carries out analysis and independent appraisal of the adequacy and effectiveness of its risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis.

Risk management and internal control review

A review of the effectiveness of the Group's risk management and internal control systems, including financial, operation and compliance controls, will be conducted by the Board at least annually. The Board reviews each year the effectiveness of the Group's risk management and internal control systems for the previous financial year, and makes evaluations and suggestions on the Group's risk management and internal control systems and process through internal and external professionals and institutions.

The annual review in respect of the year ended 31 December 2020 has considered, among others (i) adequacy of resources; (ii) staff qualifications and experience; (iii) training programmes for the staff; and (iv) budget of the Group's accounting, internal audit and financial reporting functions. The Board also conducted a comprehensive evaluation on the timeliness, effectiveness and normativity of the procedures for handling and releasing inside information of the Company, as well as the effectiveness of the Company's processes for financial reporting and Listing Rules compliance.

For the year ended 31 December 2020, the Board considers that the risk management and internal control systems of the Company are effective and adequate.

Dissemination of inside information

The Group has in place a framework for the disclosure of inside information by reference to the Guidelines on Disclosure of Inside Information issued by the SFC. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in an appropriate and timely manner, such as steps to ascertain sufficient details, conduct internal assessment of the matter and its likely impact on the Company, seek professional advice where required and verification of the facts. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

SHAREHOLDERS' RIGHT

Procedures for Shareholders to Convene an Extraordinary General Meeting

In accordance with article 58 of the Articles of Association, any one or more Shareholder(s) 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 company 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. 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 for putting forward proposals at general meetings

There are no provisions in the Articles of Association or the Cayman Companies Law for Shareholders to put forward new resolutions at the general meetings. Shareholders who wish to put forward a new resolution may follow article 58 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out above.

Procedures for directing shareholders' enquiries to the board

Shareholders may at any time make enquiries to the Board in writing through the contact details as follows:

Leading Holdings Group Limited
46/F, Tower A
Leading International Finance Center
No. 151, 2nd Tianfu Street
Gaoxin District
Chengdu, Sichuan Province
PRC

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Luo Changlin and Ms. Mak Po Man Cherie as the joint company secretaries of the Company. Ms. Mak Po Man Cherie is an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants. Mr. Luo Changlin is an executive Director and chief financial officer of the Company, and is the primary contact of Ms. Mak Po Man Cherie at the Company.

In compliance with Rule 3.29 of the Listing Rules, each of Mr. Luo Changlin and Ms. Mak Po Man Cherie undertook not less than 15 hours of relevant professional training during the year ended 31 December 2020.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has conditionally adopted the Memorandum and Articles of Association on 16 November 2020, which became effective on the Listing Date. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles is also available on the websites of the Company and of the Stock Exchange.

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development and sales of residential and commercial properties. In addition, the Group holds a portion of commercial properties developed by the Group for further investment purpose and is engaged in hotel management business.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 76 to 77 of this annual report.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past four financial years is set out on page 188 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

The Company allotted and issued 1,026,945,000 Shares at HK\$5.69 per Share in connection with the Listing.

As at 31 December 2020, the Company received net proceeds of approximately HK\$1,469.4 million from the Listing (taking into account of the net proceeds of approximately HK\$150.2 million from the partial exercise of the Over-allotment Option on 31 December 2020), after deducting the underwriting commissions and other estimated expenses payable by the Company in connection with the Listing. The net price of each Share issued in connection with the Listing was approximately HK\$5.3.

Details of movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 33 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2020, and reserves available for distribution to Shareholders by the Company as at 31 December 2020 are set out on pages 80 and 186 of this report.

USE OF NET PROCEEDS FROM THE LISTING

As stated in the Prospectus and the announcement of the Company dated 4 January 2021, the Group intended to use the net proceeds as follows: (i) approximately 60%, or approximately HK\$881.64 million for financing the Group's existing projects, including construction costs of property development projects; (ii) approximately 20%, or approximately HK\$293.88 million for financing the Group's future projects, including land acquisition costs; (iii) approximately 10%, or approximately HK\$146.94 million for repayment of the Group's existing interest-bearing borrowings for the Group's project development; and (iv) approximately 10%, or approximately HK\$146.94 million for the Group's general business operations and working capital.

As at 31 December 2020, none of the net proceeds raised from the Listing were applied by the Company. The proceeds would be allocated and used according to the purposes set out in the Prospectus.

The following table sets forth details of the net proceeds as at 31 December 2020:

| | Planned use of net proceeds as stated in the Prospectus and taking into account the net proceeds received from the partial exercise of the Over-allotment Option | | Actual use of net proceeds for the period from the Listing Date to 31 December 2020 | Unutilised net proceeds as at 31 December 2020 | Expected timeline of the intended use of proceeds |
|--|--|------------------------|---|--|---|
| | HK\$'million | Approximate percentage | HK\$'million | HK\$'million | |
| Financing the Group's existing projects, including construction costs of property development projects | 881.64 | 60% | — | 881.64 | 2021 |
| Financing the Group's future projects, including land acquisition costs | 293.88 | 20% | — | 293.88 | 2021 |
| Repayment of the Group's existing interest-bearing borrowings for the Group's project development | 146.94 | 10% | — | 146.94 | 2021 |
| General business operations and working capital | 146.94 | 10% | — | 146.94 | 2021 |
| Total | 1,469.4 | 100% | — | 1,469.4 | |

As at 31 December 2020, the unutilised net proceeds were deposited into accounts with licensed financial institutions. Further details of the breakdown and description of the use of proceeds are set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Directors were not aware of any material change to the planned use of proceeds as at 31 December 2020. The unutilised net proceeds and its following intended timeframe for utilisation will be applied in the manner consistent with that mentioned in the Prospectus.

BORROWINGS

Details of borrowings of the Group during the year ended 31 December 2020 are set out in note 32 to the consolidated financial statements.

DEBENTURES

During the year ended 31 December 2020, the Company did not issued any debentures.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2020 are set out on pages 80 and 186 of this report.

DIVIDEND POLICY AND FINAL DIVIDEND

Dividend policy

Code provision E.1.5 stipulates that the Company should have a policy on payment of dividends. The Group has neither fixed policy nor pre-determined rate and, subject to compliance with the relevant laws of the Cayman Islands and the Articles of Association, the Company has the right to declare dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. The Articles of Association provide that dividends may be declared and paid out of the Group's profit, realized or unrealized, or from any reserve set aside from profit which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of the Company's share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law and the Articles of Association. The Company considers it more appropriate to determine a dividend payment after taking into account those factors including the Company's then financial performance, operating and capital requirements and market conditions, to enable the Company be in a better position to cope with its future development, which is to the best interest of the Company and its shareholders as a whole.

The Company will declare dividends, if any, in Hong Kong dollars with respect to the Shares on a per-Share basis and will pay such dividends in Hong Kong dollars. The amount of dividends actually distributed to the Shareholders will depend upon the Group's earnings and financial condition, operating requirements, capital requirements and any other conditions that the Directors may deem relevant and will be subject to the approval of the Shareholders save that interim dividend may be paid by the Board if the Board is satisfied that such payment is justified by the Group's profits.

Final dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020.

As at 31 December 2020, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “**AGM**”) will be convened and held on Tuesday, 22 June 2021. A notice convening the AGM will be published on the Company’s website and the Stock Exchange’s website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course. For the purpose of determination of eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 17 June 2021 to Tuesday, 22 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the forthcoming AGM to be held on Tuesday, 22 June 2021, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Wednesday, 16 June 2021.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, revenue attributable to the largest customer of the Group amounted to approximately 0.2% of the total revenue in the year and the five largest customers of the Group accounted for 0.5% of the Group’s total revenue in the year.

For the year ended 31 December 2020, purchases attributable to the largest supplier of the Group amounted to approximately 31.9% of the total purchases in the year and the five largest suppliers of the Group accounted for 44.3% of the Group’s total purchases in the year.

So far as the Board is aware, neither the Directors and their respective close associates nor any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company’s issued share capital) had any interest in these major customers and suppliers.

EQUITY LINKED AGREEMENTS

Save for the Share Option Scheme as disclosed under the section headed “Share Option Scheme” below, during the year ended 31 December 2020, no equity-linked agreements were entered into by the Company or subsisted at the end of the year.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Company’s initial public offering as described in the Prospectus and the additional 26,945,000 Shares allotted and issued on 6 January 2021 as a result of the partial exercise of an over-allotment option in connection with the Listing, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date up to 31 December 2020.

BOARD OF DIRECTORS

The Directors up to the date of this annual report are set out below:

Executive directors

Mr. Liu Yuhui
Mr. Luo Changlin
Ms. Zeng Xurong
Ms. Hou Xiaoping

Independent non-executive directors

Ms. Jin Xu
Ms. Liang Yunxing
Mr. Fang Min

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the date of appointment, which may be terminated by not less than three months' notice in writing served by either party on the other.

All the Directors, including the independent non-executive Directors, are subject to retirement by rotation at the annual general meetings of the Company pursuant to the Articles of Association.

None of the Directors has entered into specific service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules for the year ended 31 December 2020. The Company considers each of the independent non-executive Directors to be independent.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2020 are set out in note 8 and note 9 to the consolidated financial statements.

None of the Directors waived his/her emoluments or has agreed to waive his/her emoluments for the year ended 31 December 2020.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" below and the related party transactions as set out in note 39 to the consolidated financial statements, there was no transaction, arrangement or contract of significance subsisting during or at the end of the year ended 31 December 2020, to which the Company, its holding company or subsidiary was a party, and in which the Directors or their respective connected entities were materially interested, either directly or indirectly.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, none of the Directors were interested in any business apart from the Group's businesses, which competes or likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

During the year ended 31 December 2020, no contract concerning the management of the whole or substantial part of any business of the Company was entered into, or subsisted at the end of the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the Share Option Scheme as disclosed under the section headed "Share Option Scheme" below, none of the Company, its holding company, or any of its subsidiaries was a party to any arrangement enabling the Directors to acquire benefits by means of the acquisition of equity or debt securities, including the debentures of the Company or any other body corporate during the year ended 31 December 2020.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" below and the related party transactions as set out in note 39 to the consolidated financial statements, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended 31 December 2020.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the Ultimate Controlling Shareholders has entered into the Deed of Non-Competition in favour of the Company, details of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-Competition" in the Prospectus.

Each of the Ultimate Controlling Shareholders has confirmed to the Company that, since the Listing Date and up to 31 December 2020, he/she has complied with the Deed of Non-Competition as disclosed in the Prospectus (the "**Undertakings**").

The independent non-executive Directors have reviewed the compliance with the Deed of Non-Competition by each of the Ultimate Controlling Shareholders. On the basis that: (i) the Company has received the confirmation from each of the Ultimate Controlling Shareholders regarding the Undertakings; (ii) there was no competing business reported by each of the Ultimate Controlling Shareholders; and (iii) there was no particular situation rendering the full compliance of the Undertakings being questionable, the independent non-executive Directors are of the view that the Deed of Non-Competition has been complied with and enforced by the Company during the period from the Listing Date to 31 December 2020.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Company conducted the following transactions which constitute non-exempt continuing connected transactions (as defined in the Listing Rules) of the Company, details of these transactions are set out below:

1 Procurement and installation services

On 16 November 2020, the Company entered into a procurement framework agreement (the “**Procurement Framework Agreement**”) with Meishan Mingdian Doors and Windows Co., Ltd. (眉山市明典門窗有限公司) (“**Meishan Mingdian**”) and Bazhou Hongdian Architectural Decoration Engineering Co., Ltd. (巴州宏典建築裝飾工程有限公司) (“**Bazhou Hongdian**”), pursuant to which the Group agreed to purchase aluminum alloy doors and windows and related materials from Meishan Mingdian and Bazhou Hongdian and engage each of them for the provision of related installation services (the “**Procurement and Installation Services**”) to properties to be delivered by the Group. The Procurement Framework Agreement has a term commencing from the Listing Date to 31 December 2022.

The Directors estimated that the maximum transaction amounts under the Procurement Framework Agreement for the years ending 31 December 2020, 2021 and 2022 will not exceed RMB24.3 million, RMB12.4 million and RMB2.2 million, respectively. For the year ended 31 December 2020, the amount paid by the Group to Meishan Mingdian and Bazhou Hongdian for the Installation Services in aggregate amounted to approximately RMB23.7 million and RMB0.5 million, respectively.

Meishan Mingdian is owned as to 99% by Mr. Liu Mengkai (劉檬愷), the nephew of Mr. Liu Yuhui, an executive Director and Controlling Shareholder. Bazhou Hongdian is wholly owned by Ms. Liu Yuhui (劉玉惠), the sister of Mr. Liu Yuhui. As such, each of Meishan Mingdian and Bazhou Hongdian is a connected person of the Company for the purpose of the Listing Rules.

2 Commercial management services

On 16 November 2020, the Company entered into a commercial management services framework agreement (the “**Commercial Management Services Framework Agreement**”) with Chengdu Baorui Commercial Management Co., Ltd. (成都寶瑞商業管理有限公司) (“**Chengdu Baorui**”), pursuant to which the Group agreed to engage Chengdu Baorui and its subsidiaries (“**Chengdu Baorui Group**”) to provide commercial management services, including but not limited to (i) tenant sourcing; (ii) consultancy and promotion services for marketing and event planning; and (iii) commercial operational services including tenant management and rent collection, to commercial properties owned by the Group (the “**Commercial Management Services**”) for a term commencing from the Listing Date to 31 December 2022.

The Directors estimated that the maximum service fees under the Commercial Management Services Framework Agreement for the years ending 31 December 2020, 2021 and 2022 will not exceed RMB56.5 million, RMB33.9 million and RMB25.5 million, respectively. For the year ended 31 December 2020, the service fees paid by the Group to Chengdu Baorui Group for the Commercial Management Services in aggregate amounted to approximately RMB55.5 million.

Chengdu Baorui is wholly owned by Rong Liang Group. Rong Liang Group is owned as to approximately 33.17% by Mr. Liu Haowei, 33.16% by Mr. Liu Yuhui, 33.16% by Mr. Liu Ce, 0.17% by Ms. Wang Tao, 0.17% by Ms. Long Yiqin and 0.17% by Ms. Hou Sanli. As such, Chengdu Baorui and its subsidiaries are connected persons of the Company for the purpose of the Listing Rules.

3 Property management services

On 16 November 2020, the Company entered into a property management services framework agreement (the “**Property Management Services Framework Agreement**”) with Lingyue Property Services Group Co., Ltd. (領悅物業服務集團有限公司) (“**Lingyue Property**”), pursuant to which the Group agreed to engage Lingyue Property and its subsidiaries (the “**Lingyue Property Group**”) to provide on-site management services for construction sites, display units and on-site sales offices (the “**On-site Management Services**”) and other property management services, including but not limited to, consultancy services prior to delivery of properties and property management services for properties and car parks owned by the Group (collectively, the “**Property Management Services**”). The Property Management Services Framework Agreement has a term commencing from the Listing Date to 31 December 2022.

The Directors estimated that the maximum transaction amounts under the Property Management Services Framework Agreement for the years ending 31 December 2020, 2021 and 2022 will not exceed RMB95.7 million, RMB128.0 million and RMB151.9 million, respectively. For the year ended 31 December 2020, the service fees paid by the Group to Lingyue Property Group for the Property Management Services in aggregate amounted to approximately RMB95.5 million.

Lingyue Property is ultimately and beneficially owned as to approximately 32.84% by Mr. Liu Haowei, 32.84% by Mr. Liu Yuhui, 32.83% by Mr. Liu Ce, 0.17% by Ms. Wang Tao, 0.17% by Ms. Long Yiqin, 0.17% by Ms. Hou Sanli and 1% by Mr. Wei Yue. As such, Lingyue Property and its subsidiaries are connected persons of the Company for the purpose of the Listing Rules.

Confirmation from the independent non-executive directors

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the respective agreement governing the above continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the auditors

In accordance with Rule 14A.56 of the Listing Rules, the Group has engaged its auditors to report on the Group's continuing connected transactions. The auditors of the Group have issued a letter to the Board confirming that nothing has come to their attention that causes them to believe that the above continuing connected transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded their respective annual cap.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2020 are disclosed in note 39 to the consolidated financial statements.

The related party transactions as set out in note 39 to the consolidated financial statements also constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has complied with, or otherwise has obtained waivers from the Stock Exchange exempting from, the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions or continuing connected transactions entered into by the Group during the year ended 31 December 2020.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 16 November 2020.

Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined hereinbelow) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Participants

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

Maximum number of shares available for issue

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, being 100,000,000 Shares, representing approximately 9.74% of the total number of Shares in issue as at the date of this annual report.

Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to approval of the Shareholders.

Acceptance and exercise of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favor of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

An option may be exercised in accordance with the terms of the 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 Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

Subscription price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be determined by the Board in its absolute discretion, but in any event must be at least the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date on which such option is offered in writing to the Eligible Participant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which such option is offered in writing to the Eligible Participant; and
- (iii) the nominal value of a Share.

Duration of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date up to 9 December 2030.

For further details of the Share Option Scheme, please refer to the section headed "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix V to the Prospectus.

As at 31 December 2020, no option had been granted or agreed to be granted under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2020, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

(I) interests in shares or underlying shares of the company

| Name of Director | Nature of interest | Number of Shares held ⁽¹⁾ | Approximate percentage of interest in the Company ⁽²⁾ |
|-----------------------------|------------------------------------|--------------------------------------|--|
| Liu Yuhui ⁽³⁾⁽⁴⁾ | Interest in controlled corporation | 742,500,000 (L) | 74.25% |
| | | 37,500,000 (S) | 3.75% |

Note:

- (1) The letter “L” denotes the person’s long position in the Shares. The letter “S” denotes the person’s short position in the Shares.
- (2) Calculated on the basis of 1,000,000,000 Shares in issue as at 31 December 2020.
- (3) 209,088,000 and 37,125,000 Shares are held by Yue Lai and Jin Sha Jiang, respectively. 37,500,000 Shares held by Yue Lai were borrowed by CCB International Capital Limited pursuant to the Stock Borrowing Agreement. Yue Lai and Jin Sha Jiang are wholly owned by Mr. Liu Yuhui. By virtue of SFO, Mr. Liu Yuhui is deemed to be interested in the Shares held by Yue Lai and Jin Sha Jiang.
- (4) Pursuant to the Acting in Concert Deed, the Ultimate Controlling Shareholders have agreed and confirmed, among other things, from the date when they became the registered owners and/or beneficial owners of the equity interests in Rong Liang Group and/or Liang Yuan Asset Management until after Listing and to the date when any one of them cease to be the Controlling Shareholders: (a) they had been and would continue to be parties acting in concert and they have agreed to consult with each other and reach an unanimous consensus among themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of the Group; (b) they had casted and would continue to cast their votes as directors and/or shareholders (as appropriate) unanimously for or against all resolutions in all board and shareholders’ meetings and discussions of any member of the Group; and (c) they had cooperated and would continue to cooperate with one another to acquire, maintain and consolidate the control and management of the Group. By virtue of the SFO, each of the Ultimate Controlling Shareholders together with their respective investment holding companies (being Yuan Di, Fan Tai, Jin Sha Jiang, Yue Lai, Ling Yue, Lian Rong, San Jiang Yuan, Fu Sheng and Shan Yuan) are all deemed to be interested in the total Shares directly held by Yuan Di, Fan Tai, Jin Sha Jiang, Yue Lai, Ling Yue, Lian Rong, San Jiang Yuan, Fu Sheng and Shan Yuan. Therefore, Mr. Liu Yuhui is deemed to be interested in the Shares held by Yuan Di, Fan Tai, Jin Sha Jiang, Yue Lai, Ling Yue, Lian Rong, San Jiang Yuan, Fu Sheng and Shan Yuan for the purpose of Part XV of the SFO.

(li) interests in shares or underlying shares of the company’s associated corporations (long position)

| Name of Director | Name of associated corporation | Nature of interest | Number of shares held | Approximate percentage of interest^(Note) |
|-------------------------|---------------------------------------|---------------------------|------------------------------|--|
| Mr. Liu Yuhui | Jin Sha Jiang | Beneficial owner | 1 | 100% |
| | Yue Lai | Beneficial owner | 1 | 100% |

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF PERSONS OTHER THAN THE DIRECTORS AND CHIEF EXECUTIVES

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

| Name of Shareholder | Nature of interest/Capacity | Number of Shares held ⁽¹⁾ | Approximate percentage of interest in the Company ⁽²⁾ |
|----------------------------------|------------------------------------|--------------------------------------|--|
| Mr. Liu Ce ⁽³⁾⁽⁴⁾ | Interest in controlled corporation | 742,500,000 (L) | 74.25% |
| | | 37,500,000 (S) | 3.75% |
| Yuan Di ⁽³⁾⁽⁴⁾ | Beneficial owner | 209,088,000 (L) | 20.91% |
| Mr. Liu Haowei ⁽³⁾⁽⁵⁾ | Interest in controlled corporation | 742,500,000 (L) | 74.25% |
| | | 37,500,000 (S) | 3.75% |
| Ling Yue ⁽³⁾⁽⁵⁾ | Beneficial owner | 209,162,250 (L) | 20.92% |
| Ms. Wang Tao ⁽³⁾⁽⁶⁾ | Interest in controlled corporation | 742,500,000 (L) | 74.25% |
| | | 37,500,000 (S) | 3.75% |
| Ms. Long Yiqin ⁽³⁾⁽⁷⁾ | Interest in controlled corporation | 742,500,000 (L) | 74.25% |
| | | 37,500,000 (S) | 3.75% |
| Ms. Hou Sanli ⁽³⁾⁽⁸⁾ | Interest in controlled corporation | 742,500,000 (L) | 74.25% |
| | | 37,500,000 (S) | 3.75% |
| Ms. Lan Tian ⁽⁹⁾ | Interest of spouse | 742,500,000 (L) | 74.25% |
| | | 37,500,000 (S) | 3.75% |
| Mr. Liu Yuqi ⁽¹⁰⁾ | Interest of spouse | 742,500,000 (L) | 74.25% |
| | | 37,500,000 (S) | 3.75% |
| Mr. Liu Shan ⁽¹¹⁾ | Interest of spouse | 742,500,000 (L) | 74.25% |
| | | 37,500,000 (S) | 3.75% |
| Ms. Chen Ao Ao ⁽¹²⁾ | Interest of spouse | 742,500,000 (L) | 74.25% |
| | | 37,500,000 (S) | 3.75% |
| Yue Lai ⁽³⁾ | Beneficial owner | 209,088,000 (L) | 20.91% |
| | | 37,500,000 (S) | 3.75% |

Report of the Directors

Notes:

- (1) The letter "L" denotes the person's long position in the Shares. The letter "S" denotes the person's short position in the Shares.
- (2) Calculated on the basis of 1,000,000,000 Shares in issue as at 31 December 2020.
- (3) Pursuant to the Acting in Concert Deed, the Ultimate Controlling Shareholders have agreed and confirmed, among other things, from the date when they became the registered owners and/or beneficial owners of the equity interests in Rong Liang Group and/or Liang Yuan Asset Management until after Listing and to the date when any one of them cease to be the Controlling Shareholders; (a) they had been and would continue to be parties acting in concert and they have agreed to consult with each other and reach an unanimous consensus among themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of the Group; (b) they had casted and would continue to cast their votes as directors and/or shareholders (as appropriate) unanimously for or against all resolutions in all board and shareholders' meetings and discussions of any member of the Group; and (c) they had cooperated and would continue to cooperate with one another to acquire, maintain and consolidate the control and management of the Group. By virtue of the SFO, each of the Ultimate Controlling Shareholders together with their respective investment holding companies (being Yuan Di, Fan Tai, Yue Lai, Jin Sha Jiang, Ling Yue, Lian Rong, San Jiang Yuan, Fu Sheng and Shan Yuan) are all deemed to be interested in the total Shares directly held by Yuan Di, Fan Tai, Jin Sha Jiang, Yue Lai, Ling Yue, Lian Rong, San Jiang Yuan, Fu Sheng and Shan Yuan.
- (4) 209,088,000 and 37,125,000 Shares are held by Yuan Di and Fan Tai, respectively. Yuan Di and Fan Tai are wholly owned by Mr. Liu Ce. By virtue of SFO, Mr. Liu Ce is deemed to be interested in the Shares held by Yuan Di and Fan Tai.
- (5) 209,162,250 and 37,125,000 Shares are held by Ling Yue and Lian Rong, respectively. Ling Yue and Lian Rong are wholly owned by Mr. Liu Haowei. By virtue of SFO, Mr. Liu Haowei is deemed to be interested in the Shares held by Ling Yue and Lian Rong.
- (6) 1,262,250 Shares are held by San Jiang Yuan, which is in turn wholly owned by Ms. Wang Tao. By virtue of SFO, Ms. Wang Tao is deemed to be interested in the Shares held by San Jiang Yuan.
- (7) 1,262,250 Shares are held by Fu Sheng, which is in turn wholly owned by Ms. Long Yiqin. By virtue of SFO, Ms. Long Yiqin is deemed to be interested in the Shares held by Fu Sheng.
- (8) 1,262,250 Shares are held by Shan Yuan, which is in turn wholly owned by Ms. Hou Sanli. By virtue of SFO, Ms. Hou Sanli is deemed to be interested in the Shares held by Shan Yuan.
- (9) Ms. Lan Tian, the spouse of Mr. Liu Ce, is deemed to be interested in all the Shares that Mr. Liu Ce is interested in by virtue of the SFO.
- (10) Mr. Liu Yuqi, the spouse of Ms. Hou Sanli, is deemed to be interested in all the Shares that Ms. Hou Sanli is interested in by virtue of the SFO.
- (11) Mr. Liu Shan, the spouse of Ms. Wang Tao, is deemed to be interested in all the Shares that Ms. Wang Tao is interested in by virtue of the SFO.
- (12) Ms. Chen Ao Ao, the spouse of Mr. Liu Haowei, is deemed to be interested in all the Shares that Mr. Liu Haowei is interested in by virtue of the SFO.

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

PRE-EMPTIVE RIGHTS AND TAX RELIEF OR EXEMPTION

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands (being the jurisdiction in which the Company was incorporated) which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

The Board is not aware of any tax relief or exemption available to any existing Shareholder by reason of his/her holding of the securities of the Company.

BUSINESS REVIEW

The Group's business review and its future business development are set out in the Chairman's statement on pages 9 to 11 of this annual report. An analysis of the Group's business using financial key performance indicators, and description of the principal risks and uncertainties facing the Group are set out in the Management Discussion and Analysis on pages 12 to 34 of this annual report. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2020 are set out in note 44 to the consolidated financial statements.

A discussion on the Group's environmental policies and performance, its compliance with relevant laws and regulations that have a significant impact on the Group will be set out in the Environmental, Social and Governance Report to be published separately. The Group's relationship with employees, customers and suppliers is set out in the section headed "Relationship with Stakeholders" below.

ENVIRONMENTAL PROTECTION

The Group is subject to a number of environmental and safety laws and regulations in the PRC including the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Pursuant to these laws and regulations, the Group has engaged licensed independent third-party environmental consultants to conduct environmental impact assessments at all of its construction projects, and such environmental impact assessments will be submitted to relevant governmental authorities for approval before commencement of development. Upon completion of construction works, the constructor shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council.

Under typical construction contracts, the Group requires its contractors to strictly comply with relevant environmental laws and regulations. The Group inspects the construction sites regularly and require its contractors to immediately rectify any breach or non-compliance identified.

During the year ended 31 December 2020, no material fines or penalties were imposed on the Group for non-compliance of PRC environmental laws and regulations. In addition, the Group had obtained all required approvals in relation to the environmental impact reports, where applicable, for its projects under development. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended December 31 December 2020 to be published in due course in accordance with the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2020, except as disclosed in the Prospectus, the Group had, in all material respects, complied with all the relevant and applicable PRC laws and regulations governing the business of property development and management and the Group had obtained all licenses, permits and certificates for the purpose of operating its business.

LITIGATION

During the year ended 31 December 2020, the Company was not involved in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development.

The Group believes that the successful implementation of its growth and business strategies relies on a team of experienced, motivated and well-trained managers and employees at all levels. The Group recruits employees from well-known universities, top property developer companies and large corporations in the PRC. The Group continues to provide professional training to its employees, and has founded “Leading College (領地學院)” to provide various training sessions nurturing core skill sets including but not limited to operation management skills, customized for our employees with different professional experience. The Group engages experts in the industry from China and abroad to offer classes in its Leading College. Through training and education, the Group continues to optimize its workforce. The Group uses commissions, bonuses and to motivate its employees. The Group believes that such measures can effectively attract and retain talents and enhance the performance of its employees.

The Group understands that it is important to maintain good relationship with customers by ensuring its product quality to enhance customer loyalty. To better understand its customers’ needs, the Group has conducted customer surveys regularly since 2014. The Group also works with third parties to conduct customer surveys on a yearly basis. Through the surveys, the Group collects its customers’ comments and concerns.

The Group’s major suppliers are construction material suppliers and construction contractors. During the year ended 31 December 2020, the Group selected suppliers through open tendering/bidding process conducted either by the its project companies, or by its headquarters periodically pursuant to a partially-centralized approach adopted by the Group starting from 2019.

CHARITABLE DONATIONS

The donations made by the Group during the year ended 31 December 2020 amounted to RMB2,751,800.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, all Directors or other key officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all of the Company losses or liabilities which they may sustain or incur arising from or incidental to the execution of their duties.

SUBSEQUENT EVENTS

On 6 January 2021, the Company allotted and issued 26,945,000 Shares (the “**Over-allotment Shares**”) at HK\$5.69 per Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) pursuant to the partial exercise of the Over-allotment Option on 31 December 2020. The Company received additional net proceeds of approximately HK\$150.2 million from the issue of the Over-allotment Shares, after deducting the commission and other offering expenses payable by the Company in relation to the partial exercise of the over-allotment option. The Company intends to utilize the additional net proceeds on a pro rata basis for the purposes as set out in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the Prospectus. Please also refer to the table set forth in the section headed “Use of Net Proceeds from the Listing” to this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules provides that there must be an open market in the securities for which listing is sought and a sufficient public float of an issuer’s listed securities. This normally means that at least 25% of the issuer’s total issued shares must at all times be held by the public.

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by Ernst & Young, the auditor of the Company. The Company has not changed its auditor since the listing date and up to the date of this report. A resolution for the re-appointment of Ernst & Young as the Company’s auditor will be proposed at the forthcoming AGM of the Company.

Leading Holdings Group Limited

Liu Yuhui

Chairman of the Board

Hong Kong, 29 March 2021

Independent Auditors' Report



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To the shareholders of Leading Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Leading Holdings Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 76 to 186, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) 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 (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Recognition of revenue from sales of properties over time | |
| <p>Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2020, revenue of the Group arising from sales of properties amounted to RMB13,027,945,000, of which RMB2,099,827,000 was recognised over time.</p> <p>The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer, and thus, the property unit does not have an alternative use to the Group. During the year, significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of a sales contract and the interpretation of the applicable laws that apply to the contract. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management used judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without the right.</p> | <p>In assessing management's judgements on revenue recognition, we have:</p> <ul style="list-style-type: none"> (i) understood and evaluated management's process and procedures in identifying sales contracts with or without right to payment; (ii) reviewed the key terms of a sample sales contracts to assess the presence of the right to payment based on the contract terms; (iii) obtained and evaluated the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; and (iv) assessed the competence, experience and objectivity of the legal counsel engaged by management. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Recognition of revenue from sales of properties over time (Continued) | |
| <p>In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at each year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of the year as a percentage of total estimated development costs for each property unit in the sale contract. The Group allocates common costs based on types of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.</p> <p>Given the involvement of significant judgements and estimations, the recognition of revenue from sales of properties over time is considered as a key audit matter.</p> <p>The disclosures of the Revenue from sales of properties are included in notes 2.4, 3 and 5 to the consolidated financial statements.</p> | <p>In respect of the estimation of total development costs and the progress towards complete satisfaction of the performance obligation, we have performed the following procedures:</p> <ul style="list-style-type: none"> (i) obtained an understanding of the internal controls over the cost budgeting and the estimation of completion process, the internal controls over the generation of cost data of the projects and property units, and evaluated and tested the design and operating effectiveness. (ii) compared the actual development costs of completed projects to management's prior estimations of total development costs to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology on a sample basis; (iii) assessed the basis for the allocation of common costs among project units on a sample basis; (iv) compared the cost budgets for the project and property unit under development by to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas on a sample basis; (v) compared the estimated total development costs of the projects and property units under development to the budget approved by management on a sample basis; (vi) tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers, where applicable, on a sample basis; and (vii) checked the mathematical accuracy of the cost allocation and the measurement of progress of the property unit on a sample basis. |

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <i>Provision for land appreciation tax</i> | |
| <p>The Group is a property developer in the Mainland China focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Land appreciation tax (“LAT”) in the Mainland China is one of the main components of the Group’s taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of reporting period, the management of the Group estimated the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. Provision for LAT in the Mainland China is significant to the consolidated financial statements during the year and the determination of such provision involved significant management’s judgement and interpretation of the relevant tax laws and regulations and practices. Accordingly, provision for LAT is identified as a key audit matter.</p> <p>The disclosures of the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.</p> | <p>We have performed the following procedures to assess the provision for LAT:</p> <ul style="list-style-type: none"> i) evaluated and tested the design and operating effectiveness of the key controls of management in the calculation of the provision for land appreciation tax; ii) involved internal tax specialists to assist us in performing a review on the LAT position, including the review of the estimates and assumptions used by the Group and the evaluation of tax exposure based on communications received from the relevant tax authorities. We recalculated the tax provision and compared our results with the amounts recorded by the Group; and iii) assessed the disclosures related to the provision for land appreciation tax in the consolidated financial statements with reference to the requirements of the prevailing accounting standards. |

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| Valuation of investment properties | |
| <p>The Group owns investment properties in the Mainland China which are measured at fair value and their aggregate carrying amount was approximately RMB4,551,600,000 as at 31 December 2020, which represented approximately 7.6% of the Group's total assets. The Group engaged an external valuer to perform the valuation of these properties as at 31 December 2020.</p> <p>Significant judgement is required to determine the fair values of the investment properties, which reflected market conditions as at the end of the year. The use of different valuation techniques and assumptions could produce significantly different estimates of fair values. Accordingly, the valuation of investment properties is identified as a key audit matter.</p> <p>The accounting policies and disclosures for the investment properties are included in notes 2.4, 3 and 17 to the consolidated financial statements.</p> | <p>We have performed the following procedures to address the valuation of investment properties:</p> <ul style="list-style-type: none"> (i) evaluated the competency, independence and objectivity of the external valuer, and assessed the valuation approach used by the external valuer; (ii) with the assistance of our internal valuation experts, assessed the reasonableness of the assumptions such as the capitalisation rate, vacancy rate and sale prices used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors; (iii) tested the accuracy of the property related data used as inputs for the valuations; and (iv) evaluated the adequacy of disclosures on the valuation of the investment properties. |

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

Ernst & Young

Certified Public Accountants

Hong Kong
29 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|--|-------|--------------------|-----------------|
| CONTINUING OPERATIONS | | | |
| REVENUE | 5 | 13,158,083 | 7,568,164 |
| Cost of sales | | (9,601,853) | (5,465,778) |
| Gross profit | | 3,556,230 | 2,102,386 |
| Other income and gains | 5 | 74,585 | 44,826 |
| Selling and distribution expenses | | (649,740) | (400,004) |
| Administrative expenses | | (573,296) | (532,747) |
| Fair value (losses)/gains on investment properties | | (49,276) | 160,840 |
| Other expenses | | (22,975) | (13,667) |
| Finance costs | 7 | (306,540) | (230,381) |
| Share of profits and losses of: | | | |
| Joint ventures | | (29,824) | 3,758 |
| Associates | | 17,196 | (7,046) |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | 6 | 2,016,360 | 1,127,965 |
| Income tax expense | 10 | (955,792) | (469,688) |
| PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS | | 1,060,568 | 658,277 |
| DISCONTINUED OPERATIONS | | | |
| Profit for the year from discontinued operations | 11 | — | 14,036 |
| PROFIT FOR THE YEAR | | 1,060,568 | 672,313 |
| Attributable to: | | | |
| Owners of the parent | | 860,311 | 544,825 |
| Non-controlling interests | | 200,257 | 127,488 |
| | | 1,060,568 | 672,313 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 13 | | |
| Basic and diluted | | | |
| — For profit for the year | | RMB1.12 | RMB0.73 |
| — For profit from continuing operations | | RMB1.12 | RMB0.72 |

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| PROFIT FOR THE YEAR | 1,060,568 | 672,313 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | — | — |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 1,060,568 | 672,313 |
| Attributable to: | | |
| Owners of the parent | 860,311 | 544,825 |
| Non-controlling interests | 200,257 | 127,488 |
| | 1,060,568 | 672,313 |

Consolidated Statement of Financial Position

31 December 2020

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|-------|-------------------|-----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | 221,873 | 236,063 |
| Investment properties | 17 | 4,551,600 | 4,580,800 |
| Right-of-use assets | 16 | 51,794 | 56,656 |
| Other intangible assets | 15 | 18,268 | 12,688 |
| Investments in joint ventures | 18 | 577,807 | 595,871 |
| Investments in associates | 19 | 561,101 | 78,405 |
| Deferred tax assets | 20 | 983,633 | 676,137 |
| Other non-current assets | 27 | 223,382 | 129,557 |
| Total non-current assets | | 7,189,458 | 6,366,177 |
| CURRENT ASSETS | | | |
| Properties under development | 22 | 38,657,280 | 27,983,573 |
| Completed properties held for sale | 23 | 2,900,193 | 1,296,666 |
| Trade receivables | 24 | 72,860 | 60,788 |
| Prepayments, deposits and other receivables | 25 | 3,001,028 | 1,935,102 |
| Due from related companies | 39 | 1,149,913 | 730,271 |
| Financial assets at fair value through profit or loss | 21 | 11,026 | 2,000 |
| Other current assets | 26 | 598,232 | 110,551 |
| Tax recoverable | | 568,088 | 387,441 |
| Restricted cash | 28 | 1,602,975 | 1,637,442 |
| Pledged deposits | 28 | 144,855 | 158,473 |
| Cash and cash equivalents | 28 | 4,177,262 | 1,381,642 |
| Total current assets | | 52,883,712 | 35,683,949 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 29 | 6,800,412 | 4,058,372 |
| Other payables and accruals | 30 | 5,789,398 | 2,666,676 |
| Interest-bearing bank and other borrowings | 32 | 4,090,066 | 5,763,159 |
| Contract liabilities | 31 | 21,592,955 | 15,398,334 |
| Lease liabilities | 16 | 6,220 | 4,512 |
| Due to related companies | 39 | 225,595 | 727,263 |
| Tax payable | 10 | 1,358,474 | 662,390 |
| Total current liabilities | | 39,863,120 | 29,280,706 |

Consolidated Statement of Financial Position

31 December 2020

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|--|-------|-------------------|-----------------|
| NET CURRENT ASSETS | | 13,020,592 | 6,403,243 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 20,210,050 | 12,769,420 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 32 | 10,167,291 | 5,992,020 |
| Lease liabilities | 16 | 4,824 | 9,777 |
| Deferred tax liabilities | 20 | 767,863 | 707,876 |
| Total non-current liabilities | | 10,939,978 | 6,709,673 |
| Net assets | | 9,270,072 | 6,059,747 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 33 | 8,446 | 1 |
| Reserves | 34 | 7,241,954 | 5,227,219 |
| | | 7,250,400 | 5,227,220 |
| Non-controlling interests | | 2,019,672 | 832,527 |
| Total equity | | 9,270,072 | 6,059,747 |

Mr. Liu Yuhui
Director

Mr. Luo Changlin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

| | Attributable to owners of the parent | | | | | | Total | Non-controlling interests | Total equity |
|--|--------------------------------------|-------------------|-------------------|-----------------|---------------------------|-------------------|------------------|---------------------------|------------------|
| | Share capital | Share premium | Merger reserve | Capital reserve | Statutory surplus reserve | Retained profits | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | Note 34 | Note 35(a) | Note 35(b) | | Note 35(c) | | | | |
| As at 31 December 2019 and 1 January 2020 | 1 | — | 3,527,224 | 35,511 | 413,744 | 1,250,740 | 5,227,220 | 832,527 | 6,059,747 |
| Total comprehensive income for the year | — | — | — | — | — | 860,311 | 860,311 | 200,257 | 1,060,568 |
| Issue of new shares | 2,112 | 1,200,024 | — | — | — | — | 1,202,136 | — | 1,202,136 |
| Issue of ordinary shares upon capitalisation | 6,333 | (6,333) | — | — | — | — | — | — | — |
| Share issue expenses | — | (39,267) | — | — | — | — | (39,267) | — | (39,267) |
| Capital contribution from non-controlling shareholders | — | — | — | — | — | — | — | 1,129,066 | 1,129,066 |
| Acquisition of subsidiaries that are not businesses | — | — | — | — | — | — | — | 13,471 | 13,471 |
| Appropriations to statutory surplus reserve | — | — | — | — | 156,728 | (156,728) | — | — | — |
| Distribution declared to non-controlling shareholders | — | — | — | — | — | — | — | (155,649) | (155,649) |
| As at 31 December 2020 | 8,446 | 1,154,424* | 3,527,224* | 35,511* | 570,472* | 1,954,323* | 7,250,400 | 2,019,672 | 9,270,072 |

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

| | Attributable to owners of the parent | | | | | | Non-controlling interests | Total equity | |
|--|--------------------------------------|---------------|-------------------|-----------------|---------------------------|-------------------|---------------------------|----------------|------------------|
| | Share capital | Share premium | Merger reserve | Capital reserve | Statutory surplus reserve | Retained profits | | | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| | Note 34 | Note 35(a) | Note 35(b) | | Note 35(c) | | | | |
| As at 31 December 2018 and 1 January 2019 | — | — | 3,325,041 | — | 324,823 | 1,582,020 | 5,231,884 | 659,425 | 5,891,309 |
| Total comprehensive income for the year | — | — | — | — | — | 544,825 | 544,825 | 127,488 | 672,313 |
| Issue of new shares | 1 | — | — | 35,511 | — | — | 35,512 | — | 35,512 |
| Transfer from retained profits | — | — | 87,184 | — | — | (87,184) | — | — | — |
| Capital contribution from the then parent company | — | — | 114,999 | — | — | — | 114,999 | — | 114,999 |
| Capital contribution from non-controlling shareholders | — | — | — | — | — | — | — | 60,576 | 60,576 |
| Disposal of subsidiaries | — | — | — | — | — | — | — | (14,962) | (14,962) |
| Appropriations to statutory surplus reserve | — | — | — | — | 88,921 | (88,921) | — | — | — |
| Distribution declared to the then parent company | — | — | — | — | — | (700,000) | (700,000) | — | (700,000) |
| As at 31 December 2019 | <u>1</u> | <u>—</u> | <u>3,527,224*</u> | <u>35,511*</u> | <u>413,744*</u> | <u>1,250,740*</u> | <u>5,227,220</u> | <u>832,527</u> | <u>6,059,747</u> |

* These reserve accounts comprise the consolidated reserves of RMB7,241,954,000 (2019: RMB5,227,219,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|-------|--------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax: | | | |
| From continuing operations | | 2,016,360 | 1,127,965 |
| From discontinued operations | | — | (9,840) |
| Adjustments for: | | | |
| Depreciation of items of property, plant and equipment | 6, 14 | 31,956 | 41,839 |
| Depreciation of right-of-use assets | 6, 16 | 6,511 | 6,642 |
| Amortisation of other intangible assets | 6, 15 | 2,253 | 1,823 |
| Finance costs | 7 | 306,540 | 230,821 |
| Gains on disposal of items of property, plant and equipment | 5, 6 | — | (374) |
| Share of profits and losses of joint ventures and associates | | 12,628 | 3,288 |
| Gain on disposal of a subsidiary | 6 | — | 32,092 |
| Impairment losses written off for completed properties held for sale | 6, 23 | (18,441) | (15,699) |
| Changes in fair value of investment properties | 17 | 49,276 | (160,840) |
| Interest income | 6 | (21,472) | (12,546) |
| Cash flow from operations | | 2,385,611 | 1,245,171 |
| Increase in properties under development and completed properties held for sale | | (5,919,472) | (8,805,429) |
| Increase in other current assets | | (487,681) | (100,667) |
| Increase in amounts due from related companies | | (20,427) | (1,567) |
| Decrease/(increase) in restricted cash | | 34,467 | (1,117,620) |
| Decrease/(increase) in pledged deposits | 28 | 13,618 | (44,954) |
| (Increase)/decrease in trade receivables | | (12,072) | 44,978 |
| (Increase)/decrease in prepayments and other receivables | | 122,383 | 296,724 |
| Increase in trade and bills payables | | 2,493,451 | 1,692,799 |
| Increase/(decrease) in other payables and accruals | | (1,261,619) | (352,753) |
| Increase in contract liabilities | | 5,366,788 | 5,824,055 |
| (Decrease)/increase in amounts due to related companies | | (18,792) | 64,084 |
| Cash generated from/(used in) operations | | 2,696,255 | (1,255,179) |
| Interest received | | 21,472 | 26,151 |
| Interest paid | | (1,360,160) | (812,862) |
| Tax paid | | (988,666) | (1,070,314) |
| Net cash flows generate from/(used in) operating activities | | 368,901 | (3,112,204) |

Consolidated Statement of Cash Flows

Year ended 31 December 2020

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|--|-------|--------------------|-----------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Prepayment for acquisition of a subsidiary that is not a business | | — | (50,000) |
| Disposal of subsidiaries | | — | 52,161 |
| Proceeds from disposal of items of property, plant and equipment | 14 | 3 | 681 |
| Purchases of items of property, plant and equipment | 14 | (15,610) | (23,188) |
| Purchases of intangible assets | 15 | (7,833) | (3,470) |
| Acquisition of subsidiaries that are not businesses | | (1,433,100) | (269,700) |
| Acquisition of joint ventures and associates | | (472,918) | (220,259) |
| Purchases of financial assets at fair value through profit or loss | | (11,026) | (2,000) |
| Disposals of financial assets at fair value through profit or loss | | 2,000 | 3,100 |
| Advances to related companies | | (2,935,386) | (1,254,998) |
| Repayment of advances to related companies | | 2,935,386 | 1,250,472 |
| Increase in loans to joint ventures and associates | | (429,153) | (56,071) |
| Advances to third parties | | (3,084,650) | (352,819) |
| Repayment of advances to third parties | | 2,286,530 | 199,778 |
| Net cash flows used in investing activities | | (3,165,757) | (726,313) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 1,202,136 | — |
| Share issue expenses | | (39,267) | — |
| Capital contribution from the then parent company | | — | 104,000 |
| Principal portion of lease payments | | (5,561) | (5,603) |
| Capital contribution by the non-controlling shareholders | | 1,129,066 | 60,576 |
| Capital contribution upon the reorganisation | | — | 35,511 |
| Advances from related companies | | 28,383 | 3,211,006 |
| Repayment of advances from related companies | | (481,322) | (3,029,943) |
| Advances from third parties | | 3,679,397 | 1,659,434 |
| Repayment of advances from third parties | | (1,083,006) | (888,494) |
| Decrease in pledged deposits | | — | 40,193 |
| New interest-bearing bank and other borrowings raised | | 9,316,177 | 8,593,841 |
| Repayment of interest-bearing bank and other borrowings | | (7,997,878) | (4,677,565) |
| Distribution paid to the then parent company | | — | (700,000) |
| Distribution paid to non-controlling shareholders | | (155,649) | — |

Consolidated Statement of Cash Flows

Year ended 31 December 2020

| | <i>Notes</i> | 2020 RMB'000 | 2019 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| Net cash flows from financing activities | | 5,592,476 | 4,402,956 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 2,795,620 | 564,439 |
| Cash and cash equivalents at beginning of year | | 1,381,642 | 817,203 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 4,177,262 | 1,381,642 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | <i>28</i> | 5,925,092 | 3,177,557 |
| Less: Restricted cash | <i>28</i> | 1,602,975 | 1,637,442 |
| Pledged deposits | <i>28</i> | 144,855 | 158,473 |
| Cash and cash equivalents as stated in the statement of cash flows | | 4,177,262 | 1,381,642 |

1. CORPORATE AND GROUP INFORMATION

Leading Holdings Group limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 15 July 2019. Pursuant to a reorganisation, the Company became the holding company of the companies now comprising the Group on 9 December 2019. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 December 2020.

The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- Property development
- Commercial property investment and operations
- Hotel operations

The ultimate controlling shareholders of the Company are Mr. Liu Yuhui, Mr. Liu Ce, Mr. Liu Haowei, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli (the “Controlling Shareholders”).

In the opinion of the directors, the investment holding companies of the Company is Yuan Di, Fan Tai, Yue Lai, Jin Sha Jiang, Ling Yue, Lian Rong, San Jiang Yuan, Fu Sheng, Shan Yuan, which are incorporated in the British Virgin Islands with limited liability, and controlled by Controlling Shareholders.

Information about subsidiaries

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

| Subsidiaries | Place and date of incorporation/ establishment and place of operations | Nominal value of registered share capital | Percentage of equity interest attributable to the Company | Principal activities |
|----------------------------------|--|---|---|----------------------|
| Directly held: | | | | |
| Leading Group Investment Limited | British Virgin Islands 12 August 2019 | USD50,000 | 100% | Investment holding |
| Du Neng Investment Limited | British Virgin Islands 4 June 2019 | USD50,000 | 100% | Investment holding |

31 December 2020

1. CORPORATE AND GROUP INFORMATION (Continued)**Information about subsidiaries** (Continued)

| Subsidiaries | Place and date of incorporation/ establishment and place of operations | Nominal value of registered share capital | Percentage of equity interest attributable to the Company | Principal activities |
|---|--|---|---|----------------------|
| Indirectly held: | | | | |
| 領地香港有限公司 Leading Hong Kong Holdings Ltd. | Hong Kong 28 August 2019 | HKD10,000 | 100% | Investment holding |
| Du Neng Capital Limited | Hong Kong 8 July 2019 | HKD10,000 | 100% | Investment holding |
| 成都壘達企業管理有限公司 Chengdu Xida Enterprise Management Co., Ltd. ("Chengdu Xida") | People's Republic of China ("PRC")/ Mainland china 12 November 2019 | USD200,000,000 | 100% | Investment holding |
| 成都恒禧企業管理諮詢有限公司 Chengdu Hengxi Business Management Co., Ltd. ("Chengdu Hengxi") | PRC/Mainland China 16 October 2019 | RMB1,500,000,000 | 100% | Investment holding |
| 領地集團有限公司 Leading Real Estate Group Co., Ltd. | PRC/Mainland China 19 April 1999 | RMB3,390,000,000 | 100% | Property development |
| 成都漢景實業有限公司 Chengdu Hanjing Industrial Co., Ltd. | PRC/Mainland China 31 March 2005 | RMB535,000,000 | 100% | Property development |
| 成都領地泛太房地產開發有限公司 Chengdu Leading Fantai Real Estate Development Co., Ltd. | PRC/Mainland China 27 December 2013 | RMB66,670,000 | 100% | Property development |
| 成都領跑房地產開發有限公司 Chengdu Lingpao Real Estate Development Co., Ltd. | PRC/Mainland China 12 January 2018 | RMB50,000,000 | 70% | Property development |
| 成都新隆置業有限公司 Chengdu Xinlong Real Estate Co., Ltd. | PRC/Mainland China 19 November 2008 | RMB440,000,000 | 99.4% | Property development |
| 承德市君越房地產開發有限公司 Chengde Junyue Real Estate Development Co., Ltd. (Note 1) ("Chengde Junyue") | PRC/Mainland China 18 July 2017 | RMB10,000,000 | 40% | Property development |

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

| Subsidiaries | Place and date of incorporation/ establishment and place of operations | Nominal value of registered share capital | Percentage of equity interest attributable to the Company | Principal activities |
|--|--|---|---|--------------------------|
| 攀枝花唯創房地產開發有限公司 Panzhihua Weichuang Real Estate Development Co., Ltd. (Note 1) | PRC/Mainland China 4 June 2018 | RMB39,215,700 | 51% | Property development |
| 承德川達房地產開發有限公司 Chengde Chuanda Real Estate Development Co., Ltd. | PRC/Mainland China 21 March 2019 | RMB20,000,000 | 51% | Property development |
| 新津菁陽投資有限公司 Xinjin Jingyang Investment Co., Ltd. | PRC/Mainland China 22 September 2013 | RMB8,000,000 | 100% | Investment Management |
| 承德市雙灤區海建房地產開發有限公司 Chengde Shuangluan Haijian Real Estate Development Co., Ltd. (Note 1) | PRC/Mainland China 6 April 2011 | RMB50,000,000 | 51% | Property development |
| 惠州領地房地產開發有限公司 Huizhou Leading Real Estate Development Co., Ltd. | PRC/Mainland China 21 November 2017 | RMB100,000,000 | 100% | Property development |
| 汕尾市領地房地產開發有限公司 Shanwei City Leading Real Estate Development Co., Ltd. | PRC/Mainland China 8 May 2018 | RMB20,408,200 | 100% | Property development |
| 吉林省領地房地產開發有限公司 Jilin Province Leading Real Estate Development Co., Ltd. ("Jilin Leading") | PRC/Mainland China 24 June 2010 | RMB200,000,000 | 55% | Property development |
| 凱里凱龍置業有限公司 Kaili Kailong Real Estate Development Co., Ltd. | PRC/Mainland China 28 February 2018 | RMB8,000,000 | 100% | Property development |
| 綿陽市宇航數碼科技有限公司 Mianyang Yuhang Shuma Technology Co., Ltd. | PRC/Mainland China 11 June 2004 | RMB68,880,000 | 100% | Technology development |

31 December 2020

1. CORPORATE AND GROUP INFORMATION (Continued)**Information about subsidiaries** (Continued)

| Subsidiaries | Place and date of incorporation/ establishment and place of operations | Nominal value of registered share capital | Percentage of equity interest attributable to the Company | Principal activities |
|--|---|--|--|-----------------------------|
| 雅安金宏房地產開發有限公司 Yaan Jinhong Real Estate Development Co., Ltd. | PRC/Mainland China 12 July 2019 | RMB41,000,000 | 51% | Property development |
| 眉山川瑞達房地產開發有限公司 Meishan Chuanruida Real Estate Development Co., Ltd. | PRC/Mainland China 11 July 2019 | RMB50,000,000 | 55% | Property development |
| 鄭州泛達房地產開發有限公司 Zhengzhou Fanda Real Estate Development Co., Ltd. | PRC/Mainland China 2 September 2019 | RMB10,000,000 | 70% | Property development |
| 成都佳雪置業有限公司 Chengdu Jiaxue Real Estate Development Co., Ltd. | PRC/Mainland China 26 February 2002 | RMB10,000,000 | 100% | Property development |
| 重慶泛太房地產開發有限公司 Chongqing Fantai Real Estate Development Co., Ltd. | PRC/Mainland China 25 April 2019 | RMB50,000,000 | 100% | Property development |
| 四川長壽坊房地產開發有限責任 公司 Sichuan Changshoufang Real Estate Development Co., Ltd. | PRC/Mainland China 6 January 2015 | RMB10,800,000 | 80% | Property development |
| 眉山華瑞宏大置業有限公司 Meishan Huarui Honda Real Estate Development Co., Ltd. | PRC/Mainland China 23 January 2019 | RMB50,000,000 | 55% | Property development |
| 貴州川達房地產開發有限公司 Guizhou Chuanda Real Estate Development Co., Ltd. | PRC/Mainland China 29 April 2019 | RMB20,000,000 | 55% | Property development |
| 綿陽嘉瑞誠房地產開發有限公司 Mianyang Jiaruicheng Real Estate Development Co., Ltd. | PRC/Mainland China 3 January 2018 | RMB50,000,000 | 62.1% | Property development |

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

| Subsidiaries | Place and date of incorporation/ establishment and place of operations | Nominal value of registered share capital | Percentage of equity interest attributable to the Company | Principal activities |
|---|--|---|---|----------------------|
| 綿陽市三和實業有限公司 Mianyang Sanhe Industrial Co., Ltd. ("Mianyang Sanhe") | PRC/Mainland China 6 December 2012 | RMB125,000,000 | 65% | Property development |
| 攀枝花領悅房地產開發有限公司 Panzhuhua Lingyue Real Estate Development Co., Ltd. | PRC/Mainland China 9 May 2018 | RMB250,000,000 | 100% | Property development |
| 商丘川達房地產開發有限公司 Shangqiu Chuanda Real Estate Development Co., Ltd. | PRC/Mainland China 24 May 2018 | RMB50,000,000 | 51% | Property development |
| 西昌領創房地產開發有限公司 Xichang Lingchuang Real Estate Development Co., Ltd. | PRC/Mainland China 11 April 2017 | RMB308,000,000 | 51.2% | Property development |
| 荊州領悅房地產開發有限公司 Jingzhou Lingyue Real Estate Development Co., Ltd. | PRC/Mainland China 18 July 2019 | RMB50,000,000 | 100% | Property development |
| 西昌市海誠旅遊開發有限公司 Xichang Haicheng Tourism Development Co., Ltd. | PRC/Mainland China 10 August 2017 | RMB20,000,000 | 52.25% | Property development |
| 西昌唯創房地產開發有限公司 Xichang Weichuang Real Estate Development Co., Ltd. | PRC/Mainland China 4 January 2017 | RMB100,000,000 | 95% | Property development |
| 西昌泛太房地產開發有限公司 Xichang Fantai Real Estate Development Co., Ltd. | PRC/Mainland China 7 January 2020 | RMB20,000,000 | 100% | Property development |
| 新疆領地房地產開發有限公司 Xinjiang Leading Real Estate Development Co., Ltd. | PRC/Mainland China 2 February 2010 | RMB60,000,000 | 85% | Property development |

31 December 2020

1. CORPORATE AND GROUP INFORMATION (Continued)**Information about subsidiaries** (Continued)

| Subsidiaries | Place and date of incorporation/ establishment and place of operations | Nominal value of registered share capital | Percentage of equity interest attributable to the Company | Principal activities |
|---|---|--|--|-----------------------------|
| 新疆兆龍誠祥房地產開發有限公司 Xinjiang Zhaolong Chengxiang Real Estate Development Co., Ltd. | PRC/Mainland China 27 December 2013 | RMB50,000,000 | 95.25% | Property development |
| 雅安泛亞房地產開發有限公司 Ya'an Pan Asia Real Estate Development Co., Ltd. | PRC/Mainland China 13 April 2018 | RMB20,000,000 | 100% | Property development |
| 雅安領悅房地產開發有限公司 Ya'an Lingyue Real Estate Development Co., Ltd. | PRC/Mainland China 22 March 2017 | RMB20,000,000 | 95% | Property development |
| 南充領創房地產開發有限公司 Nanchong Lingchuang Real Estate Development Co., Ltd. | PRC/Mainland China 4 January 2019 | RMB50,000,000 | 100% | Property development |
| 成都領源英赫置業有限公司 Chengdu Lingyuan Yinghe Real Estate Development Co., Ltd. | PRC/Mainland China 9 September 2019 | RMB50,000,000 | 50% | Property development |
| 成都潤德英赫置業有限公司 Chengdu Runde Yinghe Real Estate Development Co. Ltd. | PRC/Mainland China 9 September 2019 | RMB50,000,000 | 50% | Property development |
| 郫縣升達置業有限責任公司 Pixian Shengda Real Estate Co., Ltd. ("Pixian Shengda") | PRC/Mainland China 11 July 2014 | RMB10,000,000 | 55% | Property development |
| 成都悅航房地產開發有限公司 Chengdu Yuehang Real Estate Development Co., Ltd. | PRC/Mainland China 2 April 2018 | RMB192,469,300 | 100% | Property development |

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

| Subsidiaries | Place and date of incorporation/ establishment and place of operations | Nominal value of registered share capital | Percentage of equity interest attributable to the Company | Principal activities |
|--|--|---|---|----------------------|
| 荊州領創房地產開發有限公司 Jingzhou Lingchuang Real Estate Development Co., Ltd. | PRC/Mainland China 10 January 2019 | RMB50,000,000 | 100% | Property development |
| 雅安唯創房地產開發有限公司 Ya'an Weichuang Real Estate Development Co., Ltd. | PRC/Mainland China 20 September 2018 | RMB50,000,000 | 100% | Property development |
| 綿陽鴻遠領悅房地產開發有限公司 Mianyang Hongyuan Lingyue Real Estate Development Co., Ltd. ("Mianyang Hongyuan") | PRC/Mainland China 10 June 2019 | RMB20,000,000 | 50% | Property development |
| 新疆民佰房地產開發有限公司 Xinjiang Minbai Real Estate Development Co., Ltd. | PRC/Mainland China 12 October 1998 | RMB224,960,000 | 100% | Property development |
| 庫爾勒領創房地產開發有限公司 Korla Lingchuang Real Estate Development Co., Ltd. | PRC/Mainland China 11 April 2018 | RMB60,000,000 | 100% | Property development |
| 成都港基房地產開發有限公司 Chengdu Gangji Real Estate Development Co., Ltd. (Note 2) | PRC/Mainland China 17 October 2002 | RMB83,485,321 | 100% | Property development |
| 武漢領地房地產開發有限公司 Wuhan Leading Real Estate Development Co., Ltd. (Note 2) | PRC/Mainland China 13 December 2018 | RMB39,220,000 | 100% | Property development |

Note 1: As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority of voting power and the existing rights of those companies to direct the relevant activities including but not limited to the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

31 December 2020

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Note 2: The percentage of attributable equity interests presented concerns the beneficiary interests held by the Group. The percentage of equity interests in these entities legally held by the Group are lower than that of the beneficiary interests because of the existence of trust financing arrangements.

The Group legally transferred the equity interests in the following subsidiaries as collateral to trust financing companies as at 31 December 2020.

| | Percentage of equity pledged as at 31 December 2020 |
|--|--|
| Chengdu Gangji Real Estate Development Co., Ltd. | 49% |
| Wuhan Leading Real Estate Development Co., Ltd. | 49% |

Under the afore-stated arrangements, the Group was obliged to repurchase at a fixed amount on a future date upon repayment of the borrowings from the trust financing companies.

In addition, the Group retains the power to operate and manage the above project companies in the ordinary course of business. In this regard, considering the facts that the substance of the arrangements is to collateralise some equity interests in these companies for the borrowings for project development and the Group retains the practical ability to govern the financial and operating policies of these project companies so as to obtain benefits from the operating activities of these project companies, the directors of the Company are of the view that the financial position and operating results of these companies should be combined into the Group's financial statements in full, irrespective of the equity transfers from the legal perspective.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate their Chinese names as they do not have an official English name. The legal form of all the principal subsidiaries disclosed above are limited liability companies.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|--|
| Amendments to IFRS 3 | <i>Definition of a Business</i> |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | <i>Interest Rate Benchmark Reform</i> |
| Amendment to IFRS 16 | <i>Covid-19-Related Rent Concessions</i> (early adopted) |
| Amendments to IAS 1 and IAS 8 | <i>Definition of Material</i> |

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s office buildings have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. The reduction in the lease payments arising from the rent concessions accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020 was insignificant.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that 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. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

| | |
|--|--|
| Amendments to IFRS 3 | <i>Reference to the Conceptual Framework²</i> |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | <i>Interest Rate Benchmark Reform — Phase 2¹</i> |
| Amendments to IFRS 10 and IAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i> |
| IFRS 17 | <i>Insurance Contracts³</i> |
| Amendments to IFRS 17 | <i>Insurance Contracts^{3, 5}</i> |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current^{3, 5}</i> |
| Amendments to IAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use²</i> |
| Amendments to IAS 37 | <i>Onerous Contracts — Cost of Fulfilling a Contract²</i> |
| <i>Annual Improvements to IFRS Standards 2018–2020</i> | <i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41²</i> |
| Amendments to IAS 1 | <i>Disclosure of Accounting Policies³</i> |
| Amendments to IAS 8 | <i>Definition of Accounting Estimates³</i> |

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

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

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

The Group had no interest-bearing bank and other borrowings denominated in foreign currencies as at 31 December 2020. The amendment is not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

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

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

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

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

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

Business combinations and goodwill

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

Fair value measurement

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

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

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

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

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; *(If the Group itself is such a plan)* and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

| | |
|---|--|
| Buildings | 4.75% |
| Hotel properties | 4.75% |
| Motor vehicles | 19.00% |
| Office equipment and electronic devices | 19.00%–31.67% |
| Leasehold improvements | Over the shorter of the lease terms and 31.67% |

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

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

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

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

Properties under development

Properties under development are intended to be held for sale after completion.

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

Properties under development are classified as current assets unless they will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

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

Leases

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

Group as a lessee

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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

| | |
|-------------------|--------------|
| Land use right | 40 years |
| Leased properties | 1 to 5 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

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

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

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

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

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payable, other payables and accruals, financial guarantee contracts, lease liabilities, amounts due to related companies and interest-bearing and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

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

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenues are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance

- provides benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Sale of properties

Revenue from the sale of properties is recognised over time when the Group's performance under the sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise revenue from the sale of properties is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

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

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

Project Management

The Group provides management services to its customers at a fixed or variable amount. If the consideration is variable, revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The Group recognises revenue from management services over a period of time where the customer simultaneously receives and consumes the benefits provided by the Group or the Group has an enforceable right to payments for performance completed to date and the performance does not create an asset with an alternative use.

Hotel operation

Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is generally recognised at the point in time when the services are rendered.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain portion of these payroll costs to the central pension scheme. The only obligation of the Company with respect to the central pension scheme is to make the required contributions. No forfeited contribution under the central pension scheme is available to reduce the contribution payable in future years. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. The Board has resolved not to declare any dividend for the year ended 31 December 2020.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue recognition

Revenue from the sale of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer, and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of the sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements.

In assessing whether the Group has an enforceable right to payment for its sales contract, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for the sales contract.

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation, or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Revenue recognition

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on the type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information, including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can affect the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

Provision for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for properties under development and completed properties held for sale (Continued)

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed by the parties to the contract provides the Group with a significant benefit of financing.

Advance payments received from customers provides a significant financing benefit to the Group. Although the Group is required to place all deposits and periodic payments received from the pre-completion sales in a stakeholder's account, the Group is able to benefit from those advance payments as it can withdraw money from that account to pay for the expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimation and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets

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

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2020 was RMB4,551,600,000 (2019: RMB4,580,800,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 17 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 20 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- | | |
|--|--|
| (a) Property development; | Development and sale of properties and project management |
| (b) Commercial property investment and operations; | Property leasing |
| (c) Hotel operations. | Hotel operations |

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The Group's operations are mainly conducted in Mainland China. Management considered that there is no reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

4. OPERATING SEGMENT INFORMATION (Continued)

| Year ended 31 December 2020 | Property development <i>RMB'000</i> | Commercial property investment and operations <i>RMB'000</i> | Hotel operations <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|--|---------------------------------------|-------------------------|
| Segment revenue: | | | | |
| Sales to external customers | 13,032,493 | 84,396 | 41,194 | 13,158,083 |
| Segment results | 2,500,076 | 254 | 13,478 | 2,513,808 |
| <i>Reconciliation:</i> | | | | |
| Interest income | | | | 18,859 |
| Finance costs | | | | (306,540) |
| Corporate and other unallocated expenses | | | | (209,767) |
| Profit before tax from continuing operations | | | | 2,016,360 |
| Segment assets | 53,564,568 | 6,066,106 | 256,747 | 59,887,421 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated assets | | | | 185,749 |
| Total assets | | | | 60,073,170 |
| Segment liabilities | 45,941,981 | 4,544,342 | 297,906 | 50,784,229 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated liabilities | | | | 18,869 |
| Total liabilities | | | | 50,803,098 |

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4. OPERATING SEGMENT INFORMATION (Continued)

| Year ended 31 December 2019 | Property development <i>RMB'000</i> | Commercial property investment and operations <i>RMB'000</i> | Hotel operations <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|--|---------------------------------------|-------------------------|
| Segment revenue: | | | | |
| Sales to external customers | 7,460,186 | 70,876 | 37,102 | 7,568,164 |
| Segment results | 1,319,937 | 201,386 | 1,170 | 1,522,493 |
| <i>Reconciliation:</i> | | | | |
| Interest income | | | | 8,694 |
| Finance costs | | | | (230,381) |
| Corporate and other unallocated expenses | | | | (172,841) |
| Profit before tax from continuing operations | | | | 1,127,965 |
| Segment assets | 35,367,241 | 6,072,237 | 255,156 | 41,694,634 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated assets | | | | 355,492 |
| Total assets | | | | 42,050,126 |
| Segment liabilities | 30,995,749 | 4,685,273 | 287,626 | 35,968,648 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated liabilities | | | | 21,731 |
| Total liabilities | | | | 35,990,379 |

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2020 RMB'000 | 2019 RMB'000 |
|---|-------------------|------------------|
| <i>Revenue from contracts with customers</i> | | |
| Sale of properties | 13,027,945 | 7,452,435 |
| Hotel operations | 41,194 | 37,102 |
| Project management | 4,548 | 7,751 |
| <i>Revenue from other sources</i> | | |
| Gross rental income from investment property operating leases | 84,396 | 70,876 |
| | 13,158,083 | 7,568,164 |

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2020

| Segments | Property development RMB'000 | Project management operations RMB'000 | Hotel operations RMB'000 | Total RMB'000 |
|---|---------------------------------|--|-----------------------------|-------------------|
| Types of goods or services | | | | |
| Sale of properties | 13,027,945 | — | — | 13,027,945 |
| Hotel operations | — | — | 41,194 | 41,194 |
| Project management services | — | 4,548 | — | 4,548 |
| Total revenue from contracts with customers | 13,027,945 | 4,548 | 41,194 | 13,073,687 |
| Timing of revenue recognition | | | | |
| Sale of properties transferred at a point in time | 10,928,118 | — | — | 10,928,118 |
| Sale of properties transferred over time | 2,099,827 | — | — | 2,099,827 |
| Services transferred over time | — | 4,548 | 41,194 | 45,742 |
| Total revenue from contracts with customers | 13,027,945 | 4,548 | 41,194 | 13,073,687 |

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5. REVENUE, OTHER INCOME AND GAINS (Continued)**Revenue from contracts with customers** (Continued)**(a) Disaggregated revenue information** (Continued)**For the year ended 31 December 2019**

| Segments | Property development <i>RMB'000</i> | Commercial property investment and operations <i>RMB'000</i> | Hotel operations <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|---|--|---------------------------------------|-------------------------|
| Types of goods or services | | | | |
| Sale of properties | 7,452,435 | — | — | 7,452,435 |
| Hotel operations | — | — | 37,102 | 37,102 |
| Project management services | — | 7,751 | — | 7,751 |
| Total revenue from contracts with customers | <u>7,452,435</u> | <u>7,751</u> | <u>37,102</u> | <u>7,497,288</u> |
| Timing of revenue recognition | | | | |
| Sale of properties transferred at a point in time | 5,212,313 | — | — | 5,212,313 |
| Sale of properties transferred over time | 2,240,122 | — | — | 2,240,122 |
| Services transferred over time | — | 7,751 | 37,102 | 44,853 |
| Total revenue from contracts with customers | <u>7,452,435</u> | <u>7,751</u> | <u>37,102</u> | <u>7,497,288</u> |

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sale of properties | <u>8,563,407</u> | <u>4,657,052</u> |

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

For property sales contracts, the Group receives payments from customers based on billing schedules as established in the contracts. Payments are usually received in advance of the performance under the contracts.

Hotel operations

The performance obligation is satisfied when services are rendered. Short-term advances are sometimes required before rendering the service.

Property management services

The performance obligation is satisfied over time as services are rendered and short-term advances are sometimes required before rendering the service. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Amounts expected to be recognised as revenue | | |
| Within one year | 15,035,861 | 11,191,991 |
| After one year | 7,612,850 | 8,352,189 |
| | 22,648,711 | 19,544,180 |

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties that is to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

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5. REVENUE, OTHER INCOME AND GAINS (Continued)**Revenue from contracts with customers** (Continued)**(b) Performance obligations** (Continued)

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Other income and gains | | |
| Bank interest income | 18,859 | 8,694 |
| Interest income from associates and joint ventures (note 39) | 2,613 | 3,852 |
| Management consulting service fees charged to joint ventures and associates (note 39) | 29,321 | 9,336 |
| Government grants | 13,336 | 2,276 |
| Compensation | 6,757 | 17,273 |
| Gain on disposal of items of property, plant and equipment | — | 614 |
| Others | 3,699 | 2,781 |
| | 74,585 | 44,826 |

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

| | <i>Notes</i> | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| Cost of properties sold | 17, 23 | 9,555,460 | 5,411,502 |
| Cost of hotel operations | | 27,716 | 35,932 |
| Impairment losses written off for completed properties held for sale | 23 | (18,441) | (15,699) |
| Depreciation of items of property, plant and equipment | 14 | 31,956 | 41,839 |
| Amortisation of others intangible assets | 15 | 2,253 | 1,823 |
| Amortisation of right-of-use assets | 16 | 6,511 | 6,642 |
| Gain on disposal of items of property, plant and equipment | 5 | — | (374) |
| Lease payments not included in the measurement of lease liabilities | 16(c) | 6,315 | 3,096 |
| Auditor's remuneration | | 5,295 | 2,195 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | | |
| Wages and salaries | | 343,131 | 272,860 |
| Pension scheme contributions and social welfare | | 33,868 | 36,929 |

7. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Interest on bank loans and other loans | 1,364,258 | 909,675 |
| Interest on pre-sales deposits | 828,500 | 610,628 |
| Total interest expense on financial liabilities not at fair value through profit or loss | 2,192,758 | 1,520,303 |
| Less: Interest capitalised | (1,886,218) | (1,289,922) |
| | 306,540 | 230,381 |

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Fees | 114 | — |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 2,055 | 1,883 |
| Performance-related bonuses* | 1,360 | 1,251 |
| Pension scheme contributions and social welfare | 146 | 276 |
| | 3,675 | 3,410 |

* Certain executive directors of the Company are entitled to bonus payments which are associated with the profit after tax of the Group.

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)**(a) Independent non-executive directors**

Mr. Fang Min, Ms. Jin Xu and Ms. Liang Yunxing were appointed as independent non-executive directors of the Company on 16 November 2020.

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|-------------------|------------------------|------------------------|
| Mr. Fang Min | 38 | — |
| Ms. Jin Xu | 38 | — |
| Ms. Liang Yunxing | 38 | — |
| | 114 | — |

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

(b) Executive directors and the chief executive**2020**

| | Fees <i>RMB'000</i> | Salaries, allowances and benefits in kind <i>RMB'000</i> | Performance- related bonuses <i>RMB'000</i> | Pension scheme contributions and social welfare <i>RMB'000</i> | Total remuneration <i>RMB'000</i> |
|----------------------|------------------------|--|--|---|---|
| Executive directors: | | | | | |
| — Mr. Liu Yuhui | — | 456 | — | 36 | 492 |
| — Mr. Luo Changlin | — | 565 | 555 | 38 | 1,158 |
| — Ms. Zeng Xurong | — | 496 | 335 | 36 | 867 |
| — Ms. Hou Xiaoping | — | 538 | 470 | 36 | 1,044 |
| | — | 2,055 | 1,360 | 146 | 3,561 |

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)**(b) Executive directors and the chief executive** (Continued)**2019**

| | Fees <i>RMB'000</i> | Salaries, allowances and benefits in kind <i>RMB'000</i> | Performance- related bonuses <i>RMB'000</i> | Pension scheme contributions and social welfare <i>RMB'000</i> | Total remuneration <i>RMB'000</i> |
|----------------------|------------------------|--|--|---|---|
| Executive directors: | | | | | |
| — Mr. Liu Yuhui | — | 456 | — | 69 | 525 |
| — Mr. Luo Changlin | — | 492 | 521 | 69 | 1,082 |
| — Ms. Zeng Xurong | — | 440 | 208 | 69 | 717 |
| — Ms. Hou Xiaoping | — | 495 | 522 | 69 | 1,086 |
| | — | 1,883 | 1,251 | 276 | 3,410 |

Mr. Liu Yuhui is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included nil directors (2019: two directors). Details of directors' remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining five (2019: three) highest paid employee who is neither a director nor chief executive of the Company are as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Salaries, allowances and benefits in kind | 3,634 | 2,651 |
| Performance-related bonuses | 4,015 | 3,104 |
| Pension and social welfare | 182 | 346 |
| | 7,831 | 6,101 |

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9. FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of the non-director and non-chief executive highest paid employee fell within the following bands as follows:

| | Number of employees | |
|------------------------------|---------------------|----------|
| | 2020 | 2019 |
| Nil to HKD1,000,000 | — | 1 |
| HKD1,000,001 to HKD1,500,000 | — | 1 |
| HKD1,500,001 to HKD2,000,000 | 4 | 1 |
| HKD2,000,001 to HKD2,500,000 | 1 | — |
| | 5 | 3 |

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2020.

Subsidiaries of the Group operating in Mainland China, except for Tibet Ludi Industrial Co., Ltd. ("Tibet Ludi") and Tibet Hengliang Industrial, Co., Ltd. ("Tibet Hengliang"), are subject to PRC corporate income tax at a rate of 25% for the year. Tibet Ludi and Tibet Hengliang enjoyed a preferential CIT rate of 15% during the year ended December 2020.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

10. INCOME TAX (Continued)

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Current tax: | | |
| PRC corporate income tax | 695,307 | 440,121 |
| PRC LAT | 493,220 | 218,298 |
| Deferred tax (<i>note 20</i>) | (232,735) | (180,515) |
| Total tax charge for the year | 955,792 | 477,904 |
| Total tax charge for the year from continuing operations | 955,792 | 469,688 |
| Total tax charge for the year from discontinued operations | — | 8,216 |

A reconciliation of income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate is follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Profit before tax from continuing operations | 2,016,360 | 1,127,965 |
| Loss before tax from discontinued operations | — | (9,840) |
| Profit before tax | 2,016,360 | 1,118,125 |
| At the statutory income tax rate | 504,090 | 279,532 |
| Lower tax rate(s) for specific provinces or enacted by local authority | (223) | 922 |
| Profits and losses attributable to joint ventures and an associate | 3,157 | 822 |
| Expenses and cost not deductible for tax | 57,826 | 5,811 |
| Deductible temporary differences utilised from previous years | (5,283) | (7,260) |
| Deductible temporary differences and tax losses not recognised | 26,310 | 34,354 |
| Provision for LAT | 493,220 | 218,298 |
| Tax effect on LAT | (123,305) | (54,575) |
| Tax charge at the Group's effective rate | 955,792 | 477,904 |
| Tax charge from continuing operations at the effective rate | 955,792 | 469,688 |
| Tax charge from discontinued operations at the effective rate | — | 8,216 |

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10. INCOME TAX (Continued)

Tax payable in the consolidated statement of financial position represents the following:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--------------------------|-------------------------------|------------------------|
| Tax payable | | |
| PRC corporate income tax | 658,922 | 279,292 |
| PRC LAT | 699,552 | 383,098 |
| Total tax payable | 1,358,474 | 662,390 |

11. DISCONTINUED OPERATIONS

In December 2017, according to the resolution of the board of directors, the Group decided to dispose of certain subsidiaries, all of which had been set up for purposes not related to the core business of the Group and, hence were not in line with the long term strategic development. The following sets forth the details of such disposals:

On 14 June 2019, the Group entered into an equity transfer agreement with Rong Liang Group, pursuant to which, the Group disposed of its entire equity interest in Lingyue Property Services Group Co., Ltd. ("Lingyue Property") to Rong Liang Group at a consideration of approximately RMB5.7 million.

The Group has decided to dispose of the property management related services because it was not related to the core business of the Group. With Lingyue Property being classified as a discontinued operation, the property management related services are no longer included in the note for operating segment information.

On 30 June 2019, the Group entered into an equity transfer agreement with Sichuan Linghui Enterprise Management Co., Ltd. ("Sichuan Linghui") and Nuode Investment Holding Group Co., Ltd. ("Nuode International"), an independent third party, pursuant to which, transferred its 55% and 45% equity interest in Jilin Junyi Property Service Co., Ltd. ("Jilin Junyi") to Sichuan Linghui and Nuode International, respectively, at considerations of approximately RMB0.43 million and approximately RMB0.35 million, respectively. The Group has decided to dispose of the property management related services because they were not related to the core business of the Group. With Jilin Junyi being classified as a discontinued operation, the property management related services are no longer included in the note for operating segment information.

On 19 June 2019, the Group entered into equity transfer agreements with Sichuan Huayitong Trading Co., Ltd., an independent third party, pursuant to which, transferred its 69% equity interest in Meishan Dongpo District Fanmei Management Co., Ltd. ("Meishan Dongpo") at a consideration of RMB69 million. The Group has decided to dispose of the business management related services because it was not related to the core business of the Group.

11. DISCONTINUED OPERATIONS (Continued)

On 6 May 2019, the Group entered into equity transfer agreements with Sichuan Lingci Health Industry Co., Ltd. (“Sichuan Lingci Health”), a direct wholly-owned subsidiary of Rong Liang Group, pursuant to which, transferred its 100% equity in Sichuan Lingci Health at nil consideration as the registered capital of Meishan Gaokang was not due for payment in accordance with its articles of association at the time of such disposal. The Group has decided to dispose of the provision of medical services, because they were not related to the core business of our Group.

The results of discontinued operations for the year ended 31 December 2019 are presented below:

| | 2019 RMB'000 |
|--|-----------------|
| Revenue | 108,570 |
| Finance costs | (440) |
| Expenses | (85,878) |
| Loss before tax from the discontinued operations | <u>(9,840)</u> |
| Income tax | <u>—</u> |
| Gain on disposal of discontinued operations | <u>32,092</u> |
| Tax attributable to gain on disposal | <u>(8,216)</u> |
| Profit for the year from the discontinued operations | <u>14,036</u> |

The net cash flows incurred by discontinued operations are as follows:

| | 2019 RMB'000 |
|---|-----------------|
| Cash flows used in discontinued operations: | |
| Operating activities | (5,412) |
| Investing activities | (38,784) |
| Financing activities | <u>16,794</u> |
| Net cash inflow | <u>(27,402)</u> |
| Earnings per share: | |
| Basic and diluted, from the discontinued operations | <u>RMB0.01</u> |

11. DISCONTINUED OPERATIONS (Continued)

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

| | 2019 |
|---|--------------|
| Profit attributable to ordinary equity holders of the parent from the discontinued operation | RMB7,720,000 |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (<i>note 13</i>) | 750,000,000 |

12. DIVIDENDS

The Board has resolved not to declare any dividend for the year ended 31 December 2020 (2019: Nil).

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the reorganisation and the capitalisation issue as described in note 33 as if the reorganisation and capitalisation issue had been completed on 1 January 2019.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 765,027,322 (2019: 750,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of basic and diluted earnings per share are based on:

| | 2020 | 2019 |
|--|--------------------|-------------|
| | RMB'000 | RMB'000 |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | | |
| From continuing operations | 860,311 | 537,105 |
| From a discontinued operations | — | 7,720 |
| | 860,311 | 544,825 |
| Number of shares | | |
| | 2020 | 2019 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 765,027,322 | 750,000,000 |

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14. PROPERTY, PLANT AND EQUIPMENT

| | Motor vehicles RMB'000 | Office equipment and electronic devices RMB'000 | Buildings RMB'000 | Hotel properties RMB'000 | Leasehold improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|------------------------------|--|----------------------|--------------------------------|--------------------------------------|--|------------------|
| 31 December 2020 | | | | | | | |
| At 31 December 2019 and 1 January 2020: | | | | | | | |
| Cost | 47,971 | 47,622 | 61,583 | 111,600 | 80,908 | 435 | 350,119 |
| Accumulated depreciation | (41,782) | (32,494) | (10,945) | (5,301) | (23,534) | — | (114,056) |
| Net carrying amount | 6,189 | 15,128 | 50,638 | 106,299 | 57,374 | 435 | 236,063 |
| At 1 January 2020, net of accumulated depreciation | 6,189 | 15,128 | 50,638 | 106,299 | 57,374 | 435 | 236,063 |
| Additions | 4,888 | 4,652 | — | — | 6,070 | — | 15,610 |
| Acquisition of subsidiaries that are not businesses | 155 | 30 | 1,974 | — | — | — | 2,159 |
| Disposals | (3) | — | — | — | — | — | (3) |
| Transfers from construction in progress | — | — | 435 | — | — | (435) | — |
| Depreciation provided during the year | (1,897) | (5,033) | (2,870) | (5,301) | (16,855) | — | (31,956) |
| At 31 December 2020, net of accumulated depreciation | 9,332 | 14,777 | 50,177 | 100,998 | 46,589 | — | 221,873 |
| At 31 December 2020: | | | | | | | |
| Cost | 53,011 | 52,304 | 63,992 | 111,600 | 86,978 | — | 367,885 |
| Accumulated depreciation | (43,679) | (37,527) | (13,815) | (10,602) | (40,389) | — | (146,012) |
| Net carrying amount | 9,332 | 14,777 | 50,177 | 100,998 | 46,589 | — | 221,873 |

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Motor vehicles RMB'000 | Office equipment and electronic devices RMB'000 | Buildings RMB'000 | Hotel properties RMB'000 | Leasehold improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|------------------------------|--|----------------------|--------------------------------|--------------------------------------|--|------------------|
| 31 December 2019 | | | | | | | |
| At 31 December 2018 and 1 January 2019: | | | | | | | |
| Cost | 46,602 | 27,996 | 61,583 | 111,600 | 17,790 | 61,234 | 326,805 |
| Accumulated depreciation | (37,138) | (18,276) | (7,770) | — | (9,033) | — | (72,217) |
| Net carrying amount | 9,464 | 9,720 | 53,813 | 111,600 | 8,757 | 61,234 | 254,588 |
| At 1 January 2019, net of accumulated depreciation | | | | | | | |
| | 9,464 | 9,720 | 53,813 | 111,600 | 8,757 | 61,234 | 254,588 |
| Additions | 1,674 | 11,198 | — | — | 8,704 | 1,612 | 23,188 |
| Acquisition of a subsidiary | — | — | — | — | — | 435 | 435 |
| Disposals | (305) | (4) | — | — | — | — | (309) |
| Transfers from construction in progress | — | 8,432 | — | — | 54,414 | (62,846) | — |
| Depreciation provided during the year | (4,644) | (14,218) | (3,175) | (5,301) | (14,501) | — | (41,839) |
| At 31 December 2019, net of accumulated depreciation | | | | | | | |
| | 6,189 | 15,128 | 50,638 | 106,299 | 57,374 | 435 | 236,063 |
| At 31 December 2020: | | | | | | | |
| Cost | 47,971 | 47,622 | 61,583 | 111,600 | 80,908 | 435 | 350,119 |
| Accumulated depreciation | (41,782) | (32,494) | (10,945) | (5,301) | (23,534) | — | (114,256) |
| Net carrying amount | 6,189 | 15,128 | 50,638 | 106,299 | 57,374 | 435 | 236,063 |

As at 31 December 2020, certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB100,998,000 (2019: nil) have been pledged to secure bank and other borrowings granted to the Group (note 32).

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15. INTANGIBLE ASSETS

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| At 1 January | | |
| Cost | 20,241 | 16,771 |
| Accumulated amortisation | (7,553) | (5,730) |
| Cost at 1 January, net of accumulated amortisation | 12,688 | 11,041 |
| Additions | 7,833 | 3,470 |
| Amortisation provided during the year | (2,253) | (1,823) |
| At 31 December | 18,268 | 12,688 |
| Cost | 28,074 | 20,241 |
| Accumulated amortisation | (9,806) | (7,553) |
| Net carrying amount | 18,268 | 12,688 |

16. LEASES**The Group as a lessee**

The Group has lease contracts for various items of office properties and office equipment used in its operations. Leases of office properties generally have lease terms between one and five years, while office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The recognised right-of-use assets relate to the following types of assets:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---------------------------|-------------------------------|------------------------|
| Land use right | 41,241 | 42,756 |
| Leased properties | 10,553 | 13,900 |
| Total right-of-use assets | 51,794 | 56,656 |

The land use right is held for self-use. The Group has lease contracts for office buildings. The lease term is one to five years. Amortisation expenses have been charged to administrative expenses and cost of sales.

16. LEASES (Continued)**The Group as a lessee** (Continued)**(a) Right-of-use assets** (Continued)

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Land use right | | |
| Carrying amount at the beginning of the year | 42,756 | 44,271 |
| Depreciation provided during the year | (1,515) | (1,515) |
| Carrying amount at the end of the year | 41,241 | 42,756 |

Part of the Group's land use right with an aggregate carrying amount of approximately RMB19,021,000 as at 31 December 2020 (2019: nil) has been pledged to secure bank and other borrowings granted to the Group (Note 32).

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Leased properties | | |
| Carrying amount at the beginning of the year | 13,900 | 8,832 |
| Additions | 1,649 | 10,195 |
| Depreciation provided during the year | (4,996) | (5,127) |
| Carrying amount at the end of the year | 10,553 | 13,900 |

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16. LEASES (Continued)**The Group as a lessee** (Continued)**(b) Lease liabilities**

The carrying amounts of lease liabilities and the movements during the year are as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Lease liabilities | | |
| Carrying amount at the beginning of the year | 14,289 | 9,104 |
| New leases | 1,649 | 10,195 |
| Accretion of interest recognised during the year | 667 | 593 |
| Payments | (5,561) | (5,603) |
| Carrying amount at the end of the year | 11,044 | 14,289 |
| Analysed into: | | |
| Current portion | 6,220 | 4,512 |
| Non-current portion | 4,824 | 9,777 |

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Interest on lease liabilities | 667 | 593 |
| Depreciation charge of right-of-use assets | 6,511 | 6,642 |
| Expense relating to short-term leases | 6,315 | 3,096 |
| Total amount recognised in profit or loss | 13,493 | 10,331 |

(d) The total cash outflows for leases is disclosed in note 35(c) to the financial statements.

16. LEASES (Continued)**The Group as a lessor**

The Group leases its investment properties (note 17) consisting of three commercial properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. As at the 31 December 2020, Rental income recognised by the Group during the year was RMB84,396,000 (31 December 2019: RMB70,876,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Within one year | 95,238 | 79,820 |
| In the second to fifth years, inclusive | 302,005 | 208,749 |
| After five years | 104,558 | 110,135 |
| | 501,801 | 398,704 |

17. INVESTMENT PROPERTIES

| | Completed <i>RMB'000</i> |
|--|------------------------------------|
| Carrying amount at 1 January 2019 | 4,463,800 |
| Transferred to completed properties held for sale | (1,098) |
| Transferred to cost of sales | (42,742) |
| Net gain from a fair value adjustment | 160,840 |
| Carrying amount at 31 December 2019 and 1 January 2020 | 4,580,800 |
| Acquisition of a subsidiary | 34,200 |
| Transferred to cost of sales | (14,124) |
| Net loss from a fair value adjustment | (49,276) |
| Carrying amount at 31 December 2020 | 4,551,600 |

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17. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 31 December 2020 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB4,551,600,000 (2019: RMB4,580,800,000). The Group's senior finance manager and the chief financial officer decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Certain of the Group's investment properties with an aggregate carrying amounts of approximately RMB1,380,627,000 as at 31 December 2020 (2019: RMB274,377,000) have been pledged to secure bank and other borrowings granted to the Group (Note 32).

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

| Recurring fair value measurement for | Fair value measurement as at 31 December 2019 using | | | Total RMB'000 |
|--------------------------------------|--|--|--|------------------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Commercial properties Completed | — | — | 4,580,800 | 4,580,800 |
| Recurring fair value measurement for | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Commercial properties Completed | — | — | 4,551,600 | 4,551,600 |

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

17. INVESTMENT PROPERTIES (Continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

| | Valuation technique | Significant unobservable inputs | Range or weighted average | |
|----------------------|------------------------------|--|---------------------------|------------|
| | | | 2020 | 2019 |
| Completed investment | Income capitalization method | Estimated rental value (RMB per sq.m. and per month) | 48-500 | 63-450 |
| | | Capitalisation rate | 5.0%-5.50% | 5.0%-5.50% |

The fair value of completed investment properties is determined by the income capitalisation method by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference that has also been made to the comparable sales transactions as available in the relevant market.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of investment properties under construction is determined by using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the property assuming it was completed and, where appropriate, after deducting the following items:

- Estimated construction cost to be expensed to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated profit margin, the lower is the fair value of the investment properties under construction.

18. INVESTMENTS IN JOINT VENTURES

| | 2020 RMB'000 | 2019 RMB'000 |
|---------------------|-----------------|-----------------|
| Share of net assets | 577,807 | 595,871 |

The Group's trade and other receivable and payable balances with joint ventures are disclosed in note 39 to the financial statements.

(a) Particulars of the Group's joint ventures

| Name of company | Place and date of registration | Paid-in capital RMB'000 | Percentage of ownership interest attributable to the Group | Principal activities |
|---|--------------------------------|----------------------------|--|----------------------|
| 樂山川達房地產開發有限公司 Leshan Chuanda Real Estate Development Co., Ltd. ("Leshan Chuanda") | Leshan, PRC 4 December 2017 | 50,000 | 40% (note i) (note (a)) | Property development |
| 雅安城投領地房地產開發有限公司 Ya'an Chengtou Leading Real Estate Development Co., Ltd. ("Ya'an Chengtou") | Ya'an, PRC 12 July 2017 | 30,000 | 51% (note ii) (note (b)) | Property development |

Note i: Leshan Chuanda had three shareholders holding 40%, 30% and 30% equity interests, respectively. Pursuant to the articles of association of Leshan Chuanda, all shareholders' resolutions of Leshan Chuanda shall be resolved by the three shareholders on an unanimous basis. In light of this requirement, Leshan Chuanda is accounted for as a joint venture of the Company notwithstanding that the Company held a 40% equity interest during the reporting period.

Note ii: Ya'an Chengtou had two shareholders holding 51% and 49% equity interests, respectively. Pursuant to the articles of association of Ya'an Chengtou, all shareholders' resolutions of Ya'an Chengtou shall be resolved by the two shareholders on an unanimous basis. In light of this requirement, Ya'an Chengtou is accounted for as a joint venture of the Company notwithstanding that the Company held a 51% equity interest during the reporting period.

18. INVESTMENTS IN JOINT VENTURES (Continued)

- (a) Leshan Chuanda, which is considered as a material joint venture of the Group for the years ended 31 December 2019 and 2020, co-develops a property development project with another joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Leshan Chuanda adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Current assets | 221,449 | 826,130 |
| Non-current assets | 322 | 78 |
| Current liabilities | (163,131) | (813,534) |
| Non-current liabilities | — | — |
| Net assets | 58,640 | 12,674 |
| Reconciliation to the Group's interest in the joint venture: | | |
| Proportion of the Group's ownership | 40% | 40% |
| The Group's share of net assets of the joint venture | 23,456 | 5,070 |
| Revenue | 970,293 | 5 |
| Expenses | (780,988) | (30,113) |
| Tax | (42,502) | 7,527 |
| Net profit/(loss) and total comprehensive income/(loss) for the year | 146,803 | (22,581) |

18. INVESTMENTS IN JOINT VENTURES (Continued)

- (b) Ya'an Chengtou, which is considered as a material joint venture of the Group for the years ended 31 December 2019 and 2020, co-develops a property development project with another joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Ya'an Chengtou adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Current assets | 147,888 | 329,693 |
| Non-current assets | 34 | 3,978 |
| Current liabilities | (107,100) | (318,200) |
| Non-current liabilities | — | — |
| Net assets | 40,822 | 15,471 |
| Reconciliation to the Group's interest in the joint venture: | | |
| Proportion of the Group's ownership | 51% | 51% |
| The Group's share of net assets of the joint venture | 20,819 | 7,890 |
| Revenue | 267,018 | — |
| Expenses | (233,217) | (2,564) |
| Tax | (8,450) | — |
| Net profit/(loss) and total comprehensive income/(loss) for the year | 25,351 | (2,564) |

18. INVESTMENTS IN JOINT VENTURES (Continued)

(c) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Share of the joint ventures' (loss)/profit for the year | (86,077) | 14,098 |
| Share of the joint ventures' total comprehensive (loss)/income | (86,077) | 14,098 |
| Aggregate carrying amount of the Group's investments in the joint ventures | 533,532 | 582,911 |

19. INVESTMENTS IN ASSOCIATES

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---------------------|------------------------|------------------------|
| Share of net assets | 561,101 | 78,405 |

The Group's trade and other receivable and payable balances with associates are disclosed in note 39 to the financial statements.

(a) Particulars of the Group's associates

| Name of company | Place and date of registration | Paid-in capital <i>RMB'000</i> | Percentage of ownership interest attributable to the Group | Principal activities |
|--|--------------------------------|-----------------------------------|--|----------------------|
| 成都金凱盛瑞房地產開發有限公司 Chengdu Jinkaishengrui Real Estate Development Co., Ltd. ("Chengdu Jinkaishengrui") (Note (b)) | Chengdu, PRC 9 January 2018 | 150,000 | 49.00% (note (b)) | Property development |

19. INVESTMENTS IN ASSOCIATES (Continued)

- (b) Chengdu Jinkaishengrui, which is considered as a material associate of the Group for the years ended 31 December 2019 and 2020, is a strategic partner of the Group engaged in property development and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Chengdu Jinkaishengrui adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Current assets | 487,050 | 1,503,275 |
| Non-current assets | 137 | 130 |
| Current liabilities | (342,083) | (1,342,386) |
| Non-current liabilities | — | (1,009) |
| Net assets | 145,104 | 160,010 |
| Reconciliation to the Group's interest in the associate: | | |
| Proportion of the Group's ownership | 49% | 49% |
| Group's share of net assets of the associate | 71,101 | 78,405 |
| Revenue | 910,278 | 10 |
| Expenses | (852,149) | (19,118) |
| Tax | (23,035) | 4,728 |
| Net profit/(loss) and total comprehensive income/(loss) for the year | 35,094 | (14,380) |

- (c) The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Share of the associate's profit for the year | — | — |
| Share of the associate's total comprehensive income | — | — |
| Carrying amount of the Group's investment in the associate | 490,000 | — |

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

| | Losses available for offsetting against future taxable profits RMB'000 | Impairment of assets RMB'000 | Accrued development cost RMB'000 | Expenses for offsetting against future taxable profits RMB'000 | Unrealised revenue in contract liabilities RMB'000 | Financial guarantee contracts RMB'000 | Accrued land value-added tax RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|---|---|---------------------------------|-------------------------------------|---|---|--|---|------------------------------|------------------|
| At 31 December 2018 and 1 January 2019 | 49,748 | 9,789 | — | 18,218 | 348,152 | 2,000 | 57,359 | 361 | 485,627 |
| Deferred tax credited/(charged) to profit or loss during the year | 45,905 | (18) | 61,721 | 18,454 | 184,117 | (1,706) | 21,954 | 148 | 330,575 |
| At 31 December 2019 and 1 January 2020 | 95,653 | 9,771 | 61,721 | 36,672 | 532,269 | 294 | 79,313 | 509 | 816,202 |
| Acquisition of subsidiaries | 25,331 | — | — | — | — | — | — | — | 25,331 |
| Deferred tax credited/(charged) to profit or loss during the year | 95,298 | 438 | (3,738) | (22,764) | 117,359 | (273) | 95,575 | 166 | 282,061 |
| At 31 December 2020 | 216,282 | 10,209 | 57,983 | 13,908 | 649,628 | 21 | 174,888 | 675 | 1,123,594 |

Deferred tax liabilities

| | Fair value adjustment arising from investment properties RMB'000 | Recognition of revenue over time RMB'000 | Right-of-use assets RMB'000 | Total RMB'000 |
|--|---|---|--------------------------------|------------------|
| At 31 December 2018 | 558,014 | 139,574 | 293 | 697,881 |
| Deferred tax charged to profit or loss during the year | 43,967 | 105,974 | 119 | 150,060 |
| At 31 December 2019 | 601,981 | 245,548 | 412 | 847,941 |
| Acquisition of a subsidiary | 10,557 | — | — | 10,557 |
| Deferred tax charged to profit or loss during the year | 14,990 | 34,195 | 141 | 49,326 |
| At 31 December 2020 | 627,528 | 279,743 | 553 | 907,824 |

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20. DEFERRED TAX (Continued)**Deferred tax liabilities** (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Net deferred tax assets recognised in the consolidated statement of financial position | 983,633 | 676,137 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | (767,863) | (707,876) |
| | 215,770 | (31,739) |

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019 and 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

As at 31 December 2020, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,935,644,000 (31 December 2019: RMB2,544,035,000).

As at 31 December 2020, the Group had unutilised tax losses arising in the PRC of approximately RMB161,125,000 (31 December 2019: RMB93,585,000), that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets amounting to approximately RMB22,477,000 as at 31 December 2020 (31 December 2019: RMB30,997,000) have not been recognised in respect of the deductible temporary differences, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Unlisted fund investments, at fair value | 11,026 | 2,000 |

The unlisted investments were wealth management products.

22. PROPERTIES UNDER DEVELOPMENT

| | 2020 RMB'000 | 2019 RMB'000 |
|--|---------------------|-----------------|
| At the beginning of the year | 27,983,574 | 16,985,467 |
| Additions | 17,361,150 | 14,836,982 |
| Acquisition of subsidiaries that are not businesses | 4,433,536 | 1,152,316 |
| Transferred to completed properties held for sale (<i>Note 23</i>) | (11,120,980) | (4,991,192) |
| At the end of the year | 38,657,280 | 27,983,573 |

The Group's properties under development are situated on leasehold lands in Mainland China.

As at 31 December 2020, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB12,733,997,000 (31 December 2019: RMB10,272,573,000) have been pledged to secure bank and other borrowings granted to the Group (*Note 32*).

23. COMPLETED PROPERTIES HELD FOR SALE

| | 2020 RMB'000 | 2019 RMB'000 |
|--|--------------------|-----------------|
| Carrying amount at the beginning of the year | 1,296,666 | 1,657,437 |
| Acquisition of a subsidiary that is not a business | 5,442 | — |
| Transferred from properties under development (<i>Note 22</i>) | 11,120,980 | 4,991,192 |
| Transferred from investment properties (<i>Note 17</i>) | — | 1,098 |
| Transferred to cost of sales (<i>Note 6</i>) | (9,541,336) | (5,368,760) |
| Impairment losses written off (<i>Note 6</i>) | 18,441 | 15,699 |
| Carrying amount at the end of the year | 2,900,193 | 1,296,666 |

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB494,645,000 as at 31 December 2020 (2019: RMB60,105,000) have been pledged to secure bank and other borrowings granted to the Group (*Note 32*).

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23. COMPLETED PROPERTIES HELD FOR SALE (Continued)

The movements in provision for impairment of completed properties held for sale are as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| At the beginning of the year | (58,779) | (74,478) |
| Impairment losses written off (Note 6) | 18,441 | 15,699 |
| At the end of the year | (40,338) | (58,779) |

The value of completed properties held for sale is assessed at the end of each of the reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by reference to the selling price based on the prevailing market price less applicable selling expenses.

24. TRADE RECEIVABLES

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|-------------------|-------------------------------|------------------------|
| Trade receivables | 72,860 | 60,788 |

Trade receivables mainly represent the receivables from the sale of properties. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Property buyers are generally granted credit terms of 1 month to 1 year. Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date, is as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------------------|-------------------------------|------------------------|
| Less than 1 year | 33,530 | 60,788 |
| Over 1 year | 39,330 | — |
| | 72,860 | 60,788 |

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

24. TRADE RECEIVABLES (Continued)

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on the evaluation on the expected loss rate and the gross carrying amount, the directors of the Company are of the opinion that the expected credit losses in respect of these balances are immaterial, and therefore, no provision has been made for a loss allowance.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Prepayments for construction cost | 95,849 | 118,526 |
| Prepayments for acquisition of land use rights | — | 50,105 |
| Deposits for land auction | — | 40,000 |
| Other deposits | 312,441 | 318,992 |
| Other tax recoverable | 1,334,734 | 967,474 |
| Advance to staff | 4,835 | 1,443 |
| Due from non-controlling shareholders of the subsidiaries | 1,263,340 | 439,916 |
| Due from third parties | 1,825 | 27,129 |
| Other prepayments | 13,705 | 16,637 |
| Other receivables | 52,479 | 32,307 |
| Impairment | (78,180) | (77,427) |
| | 3,001,028 | 1,935,102 |

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment. The internal credit rating of amounts due from non-controlling shareholders of subsidiaries and third parties, other receivables and other deposits were regarded as the grade of performing. The expected loss rate of these receivables is assessed to be 0.17%. The information about the credit exposure is disclosed in note 42 to the financial statements.

26. OTHER CURRENT ASSETS

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--------------------------------|------------------------|------------------------|
| Deferred commission for agents | 598,232 | 110,551 |

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27. OTHER NON-CURRENT ASSETS

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------------------------------------|-------------------------------|------------------------|
| Deposits for property developments | 223,382 | 79,557 |
| Prepayment for equity investments | — | 50,000 |
| | 223,382 | 129,557 |

28. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---------------------------|-------------------------------|------------------------|
| Cash and bank balances | 5,925,092 | 3,177,557 |
| Less: Restricted cash | 1,602,975 | 1,637,442 |
| Pledged deposits | 144,855 | 158,473 |
| Cash and cash equivalents | 4,177,262 | 1,381,642 |
| Denominated in RMB | 4,101,149 | 1,380,422 |
| Denominated in HK\$ | 72,125 | — |
| Denominated in US\$ | 3,359 | — |
| Denominated in AUD\$ | 629 | 1,220 |
| | 4,177,262 | 1,381,642 |

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts a certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The restricted cash can only be used for payments for construction costs of the relevant properties when approval from the related government authority is obtained. Such restricted cash will be released after the completion of construction of the related properties. As at 31 December 2020, such restricted cash amounted to RMB1,358,701,000 (31 December 2019: RMB998,703,000). the restricted cash also included construction loan mortgage amounting to RMB236,533,000 (31 December 2019: RMB638,739,000). As at 31 December 2020, the restricted cash amounting to RMB7,741,000 was frozen by the People's Court due to lawsuits (31 December 2019: nil).

As at 31 December 2020, Bank deposits of RMB144,855,000 were pledged as security for purchasers' mortgage loans (31 December 2019: RMB158,473,000).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

28. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS (Continued)

As at 31 December 2020, the internal credit rating of restricted cash, pledged deposits and cash and cash equivalents was regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

29. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each reporting period, based on the invoice date, is as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------------------|------------------------|------------------------|
| Less than 1 year | 6,381,590 | 3,752,977 |
| Over 1 year | 418,822 | 305,395 |
| | 6,800,412 | 4,058,372 |

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

30. OTHER PAYABLES AND ACCRUALS

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Deposits related to construction | 379,026 | 275,314 |
| Advance from non-controlling shareholders of subsidiaries | 3,564,642 | 948,292 |
| Maintenance fund | 18,768 | 45,157 |
| Advance from third parties | 1,259 | 21,217 |
| Payroll and welfare payable | 91,640 | 90,955 |
| Tax and surcharges | 82,591 | 30,907 |
| Deposits related to the sale of properties | 82,541 | 38,677 |
| Interest payable | 54,860 | 33,739 |
| Share consideration payable | 678,060 | 269,740 |
| Accrued liabilities | 7,368 | 49,922 |
| Payable related to land acquisition | 770,873 | 805,845 |
| Financial guarantee contracts | 82 | 1,176 |
| Others | 57,688 | 55,735 |
| | 5,789,398 | 2,666,676 |

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31. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|----------------------|------------------------|------------------------|
| Contract liabilities | 21,592,955 | 15,398,334 |

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 31 December 2020 | | | 31 December 2019 | | |
|--|-----------------------------------|-----------|-------------------|-----------------------------------|-----------|-------------------|
| | Effective interest rate (%) | Maturity | <i>RMB'000</i> | Effective interest rate (%) | Maturity | <i>RMB'000</i> |
| Current | | | | | | |
| Bank loans — secured | 8.00 | 2021 | 91,200 | | | — |
| Other loans — secured | | | — | 12.1-13.00 | 2020 | 1,484,800 |
| Current portion of long term bank loans — secured | 5.21-9.31 | 2021 | 764,477 | 5.31-11.69 | 2020 | 3,158,230 |
| Current portion of long term other loans — secured | 8.82-13.31 | 2021 | 3,234,389 | 6.87-14.06 | 2020 | 1,120,129 |
| | | | 4,090,066 | | | 5,763,159 |
| Non-current | | | | | | |
| Bank loans — secured | 5.21-10.12 | 2022-2035 | 6,530,220 | 5.29-10.27 | 2021-2023 | 2,608,097 |
| Bank loans — unsecured | 6.17 | 2023 | 800,803 | | | — |
| Other loans — secured | 8.82-13.36 | 2022-2023 | 2,836,268 | 6.12-13.53 | 2021-2022 | 3,209,311 |
| Other loans — unsecured | | | — | 8.63-11.48 | 2022 | 174,612 |
| | | | 10,167,291 | | | 5,992,020 |
| | | | 14,257,357 | | | 11,755,179 |

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)**Bank and other borrowings**

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Analysed into: | | |
| Repayable within one year | 4,090,066 | 5,763,159 |
| Repayable in the second year | 7,328,913 | 4,132,477 |
| Repayable in the third to fifth years, inclusive | 1,248,501 | 1,859,543 |
| Repayable beyond five years | 1,589,877 | — |
| | 14,257,357 | 11,755,179 |

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period:

| | <i>Notes</i> | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------------------------------------|--------------|-------------------------------|------------------------|
| Property, plant and equipment | 14 | 100,998 | — |
| Land use right | 16 | 19,021 | — |
| Investment properties | 17 | 1,380,627 | 274,377 |
| Properties under development | 22 | 12,733,997 | 10,272,573 |
| Completed properties held for sale | 23 | 494,645 | 60,105 |

As at the 31 December 2020, certain of the Group's bank and other borrowings with an aggregate amount of RMB7,899,640,000 was secured by share charges in respect of the equity interests of certain subsidiaries of the Group (31 December 2019: RMB5,423,337,000).

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33. SHARE CAPITAL

| | 31 December 2020 | 31 December 2019 |
|--|-----------------------------|---------------------|
| Issued and fully paid: | | |
| Authorised: | | |
| 10,000,000,000 (2019: 38,000,000) ordinary shares HK\$0.01 each (2019: HK\$0.01 each) | 10,000,000,000 | 38,000,000 |
| Issued and fully paid: | <i>RMB'000</i> | <i>RB'000</i> |
| 1,000,000,000 (2019: 60,000) ordinary shares of HK\$0.01 each (2019: HK\$0.01 each) | 8,446 | 1 |

On 15 July 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital of HK\$380,000 dividing into 38,000,000 shares of HK\$0.01 par value each. In preparation for the listing, on 26 November 2020, the authorised share capital of the Company was increased to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each.

33. SHARE CAPITAL (Continued)

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue | Share capital RMB'000 |
|--|------------------------------|--------------------------|
| At 1 January 2019 | — | — |
| Issue of shares on 15 July 2019 | 1 | — |
| Issue of shares on 25 September 2019 | 9,999 | — |
| Issue of shares on 31 December 2019 | 49,400 | 1 |
| Issue of shares on 31 December 2019 | 600 | — |
| As at 31 December 2019 | 60,000 | 1 |
| Effect of capitalisation issue on 16 November 2020 | 749,940,000 | 6,333 |
| Issue of shares on 10 December 2020 | 250,000,000 | 2,112 |
| At 31 December 2020 | 1,000,000,000 | 8,446 |

On 15 July 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon its incorporation, one share was issued and allotted to the initial subscriber, an independent third party, and such share was transferred to Yue Lai Investment Limited on the same date. On 25 September 2019, an additional 9,999 shares were issued and allotted to several shareholders.

On 31 December 2019, the Company further issued and allotted 49,400 shares to related shareholders of HK\$0.01 each, and 600 shares in exchange for shares of Du Neng Investment Limited with the consideration of RMB35,511,000.

On 16 November 2020, 749,940,000 shares were issued by way of capitalisation with a par value of HK\$0.01 each, and the corresponding share capital amount was approximately RMB6,333,000. On 10 December 2020, upon its listing on the Hong Kong Stock Exchange, the Company issued 250,000,000 new ordinary shares with a par value of HK\$0.01 at HK\$5.69 each for a total cash consideration of HK\$1,423,319,000 (equivalent to approximately RMB1,202,136,000). The corresponding share capital amount was approximately RMB2,112,000 and the share premium arising from the issue was approximately RMB1,160,757,000, net of the share issue costs. The share issue costs paid and payable mainly include share underwriting commissions, lawyers' fees, a reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB39,267,000 were treated as a deduction against the share premium arising from the issue.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2019 and 2020 are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

(c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,649,000 (2019: RMB10,195,000) in respect of lease arrangements for leased properties.

(b) Changes in liabilities arising from financing activities:

| | Interest-bearing bank and other borrowings <i>RMB'000</i> | Due to related companies <i>RMB'000</i> | Lease liabilities <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|--|--|-------------------------------------|-------------------------|
| At 1 January 2019 | 7,853,828 | 412,532 | 9,104 | 8,275,464 |
| Cash flows from/(used in) financing activities | 3,928,877 | 186,583 | (5,603) | 4,109,857 |
| Cash flows from non-financing activities | — | 128,148 | 593 | 128,741 |
| New lease | — | — | 10,195 | 10,195 |
| Non-cash changes — accrual of interest | (27,526) | — | — | (27,526) |
| As at December 2019 | 11,755,179 | 727,263 | 14,289 | 12,496,731 |
| Cash flows from/(used in) financing activities | 1,318,299 | (452,939) | (5,561) | 859,799 |
| Cash flows from non-financing activities | — | (48,729) | 667 | (48,062) |
| Increase from acquisition of a subsidiary | 1,200,902 | — | — | 1,200,902 |
| New lease | — | — | 1,649 | 1,649 |
| Non-cash changes — accrual of interest | (17,023) | — | — | (17,023) |
| As at December 2020 | 14,257,357 | 225,595 | 11,044 | 14,493,996 |

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|-----------------------------|------------------------|------------------------|
| Within operating activities | 6,982 | 3,689 |
| Within financing activities | 5,561 | 5,603 |
| | 12,543 | 9,292 |

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36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT BUSINESSES

During the year ended 31 December 2020, the Group acquired certain assets through acquisition of subsidiaries. The following table summarises the financial information in relation to the acquisition of subsidiaries.

A summary of the acquisitions of subsidiaries that are not a business during the year is as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Property, plant and equipment | 2,159 | 435 |
| Properties under development | 4,433,536 | 1,152,316 |
| Prepayments, deposits and other receivables | 166,753 | 463,122 |
| Investment properties | 34,200 | — |
| Completed properties held for sale | 5,442 | — |
| Deferred tax assets | 25,331 | — |
| Cash and cash equivalents | 110,814 | 124 |
| Trade and bills payables | (248,588) | — |
| Other payables, deposits received and accruals | (1,289,011) | (772,447) |
| Interest-bearing bank and other borrowings | (1,200,902) | — |
| Deferred tax liabilities | (10,557) | — |
| Non-controlling interests | (13,471) | — |
| Net assets acquired | 2,029,177 | 843,550 |
| Reclassification from pre-existing interests in a joint venture to investment in a subsidiary | (13,471) | — |
| Satisfied by: | | |
| Cash | 1,494,039 | 673,207 |
| Cash consideration payable | 508,196 | 170,343 |
| Analysis of cash flows on acquisition: | | |
| Cash and bank balances acquired | 110,814 | 124 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (1,383,225) | (267,783) |

37. CONTINGENT LIABILITIES

At the end of the reporting period, the financial guarantees not provided for in the consolidated financial statements were as follows:

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|-------|-------------------|-----------------|
| Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties | (1) | 11,594,320 | 8,882,032 |
| Guarantees given to banks and other institutions in connection with facilities granted to related parties | (2) | 1,497,640 | 1,765,900 |

Notes:

- (1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans. Upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore, no provision has been made in connection with the guarantees.

- (2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the related companies. As of 31 December 2020, an allowance of RMB82,000 (31 December 2019: RMB1,176,000) was provided for as a result of the guarantees provided to the related companies and third parties.

38. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | 2020 RMB'000 | 2019 RMB'000 |
|---|-------------------|-----------------|
| Contracted, but not provided for: | | |
| Property development activities | 22,456,963 | 12,227,258 |
| Acquisition of land use rights | — | 77,947 |
| Capital contributions for the acquisition of subsidiaries | 508,195 | 1,016,570 |
| Capital contributions to subsidiaries | 1,233,250 | 927,750 |
| Capital contributions to joint ventures | 15,000 | 44,600 |
| | 24,213,408 | 14,294,125 |

39. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

The following operating transactions were carried out with related parties during the reporting period:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Advances from related companies: | | |
| Joint ventures | 539,588 | 671,168 |
| Associate | — | 369 |
| The then parent company | — | 3,061,913 |
| Companies controlled by the then parent company | 22,409 | 106,987 |
| Companies controlled by the director of the Company | — | 34,449 |
| Companies controlled by certain directors and/or their close family members | 5,974 | 7,658 |
| Repayment of advances from related companies: | | |
| Joint ventures | 653,158 | 606,483 |
| Associate | — | 369 |
| The then parent company | 442,939 | 2,752,100 |
| Companies controlled by the then parent company | 22,409 | 165,113 |
| Companies controlled by the shareholders | — | 5,754 |
| Companies controlled by the director of the Company | 10,000 | 99,552 |
| Companies controlled by certain directors and/or their close family members | 5,974 | 7,658 |
| Advances to related companies: | | |
| Joint ventures | 1,475,392 | 1,784,866 |
| The then parent company | 2,936,386 | 1,254,998 |
| Repayment of advances to related companies: | | |
| Joint ventures | 1,159,809 | 1,664,109 |
| The then parent company | 2,935,386 | 1,248,221 |
| Companies controlled by the then parent company | — | 1,631 |

39. RELATED PARTY TRANSACTIONS (Continued)**(2) Significant related party transactions**

The following non-operating transactions were carried out with related parties during the reporting period:

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-------------------------------|-----------------|
| Rental income from companies controlled by the then parent company* (Note 1) | 4,156 | 2,943 |
| Property sales from companies controlled by the then parent company (Note 1 & 2) | 2,155 | 47,379 |
| Property management fee to companies controlled by the then parent company* (Note 1 & 2) | 95,454 | 70,131 |
| Management consulting service income from joint ventures and associates* (Note 1) | 29,321 | 9,336 |
| Project management fee to companies controlled by the then parent company* (Note 1) | 55,539 | 33,975 |
| Raw materials purchased from companies controlled by certain directors and/or their close family members* (Note 1) | 24,189 | 41,996 |
| Interest income from joint ventures and associates (Note 1) | 2,613 | 3,852 |

Note 1: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

Note 2: On 17 December 2020, the then parent company transferred its approximately 99% equity interest in Lingyue Property Services to Chengdu Rongyue Jinghui for the Pre-IPO reorganization.

* The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(3) Other transactions with related parties

As at 31 December 2020, the Group has guaranteed certain of the bank and other borrowings made to its joint ventures up to RMB1,497,640,000 (31 December 2019: RMB1,176,900,000).

39. RELATED PARTY TRANSACTIONS (Continued)**(4) Outstanding balances with related parties**

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Balances relating to non-operating activities | | |
| Due from related parties: | | |
| Due from shareholders | 1 | 1 |
| Due from joint ventures | 1,121,830 | 722,617 |
| | 1,121,831 | 722,618 |
| Due to related parties: | | |
| Due to the then parent company | — | 442,939 |
| Due to joint ventures | 121,972 | 151,905 |
| Due to companies controlled by the director of the Company | — | 10,000 |
| | 121,972 | 604,844 |
| Balances relating to operating activities | | |
| Due from related parties: | | |
| Due from joint ventures | 25,880 | 4,630 |
| Due from associates | — | 1,641 |
| Due from companies controlled by the then parent company | 2,202 | 1,382 |
| | 28,082 | 7,653 |
| Due to related parties: | | |
| Due to companies controlled by the then parent company | 98,622 | 105,713 |
| Due to companies controlled by certain directors and/or their close family members | 5,001 | 16,706 |
| | 103,623 | 122,419 |

Balances with the above related parties except for the balances with two joint ventures were unsecured, non-interest-bearing and repayable on demand.

39. RELATED PARTY TRANSACTIONS (Continued)**(5) Compensation of key management personnel of the Group:**

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Short-term employee benefits | 13,536 | 7,883 |
| Pension scheme contributions | 437 | 623 |
| Total compensation paid to key management personnel | 13,973 | 8,506 |

Further details of directors' emoluments are included in note 8 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2020

Financial assets

| | Financial assets at amortised cost <i>RMB'000</i> | Financial assets at FVPL <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|--------------------------------|
| Financial assets included in prepayments, deposits and other receivables | 1,630,083 | — | 1,630,083 |
| Trade receivables | 72,860 | — | 72,860 |
| Due from related companies | 1,149,913 | — | 1,149,913 |
| Financial assets at fair value through profit or loss | — | 11,026 | 11,026 |
| Restricted cash | 1,602,975 | — | 1,602,975 |
| Pledged deposits | 144,855 | — | 144,855 |
| Cash and cash equivalents | 4,177,262 | — | 4,177,262 |
| | 8,777,948 | 11,026 | 8,788,974 |

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40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)**31 December 2020** (Continued)**Financial liabilities**

| | Financial liabilities at amortised cost RMB'000 |
|---|--|
| Trade and bills payables | 6,800,412 |
| Financial liabilities included in other payables and accruals | 3,639,529 |
| Interest-bearing bank and other borrowings | 14,257,357 |
| Lease liabilities | 11,044 |
| Financial guarantee contracts | 82 |
| Due to related companies | 225,595 |
| | 24,934,019 |

31 December 2019**Financial assets**

| | Financial assets at amortised cost RMB'000 | Financial assets at FVPL RMB'000 | Total RMB'000 |
|--|---|-------------------------------------|------------------|
| Financial assets included in prepayments, deposits and other receivables | 499,352 | — | 499,352 |
| Other deposits | 318,992 | — | 318,992 |
| Trade receivables | 60,788 | — | 60,788 |
| Due from related companies | 730,271 | — | 730,271 |
| Financial assets at fair value through profit or loss | — | 2,000 | 2,000 |
| Restricted cash | 1,637,442 | — | 1,637,442 |
| Pledged deposits | 158,473 | — | 158,473 |
| Cash and cash equivalents | 1,381,642 | — | 1,381,642 |
| | 4,786,960 | 2,000 | 4,788,960 |

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)**31 December 2019** (Continued)**Financial liabilities**

| | Financial liabilities at amortised cost <i>RMB'000</i> |
|---|---|
| Trade and bills payables | 4,058,372 |
| Financial liabilities included in other payables and accruals | 1,048,405 |
| Interest-bearing bank and other borrowings | 11,755,179 |
| Lease liabilities | 14,289 |
| Financial guarantee contracts | 1,176 |
| Due to related companies | 727,263 |
| | <u>17,604,684</u> |

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of each reporting period, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair values | |
|---|---------------------------------------|--|---------------------------------------|--|
| | 31 December 2019 <i>RMB'000</i> | 31 December 2020 <i>RMB'000</i> | 31 December 2019 <i>RMB'000</i> | 31 December 2020 <i>RMB'000</i> |
| Financial liability | | | | |
| Interest-bearing bank and other borrowings (note 32) | <u>11,755,179</u> | <u>14,257,357</u> | <u>11,591,660</u> | <u>14,538,051</u> |

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, trade receivables, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

For the fair values of the financial assets at fair value through profit or loss, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

The Group invests wealth management products issued by financial institutions in Mainland China. The Group has estimated the fair value by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks and classified them into Level 2 financial instruments.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted cash, pledged deposits, trade and other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 32. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables are held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB24,934,000 and RMB40,816,000 for the years ended 31 December 2019 and 2020, respectively.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

The Group classifies financial instruments on the basis of shared credit risk characteristics, such as the instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally from one to twelve months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group applies the 12-month expected loss approach to provide for expected credit losses prescribed by IFRS 9, and the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for other receivables and adjusts for forward-looking macroeconomic data. The Group applies the lifetime expected loss approach to financial assets that are credit-impaired at the reporting date, but that are not purchased or originated credit-impaired. The expected loss rate of these receivables is assessed to be 100%.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(b) Credit risk** (Continued)**Maximum exposure and year-end staging**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

31 December 2020

| | 12-month ECLs | | Lifetime ECLs | | Simplified approach RMB'000 | Total RMB'000 |
|--|--------------------|--------------------|--------------------|--|--------------------------------|-------------------|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | | | |
| Trade receivables* | — | — | — | | 72,860 | 72,860 |
| Financial assets included in prepayments and other receivables | | | | | | |
| — Normal** | 1,630,083 | — | — | | — | 1,630,083 |
| — Doubtful** | — | — | 75,382 | | — | 75,382 |
| Due from related companies | — | | | | | |
| — Normal** | 1,149,913 | — | — | | — | 1,149,913 |
| Restricted cash | | | | | | |
| — Not yet past due | 1,602,975 | — | — | | — | 1,602,975 |
| Pledged deposits | | | | | | |
| — Not yet past due | 144,855 | — | — | | — | 144,855 |
| Cash and cash equivalents | | | | | | |
| — Not yet past due | 4,177,262 | — | — | | — | 4,177,262 |
| Guarantees given to banks and other institutions in connection with facilities granted to related parties | | | | | | |
| — Not yet past due | 1,497,640 | — | — | | — | 1,497,640 |
| | 10,202,728 | — | 75,382 | | 72,860 | 10,350,970 |

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(b) Credit risk** (Continued)**Maximum exposure and year-end staging** (Continued)**31 December 2019**

| | 12-month ECLs | | Lifetime ECLs | | Simplified approach RMB'000 | Total RMB'000 |
|--|--------------------|--------------------|--------------------|--|--------------------------------|------------------|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | | | |
| Trade receivables* | — | — | — | | 60,788 | 60,788 |
| Financial assets included in prepayments and other receivables | | | | | | |
| — Normal** | 499,352 | — | — | | — | 499,352 |
| — Doubtful** | — | — | 76,382 | | — | 76,382 |
| Due from related companies | | | | | | |
| — Normal** | 730,271 | — | — | | — | 730,271 |
| Restricted cash | | | | | | |
| — Not yet past due | 1,637,442 | — | — | | — | 1,637,442 |
| Pledged deposits | | | | | | |
| — Not yet past due | 158,473 | — | — | | — | 158,473 |
| Cash and cash equivalents | | | | | | |
| — Not yet past due | 1,381,642 | — | — | | — | 1,381,642 |
| Guarantees given to banks and other institutions in connection with facilities granted to related parties | | | | | | |
| — Not yet past due | 1,765,900 | — | — | | — | 1,765,900 |
| | <u>6,173,080</u> | <u>—</u> | <u>76,382</u> | | <u>60,788</u> | <u>6,310,250</u> |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 24 to the financial statements. There is no significant concentration of credit risk.

** The credit quality of amounts due from related companies and the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

31 December 2020

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(c) Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on contractual undiscounted payments, is as follows:

| | On demand RMB'000 | Less than 3 months RMB'000 | 3 to 12 months RMB'000 | Over 1 year RMB'000 | Total RMB'000 |
|--|----------------------|----------------------------------|------------------------------|---------------------------|-------------------|
| 31 December 2020 | | | | | |
| Interest-bearing bank and other borrowings | — | 793,147 | 4,906,752 | 10,652,444 | 16,352,343 |
| Trade and bills payables | 5,844,194 | 429,211 | 526,737 | — | 6,800,142 |
| Financial liabilities included in other payables and accruals | 3,639,529 | — | — | — | 3,639,529 |
| Guarantees given to banks in connection with facilities granted to related parties | — | — | 50,000 | 1,447,640 | 1,497,640 |
| Lease liabilities | 1,157 | 2,180 | 3,728 | 6,310 | 13,375 |
| Due to related companies | — | 225,595 | — | — | 225,595 |
| | 9,484,880 | 1,450,133 | 5,487,217 | 12,106,394 | 28,528,624 |
| | On demand RMB'000 | Less than 3 months RMB'000 | 3 to 12 months RMB'000 | Over 1 year RMB'000 | Total RMB'000 |
| 31 December 2019 | | | | | |
| Interest-bearing bank and other borrowings | — | 1,692,342 | 3,350,097 | 8,794,548 | 13,836,987 |
| Trade and bills payables | 4,058,372 | — | — | — | 4,058,372 |
| Financial liabilities included in other payables | 1,048,405 | — | — | — | 1,048,405 |
| Guarantees given to banks in connection with facilities granted to related parties | — | 212,500 | — | 1,553,400 | 1,765,900 |
| Lease liabilities | 1,251 | 1,539 | 3,534 | 10,317 | 16,641 |
| Due to related companies | — | 727,263 | — | — | 727,263 |
| | 5,108,028 | 2,633,644 | 3,353,631 | 10,358,265 | 21,453,568 |

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(d) Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals, amounts due to related companies and lease liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each reporting period were as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Trade and bills payables | 6,800,412 | 4,058,372 |
| Other payables and accruals | 5,789,398 | 2,666,676 |
| Interest-bearing bank and other borrowings | 14,257,357 | 11,755,179 |
| Due to related companies | 225,595 | 727,263 |
| Lease liabilities | 11,044 | 14,289 |
| Less: Cash and cash equivalents | 4,177,262 | 1,381,642 |
| Net debt | 22,906,544 | 17,840,137 |
| Equity attributable to owners of the parent | 7,250,400 | 5,227,220 |
| Capital and net debt | 30,156,944 | 23,067,357 |
| Gearing ratio | 76% | 77% |

31 December 2020

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

31 December 2020

| | Percentage of equity interest held by non-controlling interests % | Profit/(loss) for the year allocated to non-controlling interests RMB'000 | Accumulated balances of non-controlling interests RMB'000 |
|----------------|--|--|---|
| Jilin Leading | 45 | (37,386) | 225,556 |
| Pixian Shengda | 45 | 76,521 | 185,073 |
| Mianyang Sanhe | 35 | (48,124) | 76,659 |
| Sichuan Yuandi | 43 | 1,633 | 3,671 |

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

| | Jilin Leading RMB'000 | Pixian Shengda RMB'000 | Mianyang Sanhe RMB'000 | Sichuan Yuandi RMB'000 |
|---|-----------------------------|------------------------------|------------------------------|------------------------------|
| Revenue | 11,751 | 333,368 | 645,499 | 15,339 |
| Total expenses | (121,776) | (68,028) | (420,291) | (10,469) |
| Income tax credit/(expense) | 26,946 | (95,293) | (87,710) | (1,072) |
| (Loss)/profit and total comprehensive (loss)/profit for the year | (83,079) | 170,047 | (137,498) | 3,798 |
| Current assets | 133,308 | 990,057 | 460,034 | 83,367 |
| Non-current assets | 656,699 | 77,007 | 8,767 | 10,193 |
| Current liabilities | (262,857) | (655,790) | (249,775) | (85,024) |
| Non-current liabilities | (25,914) | — | — | — |
| Net cash flows used in operating activities | (95,812) | (71,765) | (62,794) | (120,663) |
| Net cash flows from investing activities | 91,658 | 159,821 | 63,098 | 129,275 |
| Net cash flows used in financing activities | — | (90,000) | — | (1,000) |
| Net (decrease)/increase in cash and cash equivalents | (4,154) | (1,944) | 304 | 7,612 |

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

31 December 2019

| | Percentage of equity interest held by non-controlling interests % | Profit/(loss) for the year allocated to non-controlling interests RMB'000 | Accumulated balances of non-controlling interests RMB'000 |
|----------------|--|--|---|
| Jilin Leading | 45 | 122,011 | 262,941 |
| Pixian Shengda | 45 | 51,003 | 148,784 |
| Mianyang Sanhe | 35 | (8,381) | 39,949 |
| Sichuan Yuandi | 43 | 61,673 | 49,763 |

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

| | Jilin Leading RMB'000 | Pixian Shengda RMB'000 | Mianyang Sanhe RMB'000 | Sichuan Yuandi RMB'000 |
|---|-----------------------------|------------------------------|------------------------------|------------------------------|
| Revenue | 904,516 | 784,932 | — | 538,269 |
| Total expenses | (544,764) | (583,821) | (31,913) | (302,887) |
| Income tax (expense)/credit | (88,616) | (87,771) | 7,968 | (91,957) |
| Profit/(loss) and total comprehensive income/(loss) for the year | 271,136 | 113,340 | (23,945) | 143,425 |
| Current assets | 159,983 | 1,371,265 | 897,746 | 321,635 |
| Non-current assets | 746,830 | 136,484 | 26,019 | 9,910 |
| Current liabilities | (278,772) | (1,177,118) | (809,624) | (215,818) |
| Non-current liabilities | (43,727) | — | — | — |
| Net cash flows from/(used in) operating activities | (95,553) | (42,646) | 126,194 | (54,340) |
| Net cash flows from/(used in) investing activities | 97,022 | — | (144,823) | 37,316 |
| Net cash flows from/(used in) financing activities | (2,282) | 40 | 2,190 | 16,976 |
| Net decrease in cash and cash equivalents | (813) | (42,606) | (16,439) | (48) |

44. EVENTS AFTER THE REPORTING PERIOD

Issuance of over-allotment

On 6 January 2021, an over-allotment option pursuant to the listing of the Company on the Hong Kong Stock Exchange, was exercised in respect of an aggregate of 26,945,000 ordinary shares of the Company, resulting in a cash consideration of RMB125,193,000 deduction of the allotted related expense.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|-------------------------------------|-------------------------------|------------------------|
| NON-CURRENT ASSET | | |
| Investment in subsidiaries | 35,512 | 35,512 |
| Total non-current asset | 35,512 | 35,512 |
| CURRENT ASSETS | | |
| Due from shareholders | 1 | 1 |
| Cash and cash equivalents | 73,418 | — |
| Due from subsidiaries | 1,086,543 | — |
| Total current assets | 1,159,962 | 1 |
| CURRENT LIABILITY | | |
| Due to subsidiaries | 593 | 1 |
| Total current liability | 593 | 1 |
| NET CURRENT ASSETS | 1,159,369 | — |
| TOTAL ASSETS LESS CURRENT LIABILITY | 1,194,881 | 35,512 |
| Net assets | 1,194,881 | 35,512 |
| EQUITY | | |
| Share capital | 8,446 | 1 |
| Reserves | 1,186,435 | 35,511 |
| Total equity | 1,194,881 | 35,512 |

31 December 2020

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)*Note:*

A summary of the Company's share capital and reserves is as follows:

| | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|-----------------------------|-----------------------------|-------------------------------|----------------------------------|------------------|
| Balance at 1 January 2020 and 31 December 2019 | 1 | — | 35,511 | — | 35,512 |
| Loss and total comprehensive loss for the year | — | — | — | (3,500) | (3,500) |
| Issue of new shares | 2,112 | 1,200,024 | — | — | 1,202,136 |
| Issue of ordinary shares Upon capitalisation | 6,333 | (6,333) | — | — | — |
| Issue of new shares | — | (39,267) | — | — | (39,267) |
| Balance at 31 December 2020 | 8,446 | 1,154,424 | 35,511 | (3,500) | 1,194,881 |
| Balance at 1 January 2019 | 1 | — | 35,511 | — | 35,512 |
| Issuance of new shares | — | — | — | — | — |
| Balance at 31 December 2019 | 1 | — | 35,511 | — | 35,512 |

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2021.

Four-Year Financial Summary

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Year ended 31 December | | | |
|--|------------------------|-----------------|-----------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 | 2017 RMB'000 |
| CONTINUING OPERATIONS REVENUE | 13,158,083 | 7,568,164 | 4,513,903 | 5,338,629 |
| Cost of sales | (9,601,853) | (5,465,778) | (2,903,916) | (4,266,146) |
| GROSS PROFIT | 3,556,230 | 2,102,386 | 1,609,987 | 1,072,483 |
| Other income and gains | 74,585 | 44,826 | 59,693 | 11,397 |
| Selling and marketing expenses | (649,740) | (400,004) | (409,132) | (224,001) |
| Administrative expenses | (573,296) | (532,747) | (349,598) | (158,894) |
| Other expenses | (22,975) | (13,667) | (68,322) | (24,980) |
| Fair value gains/(loss) on investment properties | (49,276) | 160,840 | 295,121 | 490,798 |
| Finance costs | (306,540) | (230,381) | (127,269) | (83,831) |
| Share of profits and losses of: | | | | |
| Joint ventures | (29,824) | 3,758 | (32,696) | (5,185) |
| Associates | 17,196 | (7,046) | (12,549) | (5,000) |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | 2,016,360 | 1,127,965 | 965,235 | 1,072,787 |
| Income tax expense | (955,792) | (469,688) | (464,277) | (399,898) |
| PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS | 1,060,568 | 658,277 | 500,958 | 672,889 |
| Profit/(loss) for the year from discontinued operations | — | 14,036 | 16,733 | (23,936) |
| PROFIT/(LOSS) FOR THE YEAR | 1,060,568 | 672,313 | 517,691 | 648,953 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | — | — | — | — |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | 1,060,568 | 672,313 | 517,691 | 648,953 |
| Attributable to: | | | | |
| Owner of the parent | 860,311 | 544,825 | 420,886 | 613,860 |
| Non-controlling interests | 200,257 | 127,488 | 96,805 | 35,093 |
| | 1,060,568 | 672,313 | 517,691 | 648,953 |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | | |
| Basic and diluted | RMB1.12 | N/A | N/A | N/A |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Year ended 31 December | | | |
|--|------------------------|-----------------|-----------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 | 2017 RMB'000 |
| ASSETS | | | | |
| Non-current assets | 7,189,458 | 6,366,177 | 6,057,982 | 5,145,195 |
| Current assets | 52,883,712 | 35,683,949 | 22,430,370 | 11,220,711 |
| LIABILITIES | | | | |
| Non-current liabilities | 10,939,978 | 6,709,673 | 5,253,751 | 3,357,134 |
| Current liabilities | 39,863,120 | 29,280,706 | 17,343,292 | 8,647,451 |
| NET ASSETS | 9,270,072 | 6,059,747 | 5,891,309 | 4,361,321 |
| EQUITY | | | | |
| Equity attributable to owners of the parent | | | | |
| Share capital | 8,446 | 1 | — | — |
| Reserves | 7,241,954 | 5,227,219 | 5,231,884 | 3,775,073 |
| | 7,250,400 | 5,227,220 | 5,231,884 | 3,775,073 |
| Non-controlling interests | 2,019,672 | 832,527 | 659,425 | 586,248 |
| TOTAL EQUITY | 9,270,072 | 6,059,747 | 5,891,309 | 4,361,321 |