中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.
(Incorporated in Hong Kong with limited liability)

Stock Code : 00688

Pursue innovation through integrity Robust and secure to achieve growth

Annual Report 2020

International Community, Tianjin

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Board of Directors and Committees

EXECUTIVE DIRECTORS

Yan Jianguo *Chairman*
Luo Liang *Vice Chairman*
Zhang Zhichao *Chief Executive Officer*
Guo Guanghui *Vice President*

NON-EXECUTIVE DIRECTORS

Zhuang Yong *Vice Chairman*
Chang Ying

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David
Chan Ka Keung, Ceajer

AUTHORISED REPRESENTATIVES

Yan Jianguo
Luo Liang

AUDIT AND RISK MANAGEMENT COMMITTEE

Li Man Bun, Brian David*
Fan Hsu Lai Tai, Rita
Chan Ka Keung, Ceajer

REMUNERATION COMMITTEE

Chan Ka Keung, Ceajer*
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David

NOMINATION COMMITTEE

Fan Hsu Lai Tai, Rita*
Li Man Bun, Brian David
Chan Ka Keung, Ceajer

CORPORATE GOVERNANCE COMMITTEE

Chan Ka Keung, Ceajer*
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David
Luo Liang

* *Committee Chairman*

Corporate Information

REGISTERED OFFICE

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
Website : www.coli.com.hk

COMPANY SECRETARY

Edmond Chong

REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

INVESTOR RELATIONS

Corporate Communications Department
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
E-mail : coli.ir@cohl.com

PUBLIC RELATIONS

Corporate Communications Department
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
E-mail : coli.pr@cohl.com

LEGAL ADVISOR

Mayer Brown

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants and
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS (In Alphabetical Order)

Agricultural Bank of China
Bank of China
Bank of Communications Co., Ltd. Hong Kong Branch
Bank of Shanghai Co., Ltd
China Construction Bank Corporation
China Merchants Bank
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China
Nanyang Commercial Bank, Limited
Postal Savings Bank of China
Shanghai Pudong Development Bank Co., Ltd.
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking Corporation Limited

Shareholders' Information and Financial Calendar

LISTING

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**") and certain notes issued by the Company's subsidiaries are listed on SEHK and/or other stock exchange.

STOCK CODE

Shares

SEHK	:	00688
Bloomberg	:	688:HK
Reuters	:	0688.HK

FINANCIAL CALENDAR

Interim results announcement	:	24 August 2020
Closure of Register of Members for interim dividend	:	22 September 2020
Interim dividend paid	:	5 October 2020
Final results announcement	:	29 March 2021
Closure of Register of Members for annual general meeting	:	17 June 2021 to 22 June 2021 *(both days inclusive)*
Annual General Meeting	:	22 June 2021
Closure of Register of Members for final dividend	:	28 June 2021
Final dividend payable	:	12 July 2021

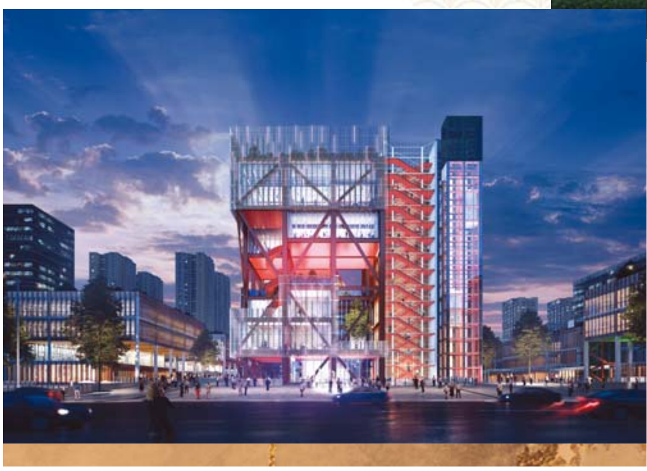
Corporate Structure

PROPERTY DEVELOPMENT*

- Mainland China
- Hong Kong
- Macau

COMMERCIAL PROPERTIES

- Mainland China
- Hong Kong
- Macau
- London



OTHER PROPERTY RELATED OPERATIONS

- Mainland China
- Hong Kong

* Property development in 81 major cities in Mainland China, including Beijing, Shanghai, Guangzhou, Shenzhen, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Ezhou, Foshan, Fuzhou, Guiyang, Haikou, Hangzhou, Harbin, Jiangmen, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Qingdao, Sanya, Shenyang, Shijiazhuang, Suzhou, Taiyuan, Tianjin, Urumqi, Wanning, Weihai, Wenzhou, Wuhan, Wuxi, Xiamen, Xi'an, Yantai, Zhangzhou, Zhaoqing, Zhengzhou, Zhenjiang^, Zhongshan, Zhuhai, Baotou#, Changzhou#, Ganzhou#, Guilin#, Hefei#, Hohhot#, Huangshan#, Huizhou#, Jilin#, Jinhua#, Jining#, Jiujiang#, Langfang#, Lanzhou#, Linyi#, Liuzhou#, Nanning#, Nantong#, Qingyuan#, Quanzhou#, Shantou#, Shaoxing#, Taizhou#, Tangshan#, Tianshui#, Weifang#, Weinan#, Xining#, Xuzhou#, Yancheng#, Yangzhou#, Yinchuan#, Zhanjiang#, Zhuzhou#, Zibo#, Zunyi# as well as in Hong Kong and Macau

^ The city where both China Overseas Land & Investment Limited (the "**Company**") and its subsidiaries (the "**Group**") and China Overseas Grand Oceans Group Limited ("**COGO**") have operations.

The cities where COGO has operations

Financial Highlights

For the year ended 31 December	2020	2019	Change
Financial Highlights *(RMB billion)*			
Revenue	**185.79**	163.65	13.5%
Profit attributable to the shareholders of the Company	**43.90**	41.62	5.5%
Profit attributable to the shareholders of the Company excluding fair value gain[1]	**38.03**	34.30	10.9%
Contracted property sales[2]	**360.72**	320.59	12.5%
Financial Ratios			
Net gearing *(%)*	**32.6**	33.7	–1.1[3]
Interest coverage ratio *(times)*	**7.8**	7.4	+0.4[4]
Dividend payout *(%)*[5]	**30.2**	28.4	+1.8[3]
Return on equity *(%)*[6]	**14.8**	15.8	–1.0[3]
Weighted average borrowing cost *(%)*	**3.8**	4.2	–0.4[3]
Financial Information per Share *(RMB)*			
Earnings	**4.01**	3.80	5.5%
Dividends *(HK$)*	**1.18**	1.02	15.7%
— Interim dividend *(HK$)*	**0.45**	0.45	–
— Final dividend *(HK$)*	**0.73**	0.57	28.1%
Net assets	**28.68**	25.61	12.0%
Land Reserves *(million sq m)*			
Development land bank[7]	**61.79**	65.22	–5.3%

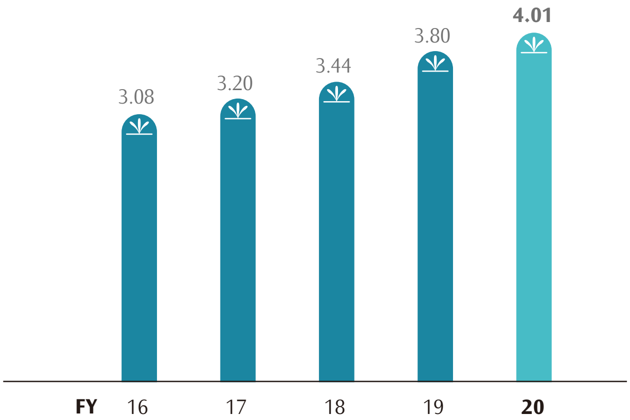
Notes:

1. *Representing profit attributable to the shareholders of the Company after deducting net gains after tax arising from changes in fair value of investment properties*
2. *Representing the Group together with its associates and joint ventures (collectively the "**Group Series of Companies**")*
3. *Change in percentage points*
4. *Change in number of times*
5. *Calculated based on the profit attributable to the shareholders of the Company after deducting net gains after tax arising from changes in fair value of investment properties*
6. *Calculated based on the profit attributable to the shareholders of the Company divided by the average of the equity attributable to shareholders of the Company*
7. *Representing year end figures of the Group Series of Companies (excluding COGO)*

Financial Highlights (continued)

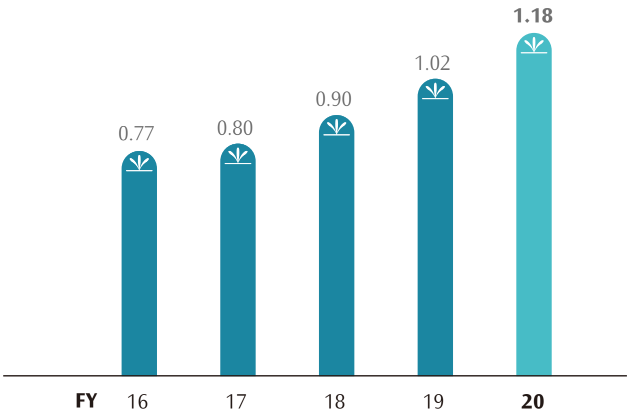
EARNINGS PER SHARE

RMB



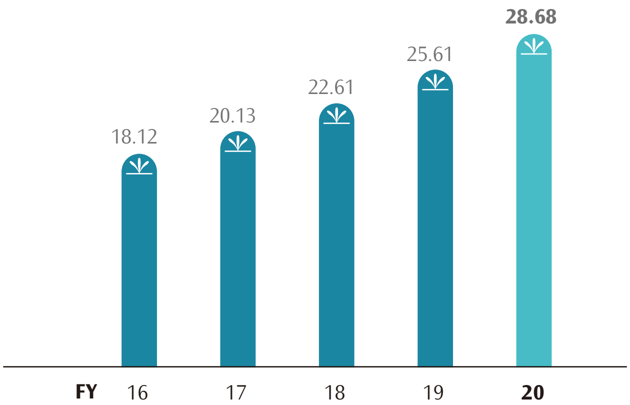
DIVIDENDS PER SHARE

HK$



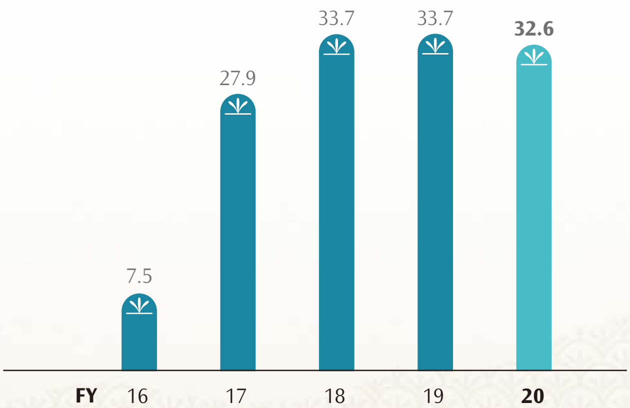
NET ASSETS PER SHARE

RMB



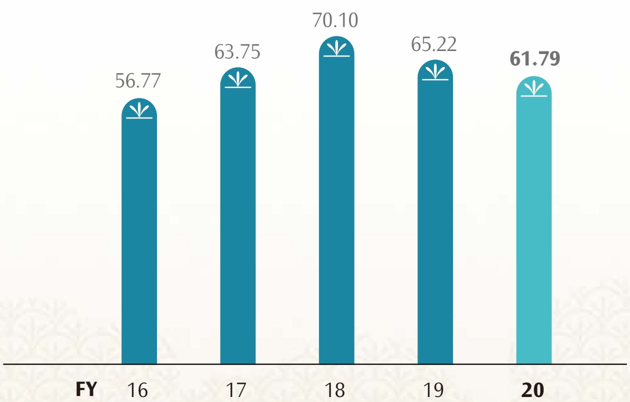
NET GEARING

%



LAND RESERVES*

million sq m



* *Representing the Group Series of Companies (excluding COGO)*

Group Financial Summary

KEY FINANCIAL INFORMATION AND RATIOS

Financial Year	2016 RMB	2017 RMB	2018 RMB	2019 RMB	**2020 RMB**
Earnings per share	3.08	3.20	3.44	3.80	**4.01**
Dividend per share *(HK$)*	0.77	0.80	0.90	1.02	**1.18**
— Interim Dividend *(HK$)*	0.35	0.35	0.40	0.45	**0.45**
— Final Dividend *(HK$)*	0.42	0.45	0.50	0.57	**0.73**
Net assets per share	18.12	20.13	22.61	25.61	**28.68**
Net gearing *(%)*	7.5	27.9	33.7	33.7	**32.6**
$\frac{\text{Net debt}}{\text{The equity attributable to the shareholders of the Company}}$					
Interest coverage ratio *(times)*	6.3	8.2	7.8	7.4	**7.8**
$\frac{\text{Operating profit — Total interest income}}{\text{Interest expense*}}$					

KEY PROFIT AND LOSS ITEMS

For the year ended 31 December	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Revenue	138,637,906	142,798,668	144,027,289	163,650,953	**185,789,528**
Operating profit	48,929,983	54,071,963	59,414,910	62,344,200	**65,231,389**
Profit attributable to the shareholders of the Company	31,282,439	35,059,478	37,716,257	41,618,313	**43,903,954**

KEY STATEMENT OF FINANCIAL POSITION ITEMS

As at 31 December	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Fixed assets#	63,384,862	84,058,238	100,720,347	118,040,070	**145,889,892**
Long-term investments	14,476,555	17,245,299	23,320,828	36,306,418	**33,313,889**
Other non-current assets	8,202,326	17,896,314	14,320,460	8,917,738	**8,200,412**
Net current assets	245,850,787	245,055,790	277,841,093	302,383,346	**332,290,978**
Non-current liabilities	(128,825,470)	(137,214,595)	(159,590,874)	(176,502,947)	**(191,345,851)**
Net assets	203,089,060	227,041,046	256,611,854	289,144,625	**328,349,320**

* *Before capitalisation and excluding interest on amounts due to fellow subsidiaries and a related company, associates, joint ventures and non-controlling shareholders*

\# *Representing investment properties and property, plant and equipment*

2020 Business Milestones

24 January

The Group actively responded to the call of the nation and worked in unity against the COVID-19 pandemic. It actively and efficiently implemented pandemic prevention and control measures in its properties and communities, and accelerated the resumption of work and production in an orderly manner. The Group worked with tenants to come through the difficulties together. Throughout the year, the Group reached rent reduction agreement of approximately RMB125 million with 1,300 commercial properties tenants.

The Group reached rent reduction agreement with commercial properties tenants

2 March


NOTICE OF LISTING ON
THE STOCK EXCHANGE OF HONG KONG LIMITED
China Overseas Finance (Cayman) VIII Limited
(as Issuer)
The issue of
and
(collectively, the "Notes")
Medium Term Note Programme
(the "Programme")
unconditionally and irrevocably guaranteed by
CHINA OVERSEAS LAND & INVESTMENT LTD.

Issued offshore US$1 billion guaranteed notes under the medium term note programme

The Group successfully issued offshore US$1 billion guaranteed notes under the medium term note programme, achieving the lowest interest rate for the Group's bond issuance with the same tenor.

10 March

The Group successfully acquired Foshan Vivo City Shopping Center and renamed it as "Foshan Yingyue Lake Unipark".

Foshan Yingyue Lake Unipark

16 March

Guandian New Media released the "Top 30 Listed Mainland Real Estate Companies of the year 2020". With its outstanding financial and operational advantages, the Group secured No. 1 in "2020 Top 10 Listed Mainland Real Estate Companies in Financing Capability", No. 1 in "2020 Top 10 Listed Mainland Real Estate Companies in Solvency" and No. 2 in "Top 30 Listed Mainland Real Estate Companies of the Year 2020".

2020 Business Milestones (continued)

28 April

The Group successfully issued the green commercial mortgage-backed security ("CMBS") of RMB3.7 billion, being the first and the largest-ever domestic green CMBS project with the lowest issuing rate, which also won CMBS of the Year at "Frontiers Awards" in the 5th Annual China Real Estate Securitization Summit.

22 May

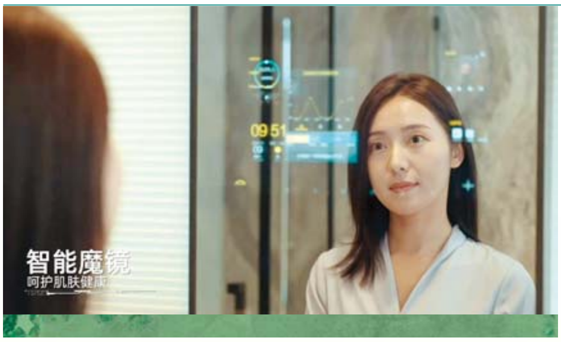
The Group successfully expanded into Weihai in Shandong and, on 29 October, into Wenzhou in Zhejiang. The Group continued to augment its presence for key cities, aiming to create urban value and expand the space for happiness.

26 May

The Group launched various targeted poverty alleviation initiatives, including poverty alleviation through industry support and education, in Kangle County, Kang County and Zhuoni County in Gansu Province. Among these efforts, the Group assisted Kangle County during the whole process of building its native agricultural product brand, "Kangle Mushroom", as well as promoted the sales of native mushrooms, which gained a wide reputation. During the Year, the Group had been awarded "Corporate Citizen of the Year 2020" and "Outstanding Enterprise in Social Responsibility 2020".

The Group helped Kangle County to launch a special agricultural product brand "Kangle Mushroom"

29 May



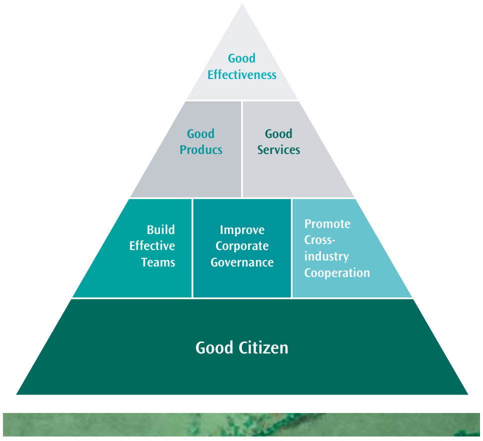
COLI's Smart Home Scenario

The Group joined hands with more than 30 leading technology companies, including Huawei, iFlytek and BOE Technology, to establish the "Smart Space Joint Laboratory". With the development direction of green health, the Group and these technology giants jointly explored the development of smart cities, smart human residences, smart homes, green buildings and new themes in related realms, to continue to steadily promote the new interactive mode of human dwellings, drawing an emotional connection between people and space.

2020 Business Milestones (continued)

29 May

The Group released its 2019 Environmental, Social, and Corporate Governance Report, which established a sustainable strategic development framework on the basis of being "A Company of Four Excellences" and promoted the setting of 2023 targets for sustainable development.



"A Company of Four Excellences" ESG Strategy Framework

30 June

The Group acquired a land parcel in Hanyang in Wuhan with total GFA of approximately 1.38 million sq m for RMB14.42 billion. The Group invested in developing high-quality projects and high-end commercial complexes to help Wuhan's post-pandemic development.

20 July

Hang Seng Indexes launched the Hang Seng ESG50 Index, and selected the 50 companies with the best overall ESG performance among the larger companies listed in Hong Kong. The inclusion of the Group in this index recognises the Group's outstanding performance in environmental protection, social responsibility and corporate governance.

29 July

The Group joined the "Smart Park Standards Working Group", approved by the National Technical Committee for Digitalisation of Smart Buildings and Residential Areas (SAC/TC426), and participated in the preparation of new "Smart Park Design Standards", to help establish standards for the industry. During the year, the Group won honours including No. 1 in "2020 Mainland China Green Real Estate" and No. 1 in "2020 Mainland China Green Real Estate (Central) State-owned Enterprise".

No. 1 in "2020 China Green Real Estate"

2020 Business Milestones (continued)

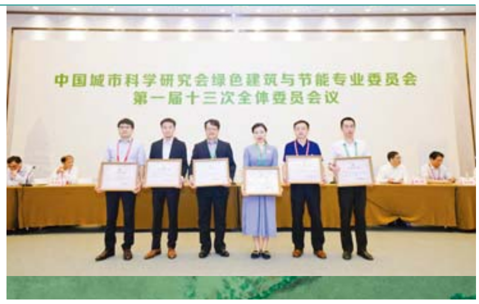
29 July

Shanghai East Jianguo Road project

The Group signed a cooperation framework agreement with the People's Government of Huangpu District, Shanghai. The Group will develop five land parcels for urban renewal at 67–71 East Jianguo Road, Huangpu District, which will regenerate the neighbourhood while protecting historical features there. With a total investment of RMB59 billion, this will be an important livelihood project and marks the largest investment project in the history of the Group.

26 August

At the 16th International Green Building and Building Energy Conservation Conference cum New Technology and Product Expo, 15 of the Group's projects, including Supreme Charms in Suzhou and The Paragon in Jinan, were accredited with China Healthy Building Certification 2019–2020. The Group was also proud to be awarded the title of "2019 Green Building Pioneer — Corporate Member".



The "Green Building Pioneer — Corporate Member" award ceremony

10 September

The Group was named "China's Real Estate Industry Leading Company Brand"

With its outstanding value creativity and brand strength, the Group was named "Mainland China's Real Estate Industry Leading Company Brand" for the seventeenth time, with a brand value of RMB121.6 billion, the highest in the industry.

2020 Business Milestones (continued)

29 October

The China Overseas Huashan Project, the largest shanty town reform project implemented by the Group in Shandong, completed the delivery of 3,707 resettlement houses. The original residents of Huashan district bid farewell to dilapidated housing and moved into spacious and bright new homes. In 2020, the Group also completed the handover of all 17 resettlement commercial buildings within this project.

"Paramount Jade, Jinan" is the largest shantytown renovation in Shandong province

25 November

The Group acquired a land parcel in Zhuhai's Shizimen Central Business District for RMB10.48 billion, with a total GFA of approximately 620,000 sq m. The project sits across the bank from Hengqin Financial Island and Macau Tower and will be developed into a large-scale seaside urban complex.

25 December

Chengdu UniFUN

The Group opened its fourteenth shopping mall, Chengdu UniFUN.

2020

The Group overcame economic headwinds and achieved high-quality development. Annual contracted property sales increased by 12.5% to RMB360.72 billion, with 10 cities recording contracted property sales exceeding RMB10 billion. Among them, first-tier cities Beijing, Shanghai, Guangzhou, Shenzhen and Hong Kong and Macau had contracted property sales that reached RMB112.6 billion, exceeding RMB100 billion.

Chairman's Statement

Metropolis Times, Beijing

Chairman's Statement

I have pleasure to report to the shareholders the audited profit attributable to the shareholders of the Company for the year ended 31 December 2020 increased by 5.5% to RMB43.90 billion; profit attributable to the shareholders of the Company after deducting RMB5.87 billion in net gains after tax arising from changes in fair value of investment properties, amounted to RMB38.03 billion, an increase of 10.9% as compared to last year; basic earnings per share was RMB4.01; equity attributable to the shareholders of the Company increased to RMB314.15 billion; net assets per share was RMB28.68; and return on equity was 14.8%. The Board proposed a final dividend of HK73 cents per share.

Yan Jianguo
Chairman and Executive Director

Chairman's Statement (continued)

EYES ON THE LONG TERM GROW THROUGH OPENNESS

In 2020, despite the severe impact of the pandemic and the associated uncertainty, the Group achieved substantive growth.

In 2020, the Group Series of Companies achieved contracted property sales of RMB360.72 billion, an increase of 12.5% as compared to last year. The audited profit attributable to the shareholders of the Company amounted to RMB43.90 billion, an increase of 5.5% as compared to last year; profit attributable to the shareholders of the Company after deducting RMB5.87 billion in net gains after tax arising from changes in fair value of investment properties, amounted to RMB38.03 billion, an increase of 10.9% as compared to last year; basic earnings per share was RMB4.01; equity attributable to the shareholders of the Company increased to RMB314.15 billion; net assets per share was RMB28.68; and return on equity was 14.8%. The Board proposed a final dividend of HK73 cents per share.

This performance, as always, was rock solid.

Under the central government's supervision policy, the Group has not breached any of the "three red lines" and is a "green category" enterprise. At the end of 2020, the Group's liability to asset ratio was 60.1%, net gearing 32.6%, and cash on hand RMB110.47 billion. With sufficient funds and financial stability, the Group has greater room to seize market opportunities. In 2020, the Group added 64 land parcels, with attributable land premium amounting to RMB131.84 billion, corresponding to approximately RMB274.17 billion in newly added saleable resources, which ranks among the highest level in the industry.

In 2021, in keeping with the new five-year plan of the national economy, we will embark on a new journey. Looking to the future, we will continue to adhere to the doctrine of focusing on the long-term and working for solid growth in an uncertain world.

Competitive development in the real estate market is a long race, and the second half of the game has just begun, with "segmentation" as the key characteristic in the real estate market. Specifically, the "Five Segmentations" will be:

First: market segmentation. First- and second-tier, and strong third-tier, cities will be the main battlefields in the second half of the real estate match.

Second: enterprise segmentation. The "three red lines" financial supervision policy for real estate companies and the "two red lines" for commercial bank real estate loans and personal housing loans will block the expansion of highly leveraged real estate companies, and the channel for rapid growth of small and medium-sized real estate companies will be closed. Industry consolidation by survival of the fittest will further accelerate.

Third: investment segmentation. Land is increasingly scarce, and the amount of investment in a single project is rising. Those with stable finance and strong capital will have more opportunities; likewise, companies with urban operational capability to invest in commercial assets, reform of older cities and urban renewal.

Fourth: management segmentation. The industry has entered a stage where management effectiveness is required, and only companies with strong organisational and digital management capabilities will triumph.

Fifth: product strength segmentation. Good products and good services are always the key to winning customers.

Our resources and capabilities effectively match the "Five Segmentations" trends that bestow on the Group's several comparative advantages. This is the cornerstone of our solid growth in an uncertain world.

Chairman's Statement (continued)

Facing the future, we will actively embrace changes and grow with openness amid uncertainty.

We will continue to focus 90% of our resources on the main business of residential development to adapt to the second half of the real estate market in which high-quality land is increasingly scarce. The Group will promote the "blue ocean strategy" of land investment and increased openness to cooperation. In the large markets of first- and second-tier cities, consolidating the Group's urban operational capabilities in the investment and development of commercial and cultural projects, the Group cooperated with a number of major developers to run large-scale, mixed-use projects such as in urban renewal, reform of older cities and development close to rail access. In 2020, the Group successfully secured a batch of mega-sized projects including the Shanghai Hongqi Village project, Wuhan Hanyang District project, Taiyuan Tanghuaichanyeyuan District project, and Shanghai East Jianguo Road project, each with a construction area in excess of one million sq m and averaging tens of billions of RMB of saleable resources. In 2020, the value of the Group's newly added attributable land premium through the "blue ocean strategy" reached RMB32.73 billion, accounting for 24.8% of the total newly added attributable land premium in the year. In the second half of the game, with greater segmentation, the Group will also take advantage of its financial capital to actively seek suitable merger and acquisition opportunities within the industry.

Looking forward, we will seize the opportunities derived from rapid technological advances to promote the rapid iteration of the upstream and downstream industrial chain of real estate development, fostering outward-facing growth of the Group's business for tomorrow and the day after tomorrow.

Shanghai Hongqi Village project

The 2020 pandemic has had an impact on the operation of commercial assets, but the fast-paced economic recovery that is following the pandemic will foster explosive growth in demand for commercial properties. Core office properties and shopping malls are still high-quality assets that can ride economic cycles.

In 2020, the Group's operating revenue from commercial properties reached RMB4.40 billion, and the revenue target of RMB12 billion is expected to be achieved in 2025.

As the largest single-ownership office developer and operator in Mainland China, in 2020, the Group Series of Companies owned and operated 49 office buildings, with the direct lease transaction ratio reaching 70%. Fortune Global 500 companies account for more than 25% of the leased area, and 44% of the leased area was taken up as whole floors. As at the end of 2020, the Group Series of Companies held 72 office buildings in operation and under development, with a total construction area of 5.45 million sq m. Leveraging its industry-leading office building operation and management capabilities, the Group Series of Companies has launched seven office building projects with asset-light management, with a total area of 380,000 sq m.

Shopping malls are an important growth business of the Group, comprising the city centre commercial brands Unipark and Uni ELITE, along with community business brand UniFUN. In 2020, the Group Series of Companies operated and managed 16 shopping malls under its ownership. As at the end of 2020, the Group Series of Companies held 37 shopping malls in operation or under development, with a total construction area of 3.94 million sq m. In the next few years, high-quality benchmark-setting shopping malls in Shanghai, Chengdu, Wuhan, Zhuhai and other places will pick up the pace in their market entry. In 2020, the Group completed the first acquisition of a 127,000 sq m shopping mall, which after renovation operates as Foshan Yingyue Lake Unipark. Going forward, regular mergers and acquisitions of high-quality shopping malls will be one of the important ways for the Group to expand its revenue from commercial properties.

Chairman's Statement (continued)

As at the end of 2020, the Group Series of Companies own and operate 12 star-rated hotels. As well as collaborations with international hotel groups, the Group operated its own hotel brand, The COLI Hotel, which continues to enjoy a blossoming reputation in the market. Actively responding to the long-term mechanism of "simultaneous lease and sale", the Group will take the opportunity to expand the pilot scheme of leased housing construction on collective land to accelerate the development of long-term leased apartments.

Centred on the development of its education, senior living and logistics businesses, the Group resolved to expand related diversified businesses around the upstream and downstream industrial chain of real estate development, and remarkable success was achieved in the expansion of multiple businesses. In the next few years, the Group will boost efforts to promote the independent development of related businesses.

Hua Yi, a subsidiary of the Group, is a national high-tech enterprise with double A-grade qualifications in construction engineering and urban planning, and ranks among the top 100 design institutes in Mainland China. In 2020, contracts were signed to a value of RMB810 million, an increase of 26.6% as compared to last year.

Under the national strategy driven by technological innovation, taking advantage of the Group's wide-scale application of new technologies and new products, we expanded upstream and downstream investments, built a technology investment ecosystem and a number of investment oriented subsidiaries driven by technology, which have cultivated the Group's second growth curve.

In 2020, the Group invested in the establishment of Lingchao Supply Chain Management Company. Driven by the goal of further strengthening the cost advantage of centralised procurement, the Group is committed to building an integrated, industry-leading B2B service platform for buying and selling building materials. The Group also established Haizhichuang Technology Company Limited, it focuses on investing in smart space and smart community products, technology research and development and application, and invests in technology-based companies in related fields. We sincerely welcome fellow businessmen and upstream and downstream cooperative enterprises to join hands, empower each other, and grow together in an open manner.

Lingchao supply chain platform

The world is facing greater and greater complexity with uncertainty. We will keep our eyes focused on the long term, always be open to opportunities, grow with resilience, and turn our efforts into miracles.

For 2016 to 2020, the Group has allocated a total of HK$51.16 billion in dividends to shareholders. Going forward, working to create greater value for shareholders will remain an important part of our mission.

Finally, I take this opportunity to extend my heartfelt gratitude to my colleagues on the Board of Directors and all employees for their dedication, professionalism and determination to pursue excellence. I would also like to express my sincere gratitude to shareholders and partners for their support and trust.

China Overseas Land & Investment Limited
Yan Jianguo
Chairman and Executive Director

Management Discussion and Analysis

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OVERALL PERFORMANCE

In 2020, under the impact of the COVID-19 pandemic, the global economy and livelihoods faced mounting challenges. By implementing powerful pandemic prevention and control measures, the pandemic situation in Mainland China was relatively brought under control and became the only major economy in the world to show positive growth. During the year, construction and sales of residential and other properties were inevitably affected to a certain extent. The Group took effective action, achieving stable growth and staying well poised to sustain the momentum needed to withstand the impact of economic fluctuations and the pandemic.

The Group achieved its strategic and business goals for the year, with stable and healthy operation. The key performance indicators including contracted property sales, sales proceeds collection, gross profit margin, operating profit, land reserves and return on equity, all recorded satisfactory results.

During the year, the revenue of the Group increased to RMB185.79 billion, an increase of 13.5% as compared to last year. The operating profit was RMB65.23 billion, an increase of 4.6% as compared to last year. The gross profit margin was 30.05% and the net profit margin reached 23.6%, which were at an outstanding level in the industry. The ratio of selling, distribution and administrative expenses to revenue was 3.3%, once again one of the lowest in the industry. Profit attributable to the shareholders of the Company amounted to RMB43.90 billion, an increase of 5.5% as compared to last year. Profit attributable to the shareholders of the Company after deducting RMB5.87 billion in net gains after tax arising from changes in fair value of investment properties, amounted to RMB38.03 billion, an increase of 10.9% as compared to last year. Basic earnings per share was RMB4.01, an increase of 5.5% as compared to last year.

Due to the change in trend of foreign exchange rates fluctuations, the net exchange gains of the Group increased from RMB170 million for the year ended 31 December 2019 to RMB3.11 billion for the year ended 31 December 2020.

Jade Lane, Shanghai

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT

UNIONE, Shanghai

Management Discussion and Analysis (continued)

Annual Summary

- The contracted property sales of the Group's Series of Companies for the year was RMB360.72 billion, an increase of 12.5% as compared to last year, the corresponding GFA sold was 19.17 million sq m, an increase of 6.8% as compared to last year.

- The sales proceeds collection of the Group's Series of Companies for the year reached RMB342.55 billion, an increase of 14.5% as compared to last year.

- The Group's revenue from property development was RMB180.79 billion for the year, an increase of 13.6% as compared to last year.

- The area of completed projects of the Group's Series of Companies (excluding COGO) for the year was 17.86 million sq m.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

In 2020, the contracted property sales of the Group's Series of Companies reached a new record high once again, amounted to RMB360.72 billion, an increase of 12.5% as compared to last year, the corresponding GFA sold was 19.17 million sq m, an increase of 6.8% as compared to last year.

In 2020, the Group's Series of Companies' contracted property sales and the corresponding GFA sold by region are shown as below:

Region	Contracted Property Sales		Contracted area sold GFA	
	(RMB billion)	*%*	*(million sq m)*	*%*
Hua Nan Region	49.83	13.8	1.84	9.6
Hua Dong Region	59.91	16.6	1.47	7.7
Hua Bei Region	62.71	17.4	3.33	17.4
Northern Region	32.36	9.0	2.52	13.1
Western Region	32.60	9.0	1.98	10.3
Hong Kong and Macau	4.53	1.3	0.03	0.2
Associates and joint ventures of the Company	54.07	15.0	2.70	14.1
COGO	64.71	17.9	5.30	27.6
Total	360.72	100	19.17	100

During the year, the Group's revenue from property development was RMB180.79 billion, an increase of 13.6% as compared to last year. The property development projects maintained their premium gross profit margin.

During the year, the net profit contribution from associates and joint ventures amounted to RMB4.86 billion. The major associate, COGO, recorded contracted property sales of RMB64.71 billion, revenue of RMB42.91 billion, and profit attributable to the shareholders of RMB4.37 billion. COGO contributed a net profit of RMB1.68 billion to the Group during the year.

The Group maintains its customer-oriented approach, cares about health, and looking into the future, applies the concept of "Enjoyable Spaces, Smart IoT, Green Technology, and Healthy Life", to create new residential areas that meet the needs of future customers. To adapt to new era of customers' changing expectations, the Group pursues green health, smart initiatives, and industrialisation as its three major product upgrade directions, and is accelerating the development of future smart and healthy living spaces and their transformation into product advantages for the Group. During the year, the Group adopted green health, smart initiatives, industrialisation concept and advanced technology in many projects, and summarised them as corporate standards. The Group's R&D initiatives and practical results were recognised by customers and the industry, and led to its being invited to participate in the preparation of standards for the industry and many organisations relating to healthy buildings, smart buildings, smart communities and smart parks. As of 31 December 2020, 64 new projects of the Group Series of Companies obtained green building certification, 16 new projects obtained healthy building certification, and the Group was crowned No. 1 in "2020 Mainland China Green Real Estate", No. 1 in "2020 Green Credit Index of Chinese Real Estate Enterprises", and No. 1 in "2020 Mainland China Green Real Estate Operation Index", among other awards.

During the year, the Group Series of Companies (excluding COGO) completed the projects with a total area of 17.86 million sq m in 28 cities in Mainland China and in Hong Kong.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

The area of projects completed by region in 2020 is as below:

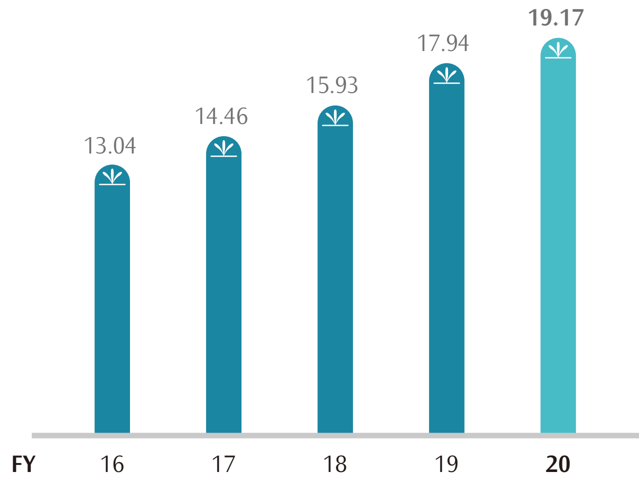
City	Total Area ('000 sq m)
Hua Nan Region	
Guangzhou	1,379
Changsha	514
Zhuhai	379
Fuzhou	355
Xiamen	189
Foshan	153
Hainan	81
Shenzhen	32
Sub-total	*3,082*
Hua Dong Region	
Nanjing	1,195
Shanghai	327
Ningbo	210
Nanchang	142
Sub-total	*1,874*
Hua Bei Region	
Beijing	1,746
Jinan	1,249
Tianjin	469
Wuhan	334
Taiyuan	219
Sub-total	*4,017*
Northern Region	
Qingdao	2,276
Shenyang	1,363
Dalian	593
Changchun	583
Yantai	445
Harbin	158
Sub-total	*5,418*
Western Region	
Xi'an	1,177
Chengdu	1,133
Xinjiang	393
Chongqing	358
Kunming	297
Sub-total	*3,358*
Hong Kong and Macau	
Hong Kong	107
Sub-total	*107*
Total	**17,856**

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

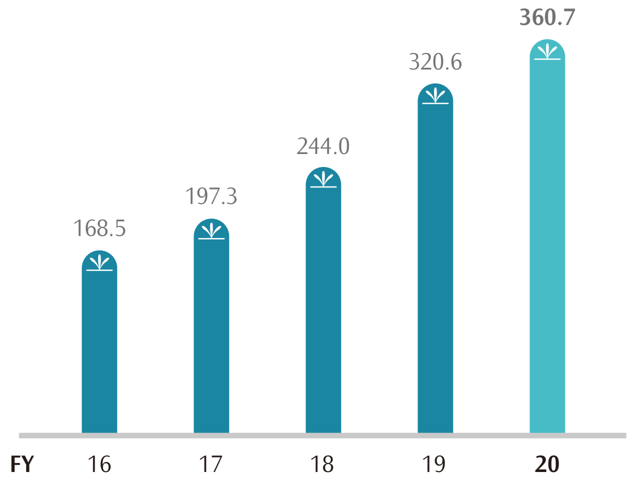
CONTRACTED PROPERTY SALES AREA*

million sq m



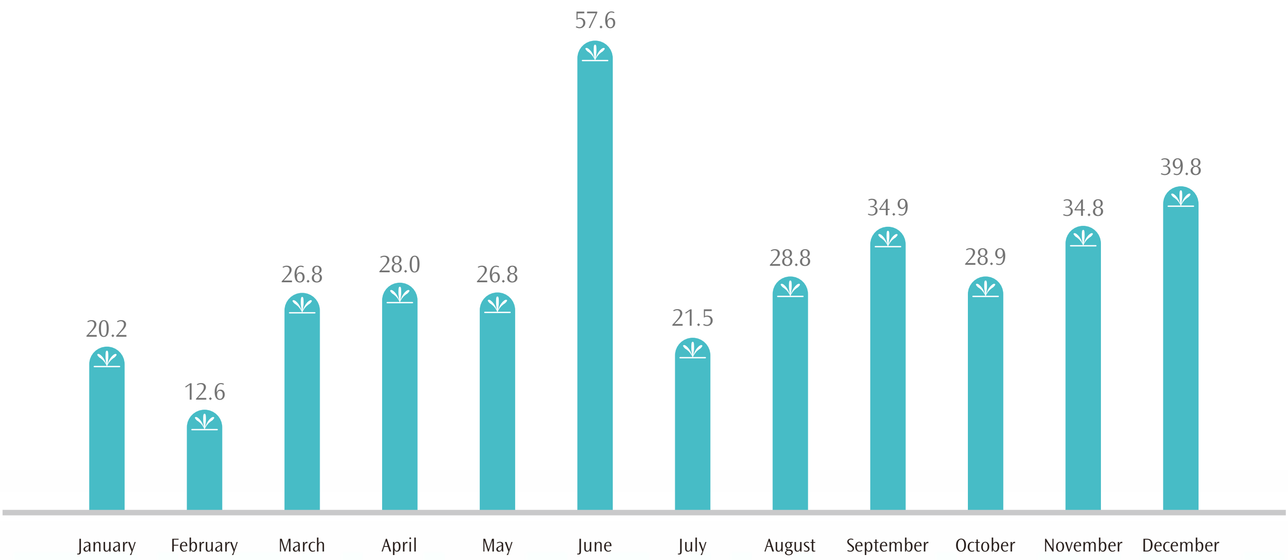
CONTRACTED PROPERTY SALES AMOUNT*

RMB billion



2020 CONTRACTED PROPERTY SALES AMOUNT BY MONTH*

RMB billion



* Representing the Group Series of Companies

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Property development projects of the Group are mainly located in first-tier and second-tier cities in Mainland China. Projects that are worth noticing in terms of scale of current or future sales in their respective regions will be introduced below. Details are as follows:

Project Introduction

Hua Nan Region

Mountain View Palace, Changsha (100%-owned)

Location:
Yuelu District, Changsha

Project site area:
192,613 sq m

Project total GFA:
579,511 sq m

Located at Yanghu Ecological New Town in Yuelu District, Changsha, Mountain View Palace is situated at the core showcase area of Xiangjiang New District in Hunan, a new state-level district. The project is equipped with well-developed and high-end living facilities, offering numerous advantages in education, transportation, landscape and medical care. It is surrounded by ample educational resources, including elite schools such as Lushan International Experimental School and Yali Yanghu Experimental School, as well as 17 branded primary and secondary schools. Located at the intersection of Metro Line 3/8, the project enjoys convenient accessibility with three vertical and three horizontal traffic networks and three river-crossing bridges. The project includes two phases of development, northern and southern phases, where the construction was commenced in November 2019 and is expected to be completed in 2021. The project has been launched for sales, with an accumulated contracted sales of RMB5.1 billion.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Nan Region *(continued)*

The Peninsula, Foshan (100%-owned)

Location:
Nanhai District, Foshan

Project site area:
99,287 sq m

Project total GFA:
423,828 sq m

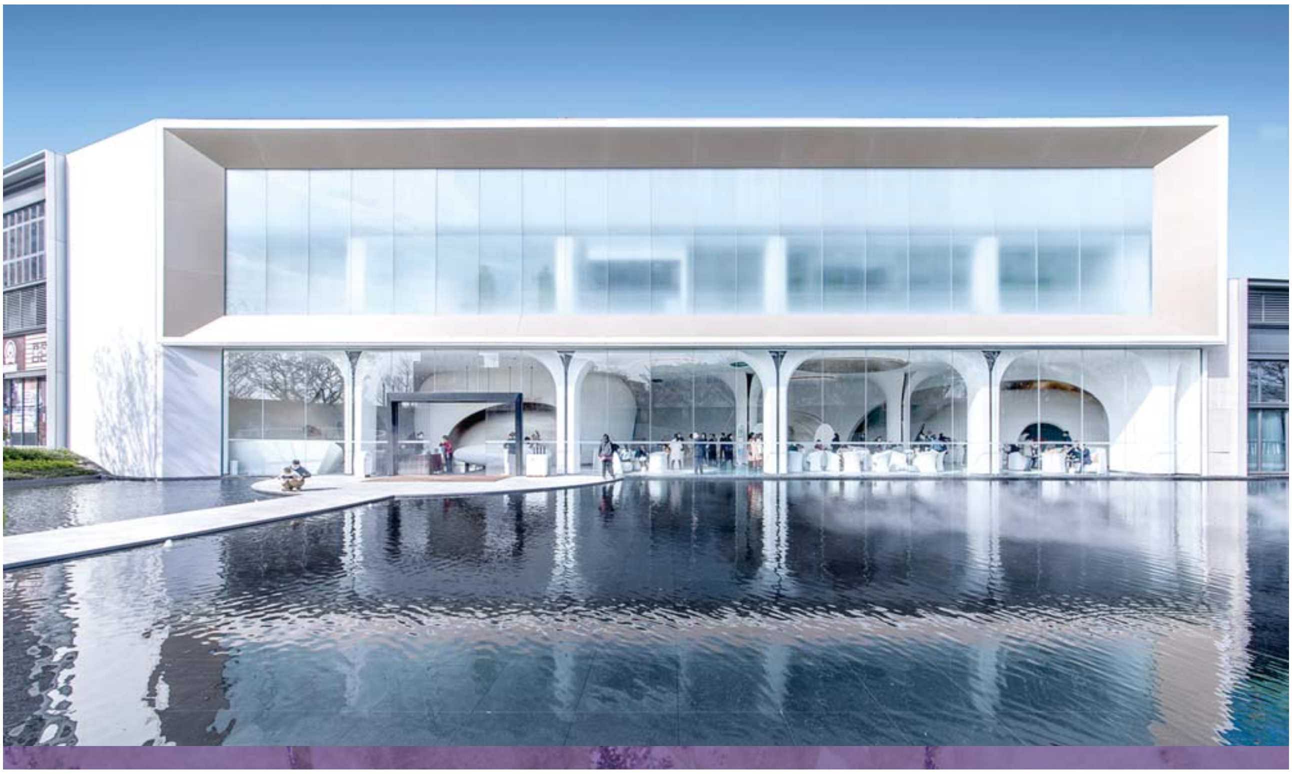
The Peninsula is located at the International Technological and Innovation Town in Sanshan New Town, a front town neighboring Guangzhou which enjoys half-hour access to five CBD areas in Guangzhou and Foshan: Zhujiang New Town, Guanggang New Town, Guangzhou South Railway Station, Panyu Wanbo Center and Qiandeng Lake Business District. With dual metro lines planning (Gangkou Lu Station of Foshan Line 4 and Line 11), the project also enjoys scarce ecological resources of one river, one lake and four parks in the city core, encircled by the Pearl River and adjacent to Wenhan Lake Park. The project provides community facilities such as a 21-class kindergarten and a nine-year public school located in the western part of the district, and is surrounded by mature commercial facilities with four major commercial complexes. It includes two phases of development, where its construction was commenced in October 2020 and is expected to be completed in 2023.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Nan Region *(continued)*



Sunshine Oak Park, Shenzhen (80%-owned)

Location:
Longgang District, Shenzhen

Project site area:
25,462 sq m

Project total GFA:
164,979 sq m

Sunshine Oak Park is located at Baohe ecological and international residential area of Longgang District, Shenzhen. It is situated within the overlapped area of Baolong Science and Technology Town and Dayun CBD, the industrial highlands in eastern Shenzhen, where Baohe Station of Metro Line 14 Express is under construction. The project is adjacent to a large-scale shopping center (under planning) to the south, overlooking the city's rare golf landscape to the north, and is surrounded by three mountains and two reservoirs within 4 km, including Maluan Mountain, Gao'ao Mountain, Baxianling, Bingkeng Reservoir and Niu'ao Reservoir, which cultivates a healthy living environment. Construction of the project was commenced in August 2020 and is expected to be completed in 2023.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Dong Region

Jade Lane, Shanghai (100%-owned)

Location:
Putuo District, Shanghai

Project site area:
30,603 sq m

Project total GFA:
123,575 sq m

Jade Lane is located at the northwest gateway of Shanghai, the starting point of Shanghai-Nanjing development axis which connects the Yangtze River Delta and major land transportation hubs in Mainland China. The project is situated in Wuning and is adjacent to Jing'an Caojiadu and Changning Zhongshan Park, core development area in Putuo District. The project is located in the inner ring where No. 3, No. 4, No. 11 and No. 13 metro lines meet, making it easily accessible to the core business districts of the city such as Nanjing West Road, Xintiandi and Shanghai railway stations. The project is surrounded by several 3A hospitals with abundant educational resources. Structures of the project mainly consist of small high-rise buildings and houses, developed in two phases. Construction commenced in September 2019 and is expected to be completed in 2021. By the end of 2020, the project was basically sold out, with an accumulated contracted sales of RMB6.1 billion.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Dong Region *(continued)*

UNIONE, Shanghai (100%-owned)

Location:
Huangpu District, Shanghai

Project site area:
68,263 sq m

Project total GFA:
351,821 sq m

UNIONE is located at the core region of the central activity zone in the inner ring of Shanghai, an important region where global wealth, industries and talents converge, and has attracted over 60% of headquarters of multinational companies in Shanghai. The UNIONE project is expected to be the scarcest residential resource in the region. The project enjoys convenient transportation and rapid access to the main roads of the city with two bridges, three viaducts, four metro lines and five tunnels, which enables direct access to any part of the city. The project is surrounded by well-established and high-end commercial facilities as well as quality educational resources and medical support. The project mainly provides small high-rise buildings and includes two phases of development. The project commenced construction in December 2017 and is expected to be completed in 2021. By the end of 2020, the project was basically sold out with accumulated contracted sales of RMB20.6 billion.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Dong Region *(continued)*

Oriental Mansion, Ningbo (100%-owned)

Location:
Haishu District, Ningbo

Project site area:
71,182 sq m

Project total GFA:
245,351 sq m

Oriental Mansion is located at Haishu District, Ningbo and in the heart of Haishu old urban area, a top priority of "One Core, Two Belts and Three Circles" urban planning; the project is located in the core business district of Sanjiangkou, enjoying comprehensive urban living facilities within approximately 3 km, including Tianyi Square, the Drum Tower and the Ningbo Grand Theatre; within its walking distance are Line 4 (under construction) and Line 6 (under planning) of railway, and Tongtu Road, the main avenue of the city, is located south of the project. The project is surrounded by Cuibai River in the west and Caijiang River in the north, making it a waterfront and low-density residential community rarely found in the heart of the city. Construction of the project commenced in April 2020 and is expected to be completed in 2022.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Dong Region *(continued)*

Maison De Renaissance, Hangzhou (100%-owned)

Location:
Xihu District, Hangzhou

Project site area:
39,344 sq m

Project total GFA:
140,943 sq m

Located at No. 258, Wantang Road, Huanglong Cultural and Educational Section, Xihu District in Hangzhou, Mansion De Renaissance was built on the last piece of land parcel in downtown where it is approximately 1.5 km from Huanglong Sports Center and approximately 3 km from West Lake. Located at the heart of the old urban area, the project is surrounded by well-developed ancillary facilities and is accessible to prosperous business districts within walking distance. The project enjoys long-standing and abundant educational resources in Hangzhou, such as Xingzhi Primary School, Xuejun Primary School, Xuejun Middle School and the campus of Zhejiang University within 2 km from the project. The project is close to metro stations with convenient transportation network, accessible to the whole city by dual lines of Line 2 and Line 10. The project commenced construction in June 2019 and is expected to be completed in 2021.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Bei Region

Metropolis Times, Beijing (100%-owned)

Location:
Daxing District, Beijing

Project site area:
125,166 sq m

Project total GFA:
476,292 sq m

Metropolis Times, Beijing is located at Yinghai in Daxing District, in the southern side of Beijing, adjacent to "green lung" Nanhaizi Park, and provides a 60,000 sq m shopping mall, empowering future urban living. The project is close to the first station of Metro Line 8, where a dual track transportation system will come into operation when Metro Line S6 opens. With Yizhuang sub center to its west, Beijing New Aerotropolis to its south, Daxing Huangcun to its west and an airport to its north, the project provides simple travel solutions to residents. The project is also well-equipped with supporting facilities such as hospitals and educational resources. It includes two phases of development, with construction commenced in March 2020 and is expected to be completed in 2022. The project's performance continued to lead the Beijing market in 2020, with accumulated contracted sales reaching RMB9.6 billion.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Bei Region *(continued)*

Future Hub, Wuhan (80%-owned)

Location:
Wuhan East Lake High-tech Development Zone, Wuhan

Project site area:
131,683 sq m

Project total GFA:
557,623 sq m

Future Hub, Wuhan is located at the core area of Wuhan, Ezhou and Jin Triangle Zone, which is five stations apart from Optics Valley Central City. To the east of the project is a national economic and high-tech development zone, allowing the project to enjoy both the prosperous life of Optics Valley, and the urbanisation of Wuhan-Ezhou integration. The numerous national enterprises and hi-tech companies in the area promise huge development potential. The project provides convenient transport and well-equipped living facilities. Public facilities in the planning include a park with 2.7 million sq m of green space, a 500 m river in Eco valley, the Optics Valley branch of The No.1 Middle School Affiliated to Central China Normal University. The project comes in two phases of development, where construction commenced in March 2020 and is expected to be completed in 2022.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Bei Region *(continued)*

Metropolis Times, Taiyuan (100%-owned)

Location:
Comprehensive Reform Zone, Taiyuan

Project site area:
328,984 sq m

Project total GFA:
1,009,371 sq m

Metropolis Times, Taiyuan is located at the central region of the Comprehensive Reform Zone, Taiyuan — a golden central axis for Taiyuan urban development with five horizontal and five vertical transportation networks. It is adjacent to the main city of Xiaodian, a location enjoying benefits from future blockchain development in the comprehensive reform zone as well as mature supporting facilities in Xiaodian city. The project is surrounded by a number of well-known educational institutions such as Tsinghua University High School and Jiuyi High School, three Grade-A hospitals such as the municipal central hospital, Bethune Hospital and the provincial hospital for children, as well as several parks and plazas. The project creates a smart community with four smart systems, namely smart access control, smart garden, smart security and smart prefabrication, to meet the demand for smart life in all scenarios. The project is being developed in three phases with its construction commenced in November 2020 and expected to be completed in 2023.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Northern Region

Garden City, Dalian (100%-owned)

Location:
Ganjingzi District, Dalian

Project site area:
172,348 sq m

Project total GFA:
479,384 sq m

Garden City is located at the intersection of Chuanling Road and Xibei Road in Ganjingzi District, Dalian. It is situated at a prime location under the city's strategy of "venturing to the west and forging ahead to the north" and is adjacent to the two major business districts of Huanan New City and Tiyu New City. The project provides comprehensive commercial planning to meet the needs of home owners in daily life, and has five major healthcare facilities such as children's hospital and maternal hospital in the area. The project is in close proximity to Roufubalu East Road in the east which is under planning, directly accessible to the Huanan business district by virtue of the dual metro resources. The project is adjacent to Central Park, which is the only park with an area of 150 million sq m in the region. The project comprises of three land parcels, namely A, C, and E, which commenced construction in October 2019 and is expected to be completed in 2022.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Northern Region *(continued)*

Wang Jing Mansion, Shenyang (100%-owned)

Location:
Shenbei New District, Shenyang

Project site area:
124,689 sq m

Project total GFA:
406,756 sq m

Wang Jing Mansion is located at Puhe Road, Shenbei New District, Shenyang and belongs to Daoyi area. The project, based in the north central axis of the city, is well-established with numerous universities and colleges and is adjacent to Shenyang Normal University Station of Metro Line 2. In the vicinity of the dual business districts of Daoyi and Santaizi, it enjoys commercial, transportation, medical, education and other excellent urban resources within a 5-minute walk. The construction of the project commenced in August 2019 and is expected to be completed in 2021.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Northern Region *(continued)*

Cloud Hills, Harbin (100%-owned)

Location:
Nangang District, Harbin

Project site area:
147,477 sq m

Project total GFA:
491,812 sq m

Cloud Hills is located at Nangang District, Harbin and is situated in the core of Haxi's new economic zone. Haxi New District, where the project is located at, is a sub-center with the Harbin West Railway Station and is at the core location for "Reviving the City" under the city's new development strategy of "Northward Leap, Southward Extension, Reviving the City and Strengthening the County". It has the most convenient transportation system, commercial facilities and quality educational resources in the city, leading to rapid economic development. The project creates a low-density, quiet and park-based community with 5 large shopping malls within 3 km, and is only 500 m away from Jihong Primary School (Suihua Road branch, Haxi District), a prestige school in Harbin. Surrounded by over 10 bus routes, the project is only 1.2 km away from Metro Line 3. The project is being developed in two phases and is expected to be completed in 2022.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Western Region

Royal Mansion, Chengdu (100%-owned)

Location:
Tianfu New District, Chengdu

Project site area:
103,857 sq m

Project total GFA:
439,499 sq m

Located in Tianfu New District, Chengdu, Royal Mansion is a high-end residential area of Yixin Lake, and the only large-scale villa project in the entire district. Yixin Lake area is a key component of Tianfu New District, Chengdu, a high-end urban new area incorporating urban business district, residence and leisure in Shuangliu District. The Erjiang Temple Station of Metro Line 5 adjacent to the project has been put into service, and 6 more metro lines are planned to pass through the Yixin Lake area in the future. There are 7 top-notch hospitals planned in the project area. The construction of project commenced in April 2018 and is expected to be completed in 2021.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Western Region *(continued)*

The U World, Xi'an (100%-owned)

Location:
High-Tech Central Innovation District ("CID"), Xi'an

Project site area:
62,464 sq m

Project total GFA:
249,510 sq m

The U World, Xi'an is located at the core of Xi'an High-tech CID, next to the landmark "The Future Eye". The project has great accessibility to Xi'an South Station, the first skyrail in the city, three metro lines and Sanxing Expressway Main Road. It is surrounded by a full range of commercial facilities, school and medical facilities and is adjacent to Xi'an Gaoxin No. 5 Junior Middle School and Xi'an Gaoxin No. 23 Primary School in the east, enjoys independent medical resources of eight major specialty hospitals including Xi'an International Medical Center and High-tech Traditional Chinese Medicine Hospital. The project cooperates with Huawei's Hilink smart living system to create a 5G smart community. The project mainly consists of residential and commercial properties and is expected to be completed in 2022.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Western Region *(continued)*

The U World, Kunming (100%-owned)

Location:
Guandu District, Kunming

Project site area:
116,804 sq m

Project total GFA:
784,021 sq m

The U World, Kunming is located at the junction of Chuncheng Road and Feihu Road in Wujiaba Area, Guandu District, Kunming, which is the center of the city's Free Trade Zone in Wujiaba. Situated at the core of Wujiaba financial and commercial CBD, the project has a world-class regional financial center, headquarters, media center and commercial center. The project is conveniently accessible by six lines, namely Metro Line 1, 4, 7 and 8, East-West Express Line and North-South Express Line. Well-developed facilities are available in areas surrounding the project, including the world's fourth largest central park, 48 schools (kindergarten, elementary, junior high and high school) and cultural facilities such as theater, art and nature museums. The project is divided into three phases, consisting of residential, commercial, apartments and office buildings. Construction commenced in May 2019 and is expected to be completed in 2022.

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hong Kong and Macau

The Regent, Hong Kong (80%-owned)

Location:
Tai Po, New Territories, Hong Kong

Project site area:
37,696 sq m

Project total GFA:
107,100 sq m

The Regent is located at 8 Shan Tong Road, Tai Po, New Territories, Hong Kong. This hill-side project is embraced by the greenery, incorporating the design concept of ArchiNature into the construction. With greening ratio over 30%, the project is seamlessly blended into the surrounding natural environment. The project has a comprehensive transportation network, which is within walking distance to Tai Po Market MTR Station. After the opening of the Hung Hom to Admiralty section of the East Rail Line, there will be a direct line to Admiralty. Moreover, the project via Tolo Highway and Route 9 is quickly connected to the CBD, airport and major ports of Hong Kong. The project offers 1,620 residential units in diverse flat types, from one-bedroom to four-bedroom, with a saleable area ranging from 334 to 1,388 square feet. The project was completed in 2020 and has achieved contracted sales of RMB11.85 billion.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

MAJOR PROJECTS UNDER DEVELOPMENT

Project	City	Location	Group's interest %	Intended Use	Site Area (sq m)	Total GFA (sq m)	Progress
The Peninsula	Foshan	Nanhai District	100%	Residential/ Commercial	99,287	423,828	Under construction
Mountain View Palace	Changsha	Yuelu District	100%	Residential/ Commercial	192,613	579,511	Under construction
Lushan Realm	Changsha	Yuelu District	100%	Residential/ Commercial	147,556	415,172	Under construction
Stream View Palace	Changsha	Yuelu District	100%	Residential/ Commercial	136,366	542,130	Under construction
Sunshine Oak Park	Shenzhen	Longgang District	80%	Residential	25,462	164,979	Under construction
Guangming Project	Shenzhen	Guangming District	100%	Residential/ Commercial	46,020	257,121	Under construction
Longhua Project	Shenzhen	Longhua District	100%	Residential/ Commercial	27,391	192,655	Under construction
Xinland Pro One	Xiamen	Jimei District	100%	Residential/ Commercial	44,628	181,316	Under construction
Daganwei Land Parcel	Guangzhou	Haizhu District	100%	Residential/ Commercial	43,888	216,439	Under construction
La Cite	Wuxi	Wuxi National Hi-Tech District	100%	Residential/ Commercial	245,185	869,646	Under construction
Urban Bay	Suzhou	Industrial Park	100%	Residential	105,692	186,165	Under construction
UpperEast Pro	Suzhou	Industrial Park	100%	Residential	78,441	201,675	Under construction
Maison De Renaissance	Hangzhou	Xihu District	100%	Residential/ Commercial	39,344	140,943	Under construction
Oriental Mansion	Ningbo	Haishu District	100%	Residential/ Commercial	71,182	245,351	Under construction
Hongqi Village	Shanghai	Putuo District	70%	Residential/ Commercial	69,998	352,532	Under construction
Jade Lane	Shanghai	Putuo District	100%	Residential	30,603	123,575	Under construction

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

MAJOR PROJECTS UNDER DEVELOPMENT *(continued)*

Project	City	Location	Group's interest %	Intended Use	Site Area *(sq m)*	Total GFA *(sq m)*	Progress
UNIONE	Shanghai	Huangpu District	100%	Residential/ Commercial	68,263	351,821	Under construction
Metropolis Times	Beijing	Daxing District	100%	Residential/ Commercial	125,166	476,292	Under construction
One Sino Residences	Beijing	Fengtai District	100%	Residential/ Commercial	59,112	337,985	Under construction
La Cite	Beijing	Shijingshan District	100%	Residential/ Commercial	289,527	1,110,270	Under construction
City in Park	Tianjin	Jinnan District	100%	Residential/ Commercial	2,476,886	3,270,314	Under construction
Cop City Plaza	Tianjin	Hedong District	51%	Residential/ Commercial	135,540	1,170,185	Under construction
Paramount Jade	Jinan	Licheng District	100%	Residential/ Commercial	2,708,303	7,946,822	Under construction
Shine Jade	Wuhan	Caidian District	100%	Residential/ Commercial	91,025	357,649	Under construction
Future Hub	Wuhan	Donghu New & High Technology Development Zone	80%	Residential/ Commercial	131,683	557,623	Under construction
Metropolis Times	Taiyuan	Comprehensive Reform Zone	100%	Residential/ Commercial	328,984	1,009,371	Under construction
International Community	Taiyuan	Wanbailin District	100%	Residential/ Commercial	419,569	2,035,379	Under construction
Master Mansion	Changchun	Economic and Technological Development Zone	100%	Residential/ Commercial	372,206	1,131,568	Under construction
Flourishing City	Changchun	Economic and Technological Development Zone	100%	Residential	413,554	1,143,322	Under construction

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

MAJOR PROJECTS UNDER DEVELOPMENT *(continued)*

Project	City	Location	Group's interest %	Intended Use	Site Area (sq m)	Total GFA (sq m)	Progress
Gate of Peace	Shenyang	Heping District	100%	Residential/ Commercial	539,760	2,340,729	Under construction
Wang Jing Mansion	Shenyang	Shenbei New District	100%	Residential/ Commercial	124,689	406,756	Under construction
No.1 Urban Resort	Shenyang	Heping District	100%	Residential/ Commercial	108,608	290,674	Under construction
Garden City	Dalian	Ganjingzi District	100%	Residential/ Commercial	172,348	479,384	Under construction
Habour City	Dalian	Zhongshan District	80%	Commercial	229,070	1,463,668	Under construction
Cloud Hills	Harbin	Nangang District	100%	Residential/ Commercial	147,477	491,812	Under planning
Tianfu One	Chengdu	Tianfu New District	100%	Residential/ Commercial	199,596	1,752,304	Under construction
Royal Mansion	Chengdu	Tianfu New District	100%	Residential/ Commercial	103,857	439,499	Under construction
Chang'an Palace	Xi'an	Chang'an District	100%	Residential/ Commercial	131,435	534,208	Under construction
The Great City	Xi'an	Qujiang New District	50%	Residential/ Commercial	186,242	636,766	Under construction
The U World	Xi'an	Hi-Tech CID	100%	Residential/ Commercial	62,464	249,510	Under construction
The U World	Kunming	Guandu District	100%	Residential/ Commercial	116,804	784,021	Under construction

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

MAJOR PROJECTS UNDER DEVELOPMENT *(continued)*

Project	City	Location	Group's interest %	Intended Use	Site Area *(sq m)*	Total GFA *(sq m)*	Progress
NEW AGE OF YANGTZE RIVER	Chongqing	Nanan District	60%	Residential/ Commercial	187,992	595,328	Under construction
Great Landscape	Chongqing	Yuzhong District	100%	Residential/ Commercial	37,137	228,507	Under construction
The Impressive Lake	Guiyang	Guanshanhu District	100%	Residential/ Commercial	185,121	646,365	Under construction
One Victoria	Hong Kong	Kai Tak District	80%	Residential	9,048	75,309	Under construction

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES

Management Discussion and Analysis (continued)

Foshan Yingyue Lake Unipark

Annual Summary

- The Group's total operating revenue from commercial properties for the year was RMB4.40 billion, an increase of 5.9% as compared to last year, among which the rental income from the investment properties for the year, including Grade A office buildings, flexible working offices, shopping malls and long-term leased apartments, increased by 8.1% to RMB4.05 billion, which accounted for more than 90% of the total operating revenue. Income generated from hotel and other commercial properties was RMB350 million.

- The gain arising from changes in fair value of investment properties amounted to RMB9.19 billion, a decrease of 8.1% as compared to last year. The net gains after tax attributable to the shareholders of the Company amounted to RMB5.87 billion, a decrease of 19.9% as compared to last year.

- As at the end of 2020, the Group Series of Companies held commercial properties with a total construction area over 10.8 million sq m, among which the area of commercial properties under operation reached 4.84 million sq m. The area of commercial properties under development and to be developed in total reached 5.96 million sq m, which will be launched in the National 14th Five-Year Plan period.

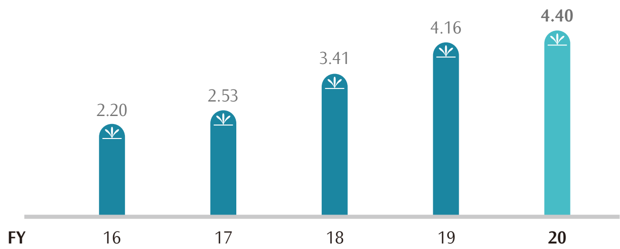
Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

During the year, the Group continued to firmly promote the exploration and utilisation of urban spaces of the future, and maintain its business goal of fulfilling customers' desires for a better life and a safer, healthier and more enjoyable spatial experience. The Group sailed smoothly through the impact of the COVID-19 pandemic and strengthened the cohesion among all its businesses, which has helped the Group to continuously improve operating efficiency and boost asset value. During the year, total revenue from commercial properties held by the Group amounted to RMB4.40 billion, an increase of 5.9%, against the market trend.

Revenue from commercial properties

RMB billion



The Group is committed to working side by side with commercial clients and partners to operate ideal urban living spaces. During the year, after extensive in-depth research, the Group's office building business launched the "3S Plan" of health and safety protection ("SAFE-GUARD"), heartwarming services ("SERVICE"), and comprehensive support ("SUPPORT"). The Group focused on rejuvenating and transforming the spending habits of its shopping mall clients, especially the changes in customers' regular spending patterns, in particular by opening up the "last mile" to create a contact-free community e-shopping process that supported the rapid recovery of tenants' performance and speeded community revitalisation. At the same time, building on the multifaceted needs of today's city dwellers, centred on the core businesses of office and shopping malls, and synergising with the two major residential formats of long-term lease and hotels, the Group provides customers with a mixed-use one-stop solution that comprises office, conference, event facilities and accommodation, continuing to extend the concept of multi-faceted commercial formats.

The Group renewed the value of its assets through the renovation of existing properties and continued to tap their potential. During the year, the Group completed the renovation of existing projects such as the commercial areas of Beijing China Overseas Plaza, Chengdu Uni ELITE, and Foshan Yingyue Lake Unipark, the latter of which was acquired during the year, and rolled out as planned the renovation of existing mixed-use project, Suzhou Zhuhui Hotel. The repositioning and value mining of assets, and development of operational capabilities in the field of urban renewal, have provided the Group with more commercial possibilities for deep cultivation of its urban operations and high-quality large-scale development.

Office Buildings

The Group, as the largest developer and operator of office buildings under single ownership in Mainland China, steadily consolidated its leading position in the industry, expanded its business scope, and achieved steady improvement in business performance and overall value. During the year, the Group Series of Companies owned and operated 49 office buildings. In a complex economic and market environment, with excellent operating capacity, the newly leased area reached 590,000 sq m, with the direct lease transaction ratio reaching 70%. The occupancy rate of commercial properties with maturity periods of more than three years remained at more than 90%. In Suzhou, Taiyuan and other newly entered cities, the Group's commercial properties set local benchmarks for sales area and lease levels at the end of the first year. In addition, in cooperation with Sichuan Daily Newspaper Press Group and Shanghai Xinglong Industrial Co., Ltd, the Group successfully completed two benchmark asset-light management projects in Chengdu and Shanghai. At present, the Group's asset-light business extends to seven projects with a total management scale of 380,000 sq m, covering four core cities, while the overall existing asset structure has been continuously optimised.

Shanghai China Overseas International Center

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

Office Buildings *(continued)*

During the year, the overall structure and quality of the Group's office tenancies continued to improve, encompassing over 250 of Fortune Global 500 companies and nearly 600 high-quality tenants (including Fortune Global 500 companies, unicorn and listed companies). At the same time, the Group deepened its cooperation with key strategic customers and had clear insight into the rapid changes in current office demand. During the year, the Group developed and launched the "Powered by" one-stop enterprise office ecology, which provides customised enterprise office solutions.

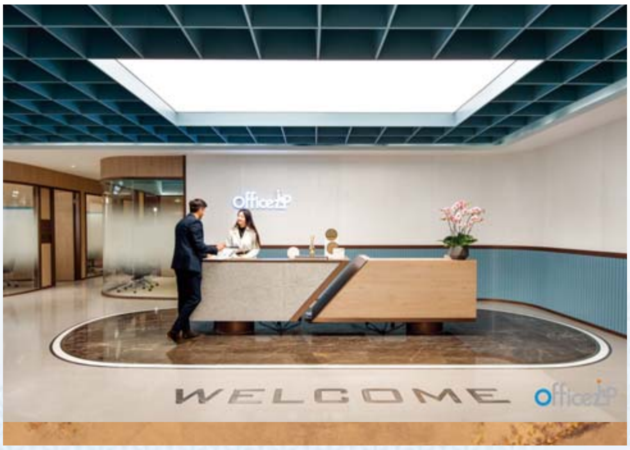
The Group continues to contribute to the development of Mainland China's property industry and to practice the responsibility and mission of an industry leader. As the only enterprise member of the Standardisation Administration of China (SAC), the Group participated in the drafting of documents including "Public service specification for office buildings" and "Grade requirements for office buildings". These two documents were approved and released by the SAC during the year, becoming the first national standard of Mainland China's property industry.

Flexible Working Offices

In 2020, the Group's flexible working offices brand OfficeZip established presence in Beijing, Shanghai, Chengdu and other core cities, expanding the operation to 16 projects in seven cities, creating a total of more than 10,000 operational positions. The Group executed the digitalisation for operations and developed contact-free office products. The Group has recently introduced support facilities for PEPA+ nursery education into the diversified office ecosystem, and launched a conference brand "HUI", forming a diversified high-end business life cycle covering flexible working offices, customised offices, conferences, food & beverages, fitness and nursery education, encompassing the most abundant service-mix in Mainland China. In 2020, the Group ranked in the top five of the flexible working offices industry, with an overall occupancy rate of 92%, among which more than 70% are major brands.

Shopping Malls

With the continuous strengthening of the development and operation of shopping malls and joint efforts with commercial tenant partners, the Group's shopping malls showed resilience in the year, overcoming the impact of the pandemic, achieved completely recovery on sales and footfall in May and a double-digit year-on-year increase in sales in the second half of the year. The Group continued to tap opportunities for its shopping mall projects in the retail market amid this year's challenging market environment. Among them, Foshan Qiandang Lake Unipark, with its reputation for quality and setting standards in the industry, actively introduced "first stores" in the city and region, and maintained high growth over the past four years. Annual sales increased more than 20% as compared to last year, while footfall was up more than 15%; the newly acquired Foshan Yingyue Lake Unipark was upgraded during the year, and occupancy rate increased by more than 20%. Chengdu Tianfu UniFUN developed a "mutual community ecology" with the district government, China Overseas community, and consumption scene, bringing forth its honour as a "New landmark for consumers in Chengdu" by the local government. In 2020, the Group Series of Companies operated and managed 16 shopping malls under its ownership.



OfficeZip, Suzhou China Overseas Wealth Center

Chengdu Tianfu UniFUN

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

Shopping Malls *(continued)*

The Group drives cutting-edge innovation in smart business ecological empowerment. During the year, the "UNIC Operation Management System", which was developed fully in-house, was launched, creating a large "Tenant Life Cycle Management" operating ecology, offering significant management efficiency gains. The precise footfall ecology based on facial recognition and big data prediction and the membership ecology that connected the entire business of the Group have also been fully developed.

Long-term Leased Apartments

As an expert operator of long-term leased apartments, the Group actively responded to the long-term mechanism at "simultaneous lease and sale". The Group established China Overseas "Unilive Residence" and "Unilive Apartment" within its family of long-term leasing units, and always adheres to the principle of utmost sincerity and steady operation. Over the year, the Group continued to consider the leased requirements and living needs of the next generation of young people, creating a boundless integrated living space for young urbanites. Of these, "Unilive Apartment" at Shanghai Xiaokunshan has been 100% leased out since it started operation last year. Seven new projects in Beijing, Suzhou, Hangzhou, Dalian and other cities were completed. At present, the Group is established in 10 core cities in Mainland China, and expects to operate over the next three years to provide quality living space for the urban youth sector. With its stable quality and operations and excellent market performance, the Group won awards of "High-quality Green and Tranquil Apartment Design", "Best Apartment Asset Management Brand" and "Top 20 Growth Potential in Serviced Apartments of 2020" during the year.

Unilive Hangzhou Binjiang Apartment

Hotels

During the year, the Group's hotel business upholds the philosophy of "feel the pleasant space and enjoy the wonderful experience", extending from the traditional business model to multi-channel online and offline coordination, and was more tightly integrated into the Group's business ecosystem, actively responding to the challenges of the pandemic situation and the external market environment. By creating new attraction points, organising gaming tournaments, themed festive getaways and other strategies, the Group's hotels operation sustained good overall momentum from the second quarter. In the second half of the year, the number of days of full occupancy increased by 34% as compared to same period last year. Huizhou Tangquan Hotel enjoyed full occupancy on several major holidays, and the annual performance of Hainan, Shantou and other resort hotels has resumed levels last seen before the outbreak of the pandemic. The Group operated its own hotel brand, "the COLI Hotel", which continued to enjoy a blossomy reputation in the market. At the same time, the Group continued to expand its' hotel business partnerships, cooperating in upcoming projects with Kimpton Hotels and Restaurants, Hyatt International Corporation and other top international hotel brands, fuelling new development momentum for this business.

China Overseas Shantou Resort

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(a)	China Overseas Plaza Jianguomenwai Avenue, Chaoyang District, Beijing	Office Building	100	Beijing	2053	145,332
(b)	China Overseas Property Plaza West Bin He Road, Yong Ding Men, Dongcheng District, Beijing	Office Building	100	Beijing	2043	87,699
(c)	China Overseas International Center of Aonan Community Uni ELITE No. 4 Parcel at Intersection of Anding Road and Beitucheng East Road, Beijing	Office Building and Shopping Mall	100	Beijing	2060 2050	127,824
(d)	China Overseas Building Lao Gu Cheng Village JB Parcel, Shijingshan District, Beijing	Office Building	100	Beijing	2053	50,162
(e)	China Overseas Property Building 96 Taipingqiao Avenue, Xicheng District, Beijing	Office Building	100	Beijing	2051	24,668
(f)	Beijing (H Parcel) Lao Gu Cheng Village H Parcel, Shijingshan District, Beijing	Office Building	100	Beijing	2054	28,946
(g)	China Overseas Building Blocks C & D Lao Gu Cheng Village JA Parcel, Shijingshan District, Beijing	Office Building	100	Beijing	2055	69,770
(h)	China Overseas International Center Phase One to Three No. 199 Jincheng Road, Gaoxin District, Chengdu	Office Building	100	Chengdu	2047	360,828
(i)	China Overseas International Center Blocks F & G Jiaozi Road, Gaoxin District, Chengdu	Office Building	100	Chengdu	2051	143,692
(j)	Block J, West Lot of China Overseas International Center Jiaozi Road, Gaoxin District, Chengdu	Office Building	100	Chengdu	2052	92,727
(k)	China Overseas Building No. 76 Yanji Road, Shibei District, Qingdao	Office Building	100	Qingdao	2047	61,319
(l)	China Overseas Plaza Jiu Qu Zhuang Road, Shizhong District, Jinan	Office Building	100	Jinan	2049	103,588
(m)	China Overseas Building No. 3, Furong South Road, Yanta District, Xi'an	Office Building	100	Xi'an	2080	34,932

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES *(continued)*

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(n)	Blocks A & B, China Overseas International Center No. 905A, Nandi West Road, Heping District, Shengyang	Office Building	100	Shengyang	2050	114,590
(o)	China Overseas Building No. 257 Zhiyin Avenue, Hanyang District, Wuhan	Office Building	100	Wuhan	2053	61,279
(p)	China Fortune Tower 1568–1588, Century Avenue, Pudong New District, Shanghai	Office Building	51	Shanghai	2054	95,622
(q)	China Overseas International Center Uni ELITE Intersection of East Jianguo Road and Huangpi South Road, Huangpu District, Shanghai	Office Building and Shopping Mall	100	Shanghai	2056 2046	158,930
(r)	China Overseas Building Intersection of Dongting Road and Heiniucheng Road, Hexi District, Tianjin	Office Building	100	Tianjin	2055	95,477
(s)	China Overseas Plaza No. 57 Wujiayao Street, Hexi District, Tianjin	Office Building	100	Tianjin	2053	95,300
(t)	China Overseas Wealth Center Dongting Road, Hexi District, Tianjin	Office Building	100	Tianjin	2055	74,608
(u)	China Overseas International Center The south junction of Yingze Bridge West and Jinci Road, Wanbailin District, Taiyuan	Office Building	100	Taiyuan	2053	269,885
(v)	China Overseas Fortune Center No. 9 Suzhou Avenue West, Suzhou Industrial Park	Office Building	100	Suzhou	2050	171,671
(w)	One Finsbury Circus One Finsbury Circus, London, U.K.	Office Building	100	London	Freehold	19,260
(x)	61 Aldwych 61 Aldwych, London, U.K.	Office Building	100	London	Freehold	16,482
(y)	Carmelite House 50 Victoria Embankment, Carmelite House, London, U.K.	Office Building	100	London	Freehold	12,447

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES *(continued)*

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(z)	One South Place (The Helicon) 1 South Place, London, U.K.	Office Building	100	London	Freehold	21,150
(aa)	China Overseas Plaza Mid-Town Bai Shi Road, Xiangzhou District, Zhuhai	Office Building and Shopping Mall	100	Zhuhai	2060 2050	204,335
(ab)	Unipark Jiu Qu Zhuang Road, Shizhong District, Jinan	Shopping Mall	100	Jinan	2049	76,288
(ac)	Unipark No. 39 Qingliangmen Street, Gulou District, Nanjing	Shopping Mall	100	Nanjing	2048	131,875
(ad)	Qiandeng Lake Unipark No. 18 Guilanzhong Road, Nanhai District, Foshan	Shopping Mall	100	Foshan	2052	130,895
(ae)	Yingyue Lake Unipark No. 6 South of Shilong Road, Nanhai District, Foshan	Shopping Mall	100	Foshan	2048	126,637
(af)	Unipark No. 111 Zhongyi Two Road, Tianxin District, Changsha	Shopping Mall	100	Changsha	2046	203,758
(ag)	Tianfu UniFUN Xianghesijie, Tianfu New District, Chengdu	Shopping Mall	100	Chengdu	2055	70,749
(ah)	China Overseas COLI Hotel No. 168 Dayun Road, Longgang District, Shenzhen	Hotel	100	Shenzhen	2057	85,659
(ai)	Sheraton Hotel Shenzhou Peninsula Tourism Resort, Dongao Town, Wanning, Hainan	Hotel	80	Wanning	2057	56,192
(aj)	Fupeng Hotel Shenzhou Peninsula Tourism Resort, Dongao Town, Wanning, Hainan	Hotel	80	Wanning	2057	46,345

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES *(continued)*

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(ak)	China Overseas Pullman Hotel No. 2029 Jiuzhou Avenue West, Xiangzhou District, Zhuhai	Hotel	100	Zhuhai	2060	23,423
(al)	Guotai Hotel No. 12 Yonganxili, Jianguomen Outer Street, Chaoyang District, Beijing	Hotel	100	Beijing	2053	11,286
(am)	Ascott Macau R. Cidade de Braga, Nape, Macau	Hotel	100	Macau	2049	15,886
(an)	Unilive Shanghai Xiaokunshan Apartment No. 150–154, Lane 368, Wennan Road, Songjiang District, Shanghai	Long-term leased apartment	100	Shanghai	2087	9,808
(ao)	Unilive Shanghai Lin-Gang Free Trade Zone Apartment Junction of Chengxie Road and Pulan Road, Fengxian District, Shanghai	Long-term lease apartment	100	Shanghai	2087	17,151
(ap)	Unilive Hangzhou Binjiang Apartment No. 387 Binkang Road, Binjiang District, Hanzhou	Long-term lease apartment	100	Hangzhou	2088	8,348

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMMERCIAL PROPERTIES UNDER CONSTRUCTION

	Name of property and location	Type	Group's interest %	City	Estimated year of completion	Year of expiry of lease term	Total area sq m
(a)	Beixinan Project A Transformation District, Penghu District, Beixinan, Shijingshan District, Beijing	Office Building and Shopping Mall	100	Beijing	2020	2067	230,447
(b)	Unipark Qian Shan San Tai Shi Road, Xiangzhou District, Zhuhai	Office Building, Shopping Mall and Hotel	100	Zhuhai	2021	2058	335,158
(c)	China Overseas Center Intersection of Qingnian Road and Xuesong Road, Wuhan	Office Building and Shopping Mall	100	Wuhan	2021	2057	103,863
(d)	China Overseas International Center Meijiatang, Rehe South Road, Gulou District, Nanjing	Office Building	100	Nanjing	2021	2057	156,081
(e)	Unipark Ningfeng Village, Jiangdong District, Ningbo	Shopping Mall	100	Ningbo	2021	2056	134,132
(f)	China Overseas International Center No. 2 Longkunbei Road, Haikou	Office Building	100	Haikou	2021	2058	121,111
(g)	China Overseas International Center Wujiaba Area, Guandu District, Kunming	Office Building	100	Kunming	2022	2058	112,629
(h)	Si'an Street Project Si'an Street East, Suzhou Avenue North, Suzhou Industrial Park	Office Building	100	Suzhou	2023	2059	75,309
(i)	Qinhuangsi Project Commercial District, Qinhuangsi, Tianfu New District, Chengdu	Apartment and Shopping Mall	100	Chengdu	2021 2022	2058	103,987
(j)	Gate of Peace Project Intersection of Nanjing South Street and Changhbai South Road, Heping District, Shenyang	Office Building, Shopping Mall and Long-term lease apartment	100	Shenyang	2022	2054 2054 2084	340,598
(k)	Hongqi Village Project Block 106, Shiquan Road Street, Putuo District, Shanghai	Office Building, Shopping Mall and Long-term lease apartment	100	Shanghai	2023 2023 2022	2060 2060 2070	440,927

OTHER PROPERTY-RELATED OPERATIONS

Yue Gang Ao Youth Entrepreneurship Center, Shenzhen

Management Discussion and Analysis (continued)

PLANNING AND CONSTRUCTION DESIGN

Hua Yi, a subsidiary of the Group, is a national high-tech enterprise with double A-grade qualifications in construction engineering and urban planning, and ranks among the top 100 design institutes in Mainland China. In 2020, contracts were signed to a value of RMB810 million, an increase of 26.6% as compared to last year.

Hua Yi has a talent pool of around 700 professional designers and leading experts in the industry, including one Guangdong Engineering Survey and Design Master, three Shenzhen Engineering Survey and Design Masters, and two Shenzhen Engineering Survey and Merit Design Masters.

Capitalising on its excellent professional design services, Hua Yi has established a strong reputation in the industry. During the year, Hua Yi actively expanded the design market in Macau and optimised its business presence in the Guangdong — Hong Kong — Macau Greater Bay Area. Hua Yi undertook the planning and architectural design of the largest residential development project in Macau in recent years and won the tender for the Qianhai Yue Gang Ao Youth Entrepreneurship Center project. The second phase of the Southern University of Science and Technology project (SUSTech Center, School of Humanities and Academic Exchange Center), designed by Hua Yi, was delivered in early July.

During the year, Hua Yi was recognised as a “National Excellent Enterprise with Foreign Investment Excellent Tax payment and Turnover” and a “Guangdong Civil Engineering and Construction Technology Innovation Advanced Enterprise” and was recognised as in the second tranche of the National Assembly construction industrial base.

Management Discussion and Analysis (continued)

OTHER PROPERTY-RELATED OPERATIONS *(continued)*

EDUCATION BUSINESS

Upholding the concept of "Education Makes Everything Possible" and guided by the educational concept of "Holistic Education, Individualised Development", the Group has built the PEPA+ model (Psychology, Exploration, Physique, Art) quality and capabilities in order to help create future learning environments. The Group has built a series of learning environments around future COLI K12 schools + kindergartens (the COLI kindergarten + childcare for 0-4 year-olds), providing high-quality education for more than 12,000 students and their families.

The Group actively explored business upgrades for building new and future-focused implementations of learning environments. During the year, the Group invested in the Changsha Meixi Lake K12 International School Project and opened the first "Business + Childcare" concept China Overseas Future PEPA International Childcare Center at the China Overseas Plaza in Beijing. Towards our poverty alleviation targets, the Group undertook the "Spring Buds Action" programme by offering courses of cultivating talents in three counties (Zhuoni County, Kang County and Kangle County) in Gansu Province, sent in backbone education supporting teachers and established the "Future Education Experimental Class". The Group has been widely praised for making unlimited possibilities with education in its targeted poverty alleviation efforts.

China Overseas Future PEPA+ International Childcare Center

SENIOR LIVING BUSINESS

Acknowledging its social responsibility, the Group positioned itself as the "creator of the new Chinese senior living style" and developed the China Overseas Jinnian senior living brand. Aligning its product and service standards with the "Jinnian 101 Senior Care System", the Group adheres to the happy China Overseas family culture and leading culture to create a colourful and happy life for the elderly. At the end of 2020, the Group was operating four projects in Qingdao, Tianjin, Wuxi and Jinan, with a total area of 58,000 sq m, and was actively expanding the business in cities including Shenzhen, Beijing, Nanjing etc. During the year, the Group's Tianjin project was highlighted in the list of recommended senior homes in the "World Alzheimer Report", and the Jinan project was recognised as a Shandong provincial five-star senior care facility and in the "Senior Care Category 2020" of the "5th REARD Global Design Awards".

LOGISTICS REAL ESTATE AND INDUSTRIAL PARK

The Group developed plans for logistics property and industrial property to grow the "China Overseas Logistics Park" industrial brand and further optimise the industrial park's professional operational structure. The Group has established world-class logistics parks and industrial parks with the highest quality and technology and provides high-specification modern storage and logistics services. During the year, centred on the high-specification "modern storage and logistics services" concept, the Group upgraded its logistics parks and industrial parks in Tianjin, commenced operation of the logistics park project in Hefei, and completed plans to upgrade and transform the China Overseas industrial park. The expansion of the logistics real estate and industrial parks will help to diversify the Group's strategic profile and bring synergies to and improve its principal businesses, thereby continuously enhancing the strength of the China Overseas brand.

China Overseas Jinnian senior living brand

Management Discussion and Analysis (continued)

OTHER PROPERTY-RELATED OPERATIONS *(continued)*

Shenzhen Bay Tech-Eco Park, Shenzhen

LAND RESERVES

Metropolis Times, Beijing

Management Discussion and Analysis (continued)

Annual Summary

- The Group acquired 64 land parcels in 30 cities in Mainland China and in Hong Kong, adding a total GFA of 13.49 million sq m to the land reserve (attributable interest of 13.28 million sq m). The total land premium was RMB135.79 billion (attributable interest of RMB131.84 billion).

- During the year, the major associate COGO increased its land reserve by 11.57 million sq m.

- At the end of 2020, the total land reserve of the Group Series of Companies reached 91.90 million sq m. Among which, the Group Series of Companies (excluding COGO) had a total land reserve of 61.79 million sq m (attributable interest of 52.36 million sq m); COGO had a total land reserve of 30.11 million sq m (attributable interest of 26.62 million sq m).

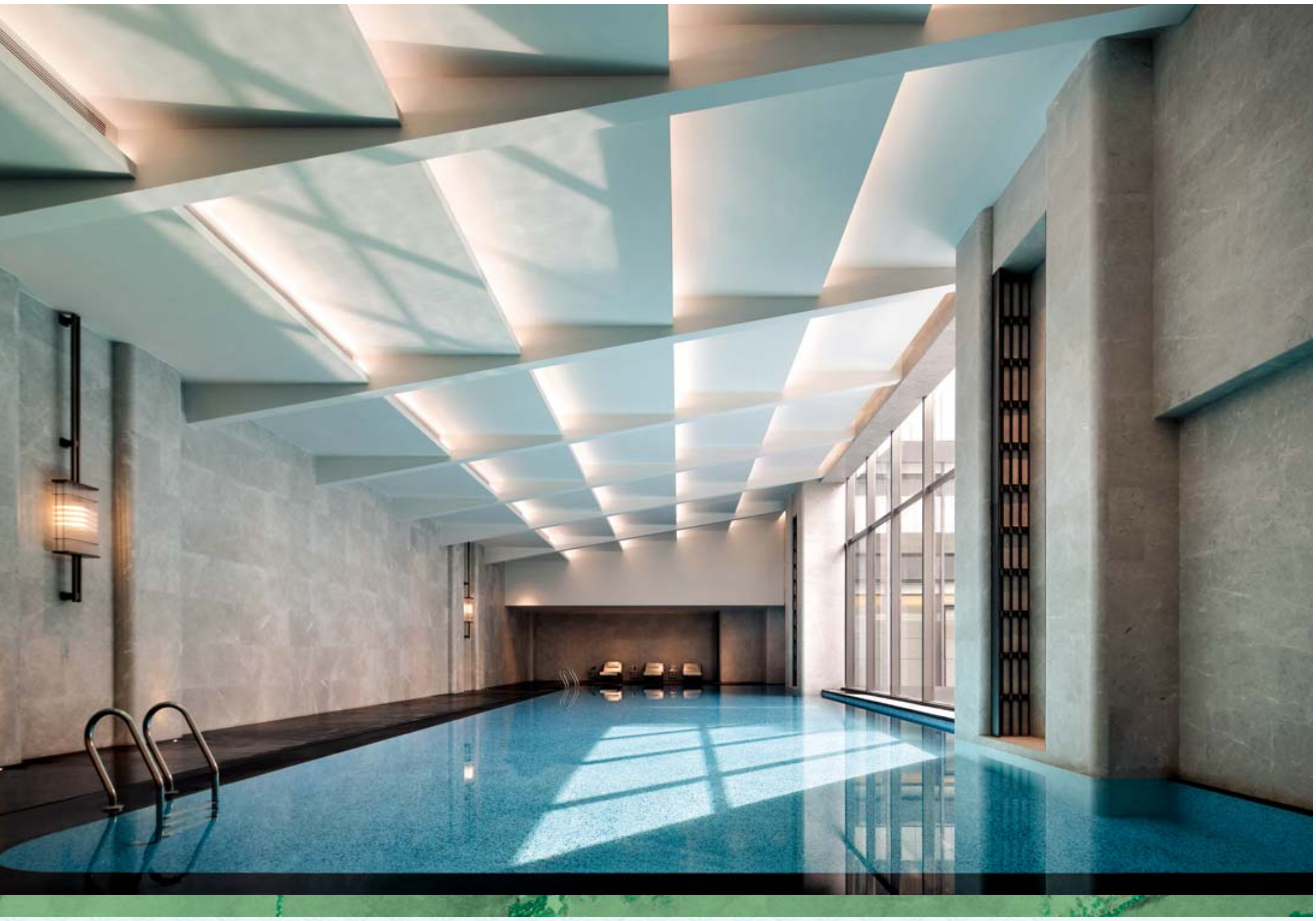
Management Discussion and Analysis (continued)

LAND RESERVES *(continued)*

In 2020, facing a complex economic situation and market environment, the Group closely monitored real estate market trends, undertook in-depth evaluation of emerging characteristics of onshore and offshore economic environments, and carefully analysed the changing landscape of real estate market regulation.

The Group had always adhered to the investment strategy of "major cities, mainstream areas, mainstream products". In terms of the investment presence, the Group assiduously cultivated its presence in existing cities and insisted on selecting the best among the best projects to strengthen project return on investment and risk resistance. In terms of investment timing, the Group followed the market closely, and steadily aligned investments with the market rhythm. Giving full play to the advantages of the whole industry chain, the Group committed to diversifying its land acquisition channels. Investment strategies were also differentiated, strictly controlling investment risks in those cities with more stringent regulations and with greater risk of market fluctuations, while moderately increasing investment in regions and cities with greater growth potential and stable markets. In the application of investment tools, the Group strengthened the promotion and application of auxiliary decision-making systems such as city maps, and used advanced information technology to further improve the accuracy of investment decision-making.

During the year, the Group acquired 64 land parcels in 30 cities in Mainland China and in Hong Kong, adding a total GFA of 13.49 million sq m to the land reserve (attributable interest of 13.28 million sq m). The total land premium was RMB135.79 billion (attributable interest of RMB131.84 billion), and the Group newly expanded into Weihai in Shandong and Wenzhou in Zhejiang.



One Sino Residences, Beijing

Management Discussion and Analysis (continued)

LAND RESERVES *(continued)*

The table below shows the details of land parcels added in 2020:

City	Name of Development Project	Attributable Interest	Land Area ('000 sq m)	Total GFA ('000 sq m)
Shanghai	Putuo District Project #1	70%	42	398
Beijing	Shijingshan District Project	100%	27	114
Shanghai	Putuo District Project #2	70%	6	29
Shanghai	Putuo District Project #3	70%	24	107
Beijing	Chaoyang District Project	80%	81	193
Changsha	Yuelu District Project #1	100%	148	415
Shenyang	Heping District Project	100%	109	291
Changsha	Yuelu District Project #2	100%	136	549
Taiyuan	Wanbailin District Project #1	100%	75	318
Weihai	Huancui District Project	100%	54	143
Tianjin	Hexi District Project	100%	143	444
Dalian	Zhongshan District Project	100%	26	91
Foshan	Nanhai District Project	100%	99	429
Taiyuan	Wanbailin District Project #2	100%	51	277
Taiyuan	Wanbailin District Project #3	100%	18	83
Taiyuan	Wanbailin District Project #4	100%	40	287
Suzhou	Gaoxin District Project	100%	102	190
Ningbo	Haishu District Project	100%	12	32
Harbin	Nangang District Project	100%	21	57
Wuhan	Hanyang District Project #1	100%	70	675
Wuhan	Hanyang District Project #2	100%	107	700
Shenyang	Dadong District Project	100%	160	388
Changchun	Luyuan District Project	100%	49	81
Taiyuan	Tanghuaichanyeyuan District Project #1	100%	17	68
Taiyuan	Tanghuaichanyeyuan District Project #2	100%	97	293
Taiyuan	Tanghuaichanyeyuan District Project #3	100%	142	421
Taiyuan	Tanghuaichanyeyuan District Project #4	100%	74	212
Beijing	Fangshan District Project	100%	47	190
Nanjing	Jiangning District Project	100%	92	185
Guangzhou	Zengcheng District Project	100%	23	83
Taiyuan	Wanbailin District Project #5	100%	79	397
Taiyuan	Wanbailin District Project #6	100%	36	38
Beijing	Economic-technological Development District Project	100%	85	263
Chengdu	Chenghua District Project	100%	61	183

Management Discussion and Analysis (continued)

LAND RESERVES *(continued)*

The table below shows the details of land parcels added in 2020: *(continued)*

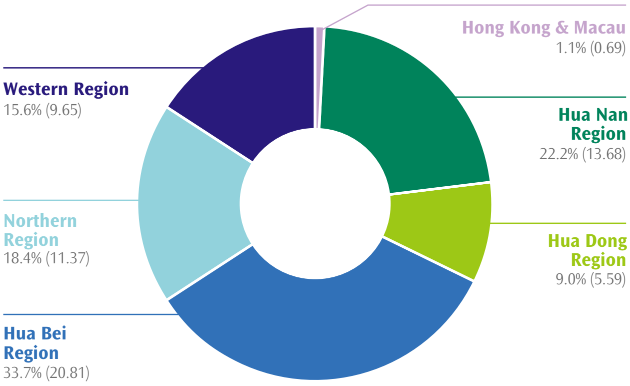
City	Name of Development Project	Attributable Interest	Land Area ('000 sq m)	Total GFA ('000 sq m)
Harbin	Nangang District Project #2	100%	71	239
Harbin	Nangang District Project #3	100%	76	255
Haikou	Longhua District Project	100%	30	116
Beijing	Shijingshan District Project #2	100%	74	393
Wuxi	Jiangyin City Project	100%	24	63
Jinan	Huaiyin District Project	100%	34	92
Jinan	Tianqiao District Project	100%	62	233
Dongguan	Shijie Town Project	100%	25	89
Dongguan	Songshan Lake HiTech Industrial Development Zone Project	100%	43	184
Xiamen	Jimei District Project	100%	30	98
Qingdao	Shibei District Project	100%	53	257
Taiyuan	Wanbailin District Project #7	100%	1	1
Taiyuan	Wanbailin District Project #8	100%	1	5
Taiyuan	Wanbailin District Project #9	100%	1	8
Chongqing	Yubei District Project	100%	43	233
Shenzhen	Longhua District Project	100%	24	169
Dongguan	Dalingshan Town Project	100%	39	131
Guangzhou	Haizhu District Project	100%	34	153
Wenzhou	Lucheng District Project	100%	12	52
Nanjing	Qixia District Project	100%	35	113
Harbin	Xiangfang District Project	100%	56	169
Zhuhai	Xiangzhou District Project	100%	192	616
Shenzhen	Nanshan District Project	100%	4	54
Hong Kong	Kai Tak Project	80%	6	45
Dalian	Shahekou District Project	100%	48	124
Shijiazhuang	Qiaoxi District Project	100%	55	185
Shenyang	Sujiatun District Project	100%	78	233
Kunming	Panlong District Project	100%	53	270
Nanchang	Economic and Technical Development Zone Project	100%	54	142
Jinan	Licheng District Project	100%	66	141
Total			**3,677**	**13,487**

Management Discussion and Analysis (continued)

LAND RESERVES *(continued)*

BREAKDOWN OF LAND RESERVE BY REGION*

million sq m



Hua Nan Region: Shenzhen, Haikou, Wanning, Sanya, Foshan, Guangzhou, Changsha, Xiamen, Fuzhou, Zhuhai, Dongguan, Zhongshan, Zhaoqing, Zhangzhou, Jiangmen

Hua Dong Region: Suzhou, Nanjing, Ningbo, Hangzhou, Nanchang, Shanghai, Wuxi, Zhenjiang, Wenzhou

Hua Bei Region: Beijing, Tianjin, Jinan, Taiyuan, Wuhan, Zhengzhou, Ezhou, Shijiazhuang

Northern Region: Changchun, Qingdao, Dalian, Shenyang, Yantai, Harbin, Weihai

Western Region: Chengdu, Xi'an, Chongqing, Kunming, Urumqi, Guiyang

* Representing the Group Series of Companies (excluding COGO)

At 31 December 2020, the Group Series of Companies (excluding COGO) had a total land reserve of 61.79 million sq m (attributable interest of 52.36 million sq m).

During the year, the major associated company, COGO increased its land reserve by 11.57 million sq m and newly expanded into Zhuzhou, Zhanjiang, Taizhou, Zhenjiang, Jinhua, Tangshan, Langfang, Linyi, Zunyi, Tianshui. At 31 December 2020, COGO total land reserve was 30.11 million sq m (attributable interest of 26.62 million sq m).

Management Discussion and Analysis (continued)

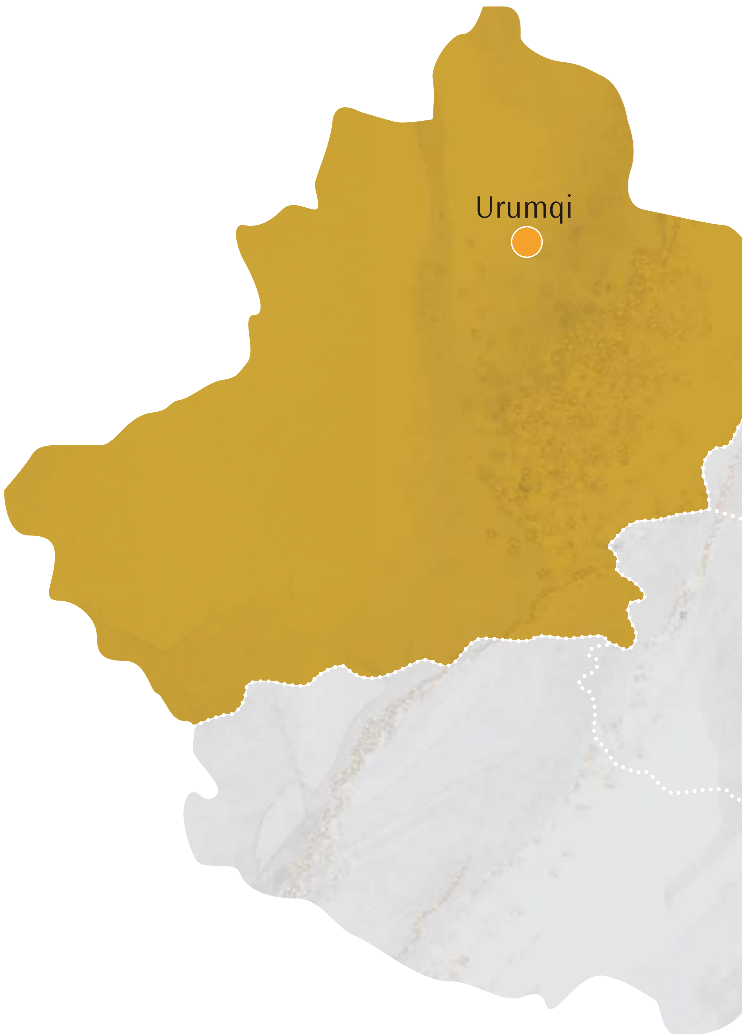
LAND RESERVES *(continued)*

LAND RESERVE DISTRIBUTION*

Total Land Reserve

	City	Total GFA ('000 sq m)
Hua Nan Region	Shenzhen (including Dongguan)	1,660
	Hainan (including Haikou, Wanning and Sanya)	1,270
	Guangzhou	4,320
	Foshan (including Zhaoqing)	2,150
	Changsha	2,030
	Xiamen (including Zhangzhou)	520
	Fuzhou	330
	Zhuhai (including Jiangmen, Zhongshan)	1,400
	Sub-total	13,680
Hua Dong Region	Suzhou (including Wuxi)	1,820
	Nanjing (including Zhenjiang)	840
	Ningbo (including Wenzhou)	540
	Hangzhou	520
	Nanchang	230
	Shanghai	1,640
	Sub-total	5,590
Hua Bei Region	Beijing	4,850
	Tianjin	3,890
	Jinan	4,370
	Wuhan (including Ezhou)	2,770
	Zhengzhou	1,160
	Taiyuan	3,180
	Shijiazhuang	590
	Sub-total	20,810
Northern Region	Changchun	2,370
	Qingdao	2,540
	Dalian	2,090
	Shenyang	2,210
	Yantai (including Weihai)	760
	Harbin	1,400
	Sub-total	11,370
Western Region	Chengdu	2,120
	Xi'an	1,440
	Chongqing	3,280
	Kunming	1,090
	Urumqi	1,070
	Guiyang	650
	Sub-total	9,650
Hong Kong & Macau	Hong Kong	690
	Sub-total	690
	Total	61,790

* Representing the Group Series of Companies (excluding COGO)



Management Discussion and Analysis (continued)

Management Discussion and Analysis (continued)

LAND RESERVES *(continued)*

The total land reserve of the Group Series of Companies reached 91.90 million sq m. So far, the Group's series of companies have penetrated into the real market in a total of 83 onshore and offshore cities, forming a better presence across the cities.

In 2020, the Group maintained its strategy in major cities and focused on high-quality locations there. The Group acquired 13 land parcels in first-tier cities (including Hong Kong), the attributable land premium was RMB 43.5 billion, accounting for 33% of the total newly added attributable land premiums in the year, with a reasonable investment presence. In 2020, the Group successively acquired a number of high-quality land parcels at a reserve price or a low premium, including three land parcels at Shanghai Hongqi Village and Beijing Shijingshan district, effectively controlling costs in first-tier cities.

In 2020, the Group launched the Shanghai East Jianguo Road project, actively fulfilling its responsibility to protect and renew the urban landscape. This project is the single largest investment project in the Group's development history, totalling approximately RMB59.0 billion. Leveraging its combined advantages of commercial operations, educational resources and residential business, the Group acquired the Wuhan Hanyang District project and the Changsha Meixi Lake project with GFA of approximately 1.93 million sq m. These projects will create benchmark-setting urban and education complexes while bringing the Group high-quality land reserves. By actively introducing external strategic cooperation resources to achieve industry interaction, the Group also secured the Taiyuan Tanghuaichanyeyuan District project with GFA of about one million sq m. The Group assimilated aviation industry activity into the pilot mixed-use amenities reform zone, supporting the city's economic transformation.

In 2020, despite ongoing tension in Sino-US relations and the recurrence of the COVID-19 pandemic, the Hong Kong residential market continued to trade and property prices remained stable, evidencing demand. The Group has full confidence in the Hong Kong property market, with the government achieving satisfactory results in land sales during the year. The Group continued to prudently increase its investment in Hong Kong and participated in land auctions. During the year, the Group acquired as sole proprietor an excellent piece of land in the former runway area of the Kai Tak airport in Hong Kong, which further strengthened the Group's dominant position in the supply of private housing in Kai Tak. The Group currently has a high-quality land bank in Hong Kong with a total area of 690,000 sq m which is expected to provide satisfactory returns to the Group in the next few years.

In the face of the risk of global economic recession, the impact of the COVID-19 pandemic and other unfavourable macro factors, the Group will maintain its strategic determination, actively respond to uncertainties in the external environment, and invest steadily to ensure quality growth. Looking ahead, in terms of land investment, the Group will continue to deepen its efforts in first- and second-tier major cities and refine investments presence. Giving full play to the advantages of the financial capital and comprehensive urban operation capabilities, the Group actively expands investment pathways and diversifies land acquisition channels. Based on "big market", "big owners" and "big projects", the Group will continue to implement its "blue ocean strategy", deeply cultivating the "big market", practising differentiated investment strategies, and improving resource distribution efficiency to tap potential urban opportunities. "Big owners" will also be further developed to broadly expand strategic cooperation resources and develop more inclusive cooperation across a range of business areas. "Big projects" will be created to integrate the entire chain of industrial resources within the Group, to simultaneously promote and correlate multiple business, and actively follow up on reform of older cities and urban renewal in key cities and development of collective construction locations. At the same time, the Group will strengthen the construction and management of digital platforms such as city maps, and continuously improve professional accuracy through the standardisation of processes and actions to ensure the effective implementation of investment strategies.

Management Discussion and Analysis (continued)

GROUP FINANCE

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

With the COVID-19 pandemic outbreak in 2020, the global economy showed a negative growth trend, with intensified volatility in interest rates, exchange rates and financial markets. The Group has consistently adhered to the principle of prudent financial and treasury management and insisted on centralised management of funds that can be consistently adjusted. The Group firmly believes that sales proceeds are the most solid and most reliable source of working capital, and therefore maintains a constant effort to expedite cash collection and enhance its ability to protect its assets. Appropriate decisions on fundraising are pursued after taking account of the financial positions, cash collection and business investment requirements of future operations of the Group as well as future changes in the capital market, subject to a healthy and reasonable gearing level and adequate financial resources.

While emphasising the availability of adequate funds and diversified financing channels, the Group also strives to control its gearing level and borrowing costs. At 31 December 2020, the Group's net gearing was 32.6%. The Group's interest expenses for the year were RMB 8.55 billion, and the weighted average borrowing cost was 3.8%. The gearing ratio and borrowing costs were at an outstanding level in the industry.

During the year, the central government introduced the "three red lines, categorised monitoring" real estate financial regulation policy, the Group has not breached any of the red lines and is a "green category" enterprise.

CREDIT RATINGS

The financial strength of the Company continued to grow with shareholders' funds increased to RMB 314.15 billion at the end of the year. During the year, the Company's credit ratings from the three major international credit rating agencies were: Fitch A-/Stable; Moody's Baa1/Stable; and Standard & Poor's BBB+/Stable. In addition, China Overseas Development Group Co., Ltd., a subsidiary of the Group, was also rated as AAA/Stable by United Credit Ratings Co., Ltd. Both domestic and international rating agencies have granted the Group the highest investment ratings in the mainland property development sector for many years, reflecting the capital markets' strong recognition of the Group's sound financial position and solvency, as well as confidence in the Group's continued high-quality development.

FINANCING AND TREASURY MANAGEMENT

The Group continues to take advantage of onshore and offshore dual financing platforms and flexibly uses multiple tools to optimally apply various financing structures. In 2020, the Group successfully issued US$1 billion of medium-term notes offshore. In addition, the Group issued a total of RMB12.6 billion of onshore bonds. Among these, RMB3.7 billion of the green commercial mortgage-backed security ("CMBS"), being the first and the largest-ever domestic green CMBS project with the lowest issuing rate, which also won CMBS of the Year at "Frontiers Awards" in the 5th Annual China Real Estate Securitization Summit; RMB2 billion of rental housing corporate bonds; RMB2.4 billion of corporate bonds. The Group seized opportunities in market and signed a number of new bilateral loan agreements onshore and offshore during the year, through which, the loan portfolios have been enhanced, existing debts have been replaced precisely, elastic financing principle was implemented, currency positions were adjusted rationally and operating capital was supplemented.

Management Discussion and Analysis (continued)

GROUP FINANCE *(continued)*

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The overall financial position of the Group was satisfactory. At 31 December 2020, the net current assets were RMB332.29 billion, the current ratio was 2.1 times, interest coverage ratio was 7.8 times and the weighted average borrowing cost was 3.8%, which were at an outstanding level in the industry.

The Group's interest coverage ratio is calculated as follows:

	2020 **(RMB billion)**	2019 (RMB billion)
Operating profit	**65.231**	62.344
Deducting: Total interest income	**1.818**	1.597
	63.413	60.747
Interest expense*	**8.138**	8.160
Interest coverage ratio (times)	**7.8**	7.4

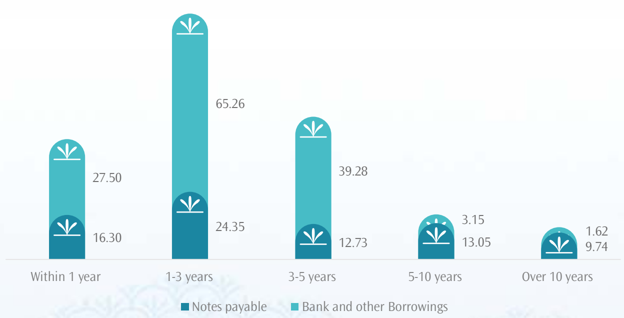
* Before capitalisation and excluding interest on amounts due to fellow subsidiaries and a related company, associates, joint ventures and non-controlling shareholders.

During the year, the Group raised funds from onshore and offshore debt financing amounted to RMB64.09 billion. Total repayment of matured debts amounted to RMB37.33 billion. Sales proceeds collection increased by 13.6% to RMB227.38 billion. Total capital expenditure payments for the Group were RMB197.26 billion (of which RMB134.82 billion was spent on land premiums and RMB62.44 billion was spent on construction-related expenditure). About RMB42.49 billion was paid in taxes, selling and distribution expenses, administrative expenses and financing expenses. At the end of December 2020, unpaid land premiums of the Group was RMB28.17 billion.

At 31 December 2020, bank and other borrowings and notes payable by the Group amounted to RMB136.81 billion and RMB76.17 billion respectively. Total interest-bearing debt amounted to RMB212.98 billion, of which RMB43.80 billion will be matured within a year, accounting for 20.6% of total interest-bearing debt. Among total interest-bearing debt, 25.9% was denominated in Hong Kong dollars, 19.8% was denominated in US dollars, 53.5% was denominated in Renminbi and 0.8% was denominated in Pounds Sterling. Fixed-rate debt accounted for 39.1% of overall interest-bearing debt while the remaining was floating-rate debt.

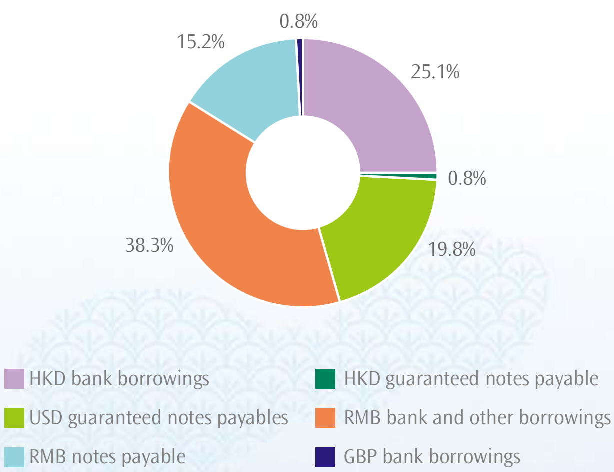
INTEREST-BEARING DEBTS MATURITY PROFILE AT 31 DECEMBER 2020

RMB billion



INTEREST-BEARING DEBTS BY CURRENCY

AT 31 DECEMBER 2020



Management Discussion and Analysis (continued)

GROUP FINANCE *(continued)*

Repayment schedule	**2020** **(RMB billion)**	2019 (RMB billion)
Bank and other borrowings		
Within one year	**27.50**	23.22
More than one year, but not exceeding two years	**35.66**	27.97
More than two years, but not exceeding five years	**68.88**	66.89
More than five years	**4.77**	4.18
Total bank and other borrowings	**136.81**	122.26
Notes payable		
10-year (US$1.0 billion, due November 2020)	**–**	6.85
10-year (US$700 million, due November 2022)	**4.57**	4.78
30-year (US$300 million, due November 2042)	**1.95**	2.04
10-year (US$500 million, due October 2023)	**3.26**	3.42
30-year (US$500 million, due October 2043)	**3.25**	3.40
10-year (US$450 million, due May 2024)	**2.93**	3.07
10-year (US$250 million, due May 2024)	**1.65**	1.74
20-year (US$500 million, due June 2034)	**3.24**	3.40
5-year (US$750 million, due April 2023)	**4.93**	5.16
10-year (US$750 million, due April 2028)	**4.91**	5.15
10-year (US$450 million, due July 2029)	**2.96**	3.10
5.5-year (HK$2.0 billion, due January 2025)	**1.68**	1.76
10-year (US$294 million, due November 2029)	**1.92**	2.02
3-year (RMB3.404 billion, due November 2021)	**3.40**	3.40
7-year (RMB1.0 billion, due November 2022) (ii)	**–**	1.00
10-year (RMB6.0 billion, due August 2026) (ii)	**6.00**	6.00
2-year (RMB1.015 billion, due December 2020)	**–**	1.01
2-year (RMB400 million, due January 2021)	**0.40**	0.40
3-year (RMB3.0 billion, due February 2021)	**3.00**	3.00
6-year (RMB3.5 billion, due October 2024) (i)	**3.50**	3.50
6-year (RMB2.0 billion, due January 2025) (i)	**2.00**	2.00
7-year (RMB1.5 billion, due January 2026) (ii)	**1.50**	1.50
5-year (US$300 million, due March 2025)	**1.96**	–
10-year (US$500 million, due March 2030)	**3.25**	–
15-year (US$200 million, due March 2035)	**1.31**	–
3-year (RMB2.0 billion, due August 2026) (i)	**2.00**	–
3-year (RMB3.701 billion, due August 2038) (i)	**3.70**	–
5-year (RMB3.001 billion due August 2038) (ii)	**3.00**	–
3-year (RMB2.4 billion due November 2023)	**2.40**	–
3-year (RMB1.5 billion due December 2023)	**1.50**	–
Total notes payable	**76.17**	67.70
Total debt	**212.98**	189.96
Deducting:		
Bank balances and cash	**110.47**	95.45
Net debt	**102.51**	94.51
Equity attributable to owners of the Company	**314.15**	280.60
Net gearing	**32.6%**	33.7%

(i) The notes payable with terms for interest rate adjustment and sell back option at the end of third year from issue date
(ii) The notes payable with terms for interest rate adjustment and sell back option at the end of the fifth year from issue date

Management Discussion and Analysis (continued)

GROUP FINANCE *(continued)*

At 31 December 2020, the Group's available funds amounted to RMB173.85 billion comprising bank balances and cash of RMB110.47 billion (of which 4.7% was denominated in Hong Kong dollars, 2.6% was denominated in US dollars, 92.2% was denominated in Renminbi, 0.2% was denominated in Pounds Sterling and minimal amounts were denominated in other currencies) and unused banking facilities of RMB63.38 billion.

RISKS OF EXCHANGE RATE AND INTEREST RATE VOLATILITY

The international financial markets experienced great turmoil in 2020, with interest rates and exchange rates fluctuating widely. Later, with the global implementation of quantitative easing policies, global interest rates fell rapidly. Mainland China's economy was one of the first to escape the impact of the pandemic, with the economy recovering expeditiously, and money and credit supply gradually returning to normal. During the year, the fundamental of Mainland China's economy provided support for the RMB exchange rate, allowing the RMB exchange rate against the US dollar to continue to rise in the second half of the year, and achieved an overall appreciation over the year. The Group offsets the corresponding risks mainly through natural hedging and has not participated in any speculative trading of derivative financial instruments, but will carefully consider whether to conduct currency and interest rate swaps at an appropriate time to hedge against corresponding risks. The Board believes that the Group's exchange rate and interest rate risks are relatively controllable.

Management Discussion and Analysis (continued)

OTHERS

CONTINGENT LIABILITIES

At 31 December 2020, the Group provided, in line with usual business practice, buy-back guarantees for the repayment of bank mortgage loans amounting to RMB69.53 billion granted to certain buyers of the Group's properties. The Group had counter indemnities amounting to RMB704 million for guarantees issued in respect of certain construction contracts undertaken by the Group. The Group has never incurred any loss in the past as a result of granting such guarantees.

CHARGE OF ASSETS

At 31 December 2020, certain of the Group's assets with carrying values of RMB26.25 billion have been pledged to secure the bank borrowings granted to the Group.

MAJOR RISKS AND UNCERTAINTIES

The business and prospects of the Group mainly depend on the performance of the property market in Mainland China, Hong Kong and Macau and are therefore affected by the risks associated with the property markets in Mainland China, Hong Kong and Macau, including economic situations, policy changes, exchange rate fluctuations, interest rate changes, adjustments of tax rules, and imbalances in supply and demand. In addition, the operation of the Group is also unavoidably affected by various industry-specific risk factors in property development, property investment and related businesses. Also, misconduct from buyers, tenants, and strategic business partners or other related factors may have negative impact to various extents on its operation. Further, the COVID-19 pandemic has affected business and economic activities. The Group has formulated accident prevention systems and policies and endeavours to avoid occurrence of unexpected financial loss, litigation or reputational damage. In future, the Group will closely monitor changes in these risks and the environment. It will also pay attention to interest rate risk and foreign exchange risk and take timely measures to reduce any impact on its business.

Directors and Organisation

From left to right: **Mr. ZHANG Zhichao, Mr. YAN Jianguo, Mr. LUO Liang, Mr. GUO Guanghui**

Directors and Organisation (continued)

BOARD OF DIRECTORS

Executive Directors

Mr. YAN Jianguo
Chairman and Executive Director

Aged 54, graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989, and obtained an MBA degree from Guanghua School of Management in Peking University in 2000 and a PhD degree in Marketing from Wuhan University in 2017. Mr. Yan joined 中國建築集團有限公司 (China State Construction Engineering Corporation) in 1989 and had been seconded to the Company twice. During the year 1990 to 1992, he had been working for the Shenzhen Branch of China Overseas Development Group Co., Ltd.* (the "**Property Group**", a wholly-owned subsidiary of the Company) and had held a number of positions, including site engineer and department head. He was assigned to the Company again from 2001 to 2011 and had been Assistant General Manager of Guangzhou Branch, Deputy General Manager of Shanghai Branch, General Manager of Suzhou Branch, General Manager of Shanghai Branch, Vice Managing Director of the Property Group and President of Northern China Region. Mr. Yan had worked in 中國建築集團有限公司 (China State Construction Engineering Corporation*) from 2011 to June 2014 and had been Director of the General Office, General Manager of Information Management Department, Chief Information Officer and Assistant General Manager.

Mr. Yan joined Longfor Properties Co. Ltd. in June 2014 (listed on the Stock Exchange of Hong Kong, Stock Code: 960) and resigned on 5 December 2016. During the period, he had held a number of positions including Executive Director and the Senior Vice President. Mr. Yan was appointed Executive Director and Chief Executive Officer of the Company from 1 January 2017 and has become Chairman of the Company and continues to serve as Chief Executive Officer of the Company from 13 June 2017. Mr. Yan ceased to act concurrently as Chief Executive Officer of the Company on 11 February 2020.

Besides acting as the Chairman and Executive Director of the Company, Mr. Yan is currently the Chairman and President of China Overseas Holdings Limited and a director of certain of its subsidiaries, and also a director of certain subsidiaries of the Company. Mr. Yan has also been appointed as Chairman and Non-executive Director of China State Construction International Holdings Limited on 22 March 2019. Mr. Yan resigned as the Chairman and Non-Executive Director of China Overseas Property Holdings Limited and the Chairman of China Overseas Grand Oceans Group Limited ("**COGO**") on 11 February 2020, and continues to act as Non-Executive Director of COGO. China Overseas Holdings Limited is the substantial shareholder of the Company within the meaning of the Securities and Futures Ordinance. He has about 31 years' experience in construction business, real estate investment and management.

* *English translation for identification purpose only*

Directors and Organisation (continued)

Mr. LUO Liang

Vice Chairman, Executive Director, Executive Vice President, Chief Operating Officer and Chief Architect, Member of the Corporate Governance Committee

Aged 56, graduated from Huazhong University of Science and Technology, holder of a master's degree, and a Professor-level Senior Architect. He joined the Group in 1999. Mr. Luo has been appointed as the Chief Architect of the Group and one of its subsidiaries from 18 October 2002 and 2 February 2018 respectively, the Executive Director of the Company from 22 March 2007, the Vice President of the Company in August 2009, the Executive Vice President and Chief Operating Officer of the Company from 26 May 2017 and the Vice Chairman of the Company from 11 February 2020. Besides acting as the Vice Chairman, Executive Director, Executive Vice President, Chief Operating Officer and Chief Architect of the Company, Mr. Luo was appointed Member of the Corporate Governance Committee of the Company on 29 March 2021. Mr. Luo is currently a director of certain subsidiaries of the Group. Mr. Luo has about 32 years' architectural experience.

Mr. ZHANG Zhichao

Executive Director and Chief Executive Officer

Aged 41, graduated from the Southeast University majoring in Construction Engineering in 2001. Upon graduation, he joined the Shanghai Branch of the Property Group, and since then, he worked in various business units within the Property Group, such as engineering department, investment planning department, and acted as Deputy General Manager of Suzhou Branch, General Manager of Hefei Branch, General Manager of Wuxi Branch, and General Manager of Suzhou Branch. Mr. Zhang has been serving as Assistant President of the Company and General Manager of Northern China regional companies since May 2017, and in January 2019, he was appointed as Vice President of the Company. With effect from 11 February 2020, Mr. Zhang has also been appointed as the Executive Director and Chief Executive Officer of the Company. Mr. Zhang is currently the director of China Overseas Holdings Limited which is the substantial shareholder of the Company within the meaning of the Securities and Futures Ordinance. He has about 19 years' experience in property development and corporate management.

Mr. GUO Guanghui

Executive Director and Vice President

Aged 48, graduated from Nanjing University of Science & Technology, holder of a master's degree, and is a senior accountant and a non-practising member of The Chinese Institute of Certified Public Accountants. He joined the Company and its subsidiaries in 2006 and is currently the Vice President of the Company and a director of certain subsidiaries of the Group. Mr. Guo has about 26 years' management experience in corporate finance and accounting. He was appointed Executive Director of the Company with effect from 12 June 2018.

Directors and Organisation (continued)

Non-Executive Directors

Mr. ZHUANG Yong
Vice Chairman and Non-Executive Director

Aged 44, graduated from the Chongqing University majoring in international corporate management in 2000, and obtained a master of Architecture and Civil Engineering in 2007 from Chongqing University. Mr. Zhuang joined the Property Group in 2000 and since then, he worked in various business units within the Property Group, such as, human resources department, sale and marketing management department, and acted as Deputy General Manager of Shanghai Branch, General Manager of Nanjing Branch, General Manager of Suzhou Branch and Assistant General Manager of Western China regional companies. From 2015 to 2017, Mr. Zhuang served as the Assistant President of the Company and General Manager of Northern China regional companies, Vice President of the Company, and since October 2018, as General Manager of South China regional companies. With effect from 11 February 2020, Mr. Zhuang has also been appointed as the Non-Executive Director and Vice Chairman of the Board of the Company, and the chairman of the board of directors and executive director of COGO (which is an associate of the Company and listed on the Stock Exchange of Hong Kong). Mr. Zhuang is currently the director of China Overseas Holdings Limited which is the substantial shareholder of the Company within the meaning of the Securities and Futures Ordinance. He has about 20 years' experience in corporate management.

Mr. CHANG Ying
Non-Executive Director

Aged 48, holds a master's degree from the University of New South Wales in Australia and a master's degree from Southeast University in the PRC. Mr. Chang was appointed as Non-Executive Director of the Company from 15 September 2016. He joined CITIC Real Estate Co., Ltd. in April 2006 and was Executive Vice President of CITIC Real Estate Co., Ltd. and Managing Director and Chief Executive Officer of CITIC Real Estate (Beijing) Investment Co., Ltd., the Deputy General Manager of Strategic Development Department of CITIC Limited before 31 December 2017. He is currently the Vice Chairman of CITIC Urban Development & Operation Co., Ltd.. Mr. Chang has about 21 years' extensive experience in real estate and investment industry.

Directors and Organisation (continued)

Independent Non-Executive Directors

Dr. FAN HSU Lai Tai, Rita
GBM, GBS, JP
Independent Non-Executive Director,
Chairman of the Nomination Committee,
Member of the Audit and Risk Management Committee,
Member of the Remuneration Committee,
Member of the Corporate Governance Committee

Aged 75, joined the Board as an Independent Non-Executive Director of the Company on 2 February 2009 and has served the Company for about 12 years. Dr. Fan is a Member of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Nomination Committee of the Company on 2 February 2009. Dr. Fan has been appointed Member of the Corporate Governance Committee of the Company on 29 March 2021. She is one of Hong Kong's best-known public figures and has an outstanding track record of service to the community. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Her term of office ended on 30 September 2008. Dr. Fan has served as President of the legislature of the Hong Kong Special Administrative Region ("**HKSAR**") for 11 years.

In the lead-up to Hong Kong's reunification with China, Dr. Fan played a valuable role as a Member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997. She was elected as a Hong Kong Deputy for the Ninth to Twelfth sessions of the National People's Congress ("**NPC**") during 1998 to 2018, and served as a Member of the Eleventh and Twelfth sessions of the Standing Committee of the NPC from 2008 to 2018. Dr. Fan is now serving as the Chairman of Board of Management of Endeavour Education Centre Limited and the Endeavour Education Trust and a member of Hong Kong Laureate Forum Council.

After graduating from St. Stephen's Girls' College, Dr. Fan studied at the University of Hong Kong, and was awarded a bachelor's degree in Science, and later on, received a master's degree in Social Science. She also received the Honorary Doctorate in Social Science from the University of Hong Kong, the City University of Hong Kong, the Hong Kong Polytechnic University, and the Education University of Hong Kong respectively, and an Honorary Doctorate in Law from the China University of Political Science and Law of the People's Republic of China. Her record of public service has been acknowledged by the HKSAR Government through the award of the Gold Bauhinia Star in 1998 and Hong Kong's top award, the Grand Bauhinia Medal, in 2007.

She is also an Independent Non-Executive Director, a Member of the Audit Committee, the Nomination Committee and the Chairman of the Remuneration Committee of COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited); and an Independent Non-Executive Director, the Chairman of the Remuneration Committee and a Member of the Nomination Committee of The Bank of East Asia, Limited.

She served as an Independent Non-Executive Director, a Member of the Nomination Committee, the Audit Committee and the Chairman of the Remuneration Committee of China Shenhua Energy Company Limited; and an Independent Non- Executive Director, a Member of the Nomination Committee and the Chairman of the Remuneration Committee of COSCO SHIPPING Holdings Co., Ltd.* (formerly known as China COSCO Holdings Company Limited).

* *English translation for identification purpose only*

Directors and Organisation (continued)

Mr. LI Man Bun, Brian David
JP, MA (Cantab), MBA, FCA
Independent Non-Executive Director,
Chairman of the Audit and Risk Management Committee,
Member of the Nomination Committee,
Member of the Remuneration Committee,
Member of the Corporate Governance Committee

Aged 46, Mr. Li joined the Board as an Independent Non-Executive Director of the Company on 19 March 2013 and was appointed Chairman and Member of the Audit and Risk Management Committee, Member of the Nomination Committee and Member of the Remuneration Committee on the same day. He was appointed Member of the Corporate Governance Committee on 29 March 2021. Mr. Li is Co-Chief Executive of The Bank of East Asia, Limited ("**BEA**"), responsible for the overall management and control of BEA with a particular focus on its China and international businesses. Mr. Li joined BEA in 2002 and served as General Manager & Head of Wealth Management Division from July 2004 to March 2009. Mr. Li was subsequently appointed Deputy Chief Executive in April 2009, Executive Director in August 2014, and Co-Chief Executive of BEA in July 2019.

Mr. Li is currently an Independent Non-Executive Director and Chairman of the Board Audit and Risk Committee of Towngas China Company Limited, and an Independent Non-Executive Director and Chairman of the Remuneration Committee of Shenzhen Investment Holdings Bay Area Development Company Limited (formerly known as Hopewell Highway Infrastructure Limited).

Mr. Li holds a number of public and honorary positions, including being a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Chief Executive's Council of Advisers on Innovation & Strategic Development of the Government of the Hong Kong Special Administrative Region, a Council Member of the Hong Kong Trade Development Council, a Director of the Financial Services Development Council, a member of the Aviation Development and Three-runway System Advisory Committee, and Vice Chairman of the Executive Committee of St. James' Settlement.

He is a member of the Hong Kong-Europe Business Council, a member of the Hongkong-Japan Business Co-operation Committee, and a Vice Chairman of the Asian Financial Cooperation Association.

Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He is also a Full Member of the Treasury Markets Association. Mr. Li holds an MBA degree from Stanford University and a BA degree from the University of Cambridge.

Directors and Organisation (continued)

Professor Chan Ka Keung, Ceajer
GBS, JP
Independent Non-Executive Director,
Chairman of the Remuneration Committee,
Chairman of the Corporate Governance Committee,
Member of the Audit and Risk Management Committee,
Member of the Nomination Committee

Aged 64, Professor Chan joined the Board as an Independent Non-Executive Director of the Company on 27 June 2020 and was appointed Chairman and Member of the Remuneration Committee, Member of the Audit and Risk Management Committee and Member of the Nomination Committee on the same day. He was appointed Chairman of the Corporate Governance Committee on 29 March 2021. Professor Chan is the chairman of WeLab Bank Limited and senior advisor of WeLab Holdings Limited, a leading fintech company in Asia with one of the first virtual banks established in Hong Kong. He was appointed as Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in the Hong Kong University of Science and Technology ("**HKUST**"). He is currently Adjunct Professor at HKUST Business School and received the Honorary Doctorate from HKUST in July 2020.

Professor Chan received his bachelor's degree in economics from Wesleyan University and his M.B.A. and Ph.D. in finance from the University of Chicago. He specialised in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics.

Professor Chan is a member of Competition Commission and non-executive director of The Hong Kong Mortgage Corporation Limited. In the past, he held a number of public service positions including chairman of the Consumer Council, director of the Hong Kong Futures Exchange, and member of the Commission on Strategic Development, Commission on Poverty, the Exchange Fund Advisory Committee, the Hang Seng Index Advisory Committee, and the Hong Kong Council for Academic Accreditation.

In addition, Professor Chan is also an independent non-executive director of Guotai Junan International Holdings Limited (listed on the Stock Exchange of Hong Kong, stock code: 1788), Langham Hospitality Investments and Langham Hospitality Investments Limited (listed on the Stock Exchange of Hong Kong, stock code: 1270). He is also a non-executive director of Tricor Group, an independent non-executive director of CMB International Capital Corporation Limited and Greater Bay Area Homeland Investments Limited. Professor Chan was a non-executive director of MTR Corporation Limited (listed on the Stock Exchange of Hong Kong, stock code: 66) from 2007 to July 2017.

Directors and Organisation (continued)

Senior Management

Mr. ZHANG Yi
Vice President
Aged 54, graduated from Tianjin University of Finance & Economics and Peking Economics University (now known as Capital University of Economics and Business) and Graduate Economics Training Center at Renmin University of China, holder of a master's degree, senior economist. He joined China State Construction Engineering Corporation in 1994 and was seconded to the Group during the year. Mr. Zhang has about 27 years' management experience in public relation and investment strategy.

Mr. QI Dapeng
Vice President
Aged 50, graduated from Jilin University and Harbin Institute of Technology, holder of a master's degree, senior accountant. He joined the Group in 1997, and has about 29 years' experience in finance and corporate management.

Mr. OUYANG Guoxin
Vice President
Aged 53, graduated from Chongqing Normal University, holder of an Executive Master of Business Administration from Tsinghua University and a Doctor of Economics from Peking University, senior economist. He joined the Group in 1997. Mr. Ouyang has about 31 years' experience in construction and corporate management.

Mr. CHEN Deyou
Vice President
Aged 50, graduated from Valparaiso University, holder of a master's degree, senior accountant, senior economist. He joined China State Construction Engineering Corporation in 1993, and joined the Group in 2017. Mr. Chen has about 28 years' management experience in corporate finance and law.

Mr. LUI Sai Kit, Eddie
Chief Financial Officer
Aged 57, graduated from York University, holder of a master degree in Business Administration from University of Ottawa in Canada. Mr. Lui is a member of the Hong Kong Institute of Certified Public Accountants, the American Institution of Certified Public Accountants, the Chartered Institution of Management Accountants of United Kingdom and the Chartered Professional Accountants of Canada. Mr. Lui joined the Group in 2018 and has about 34 years' experience in financial management and corporate financing.

Mr. XU Wendong
Vice President
Aged 54, graduated from Harbin Institute of Civil Engineering and Architecture (now known as Harbin Institute of Technology), senior engineer, architect. He joined the Group in 2001. Mr. Xu has about 33 years' experience in architectural design and corporate management.

Directors and Organisation (continued)

Mr. LIU Xianyong
Vice President
Aged 49, graduated from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology), senior economist. He joined the Group in 1995. Mr. Liu has about 26 years' experience in marketing and corporate management.

Mr. XU Feng
Vice President
Aged 45, graduated from Zhejiang University, senior engineer. Mr. Xu joined China State Construction Engineering Corporation in 1999, joined the Group in 2004. Mr. Xu has about 23 years' management experience in human resources management and corporate management.

Mr. LIU Huiming
Vice President
Aged 43, graduated from Tsinghua University, holder of a master's degree in Engineering, senior engineer. He joined the Group in 2003. Mr. Liu has about 18 years' management experience in construction and corporate management.

Ms. XU Xin
Assistant President
Aged 52, graduated from Beijing Institute of Civil Engineering and Architecture (now known as Beijing University of Civil Engineering and Architecture), holder of a Master of Business Administration from Cheung Kong Graduate School of Business, senior engineer. She joined a subsidiary of China State Construction Engineering Corporation in 1995, and joined the Group in 2014. Ms. Xu has about 30 years' experience in construction, engineering and corporate management.

Mr. LIU Changsheng
Assistant President
Aged 43, graduated from Hunan Normal University and holds a master's degree in management from Nanjing University. He joined the Group in 2004. Mr. Liu has about 17 years' experience in sales and marketing and corporate management.

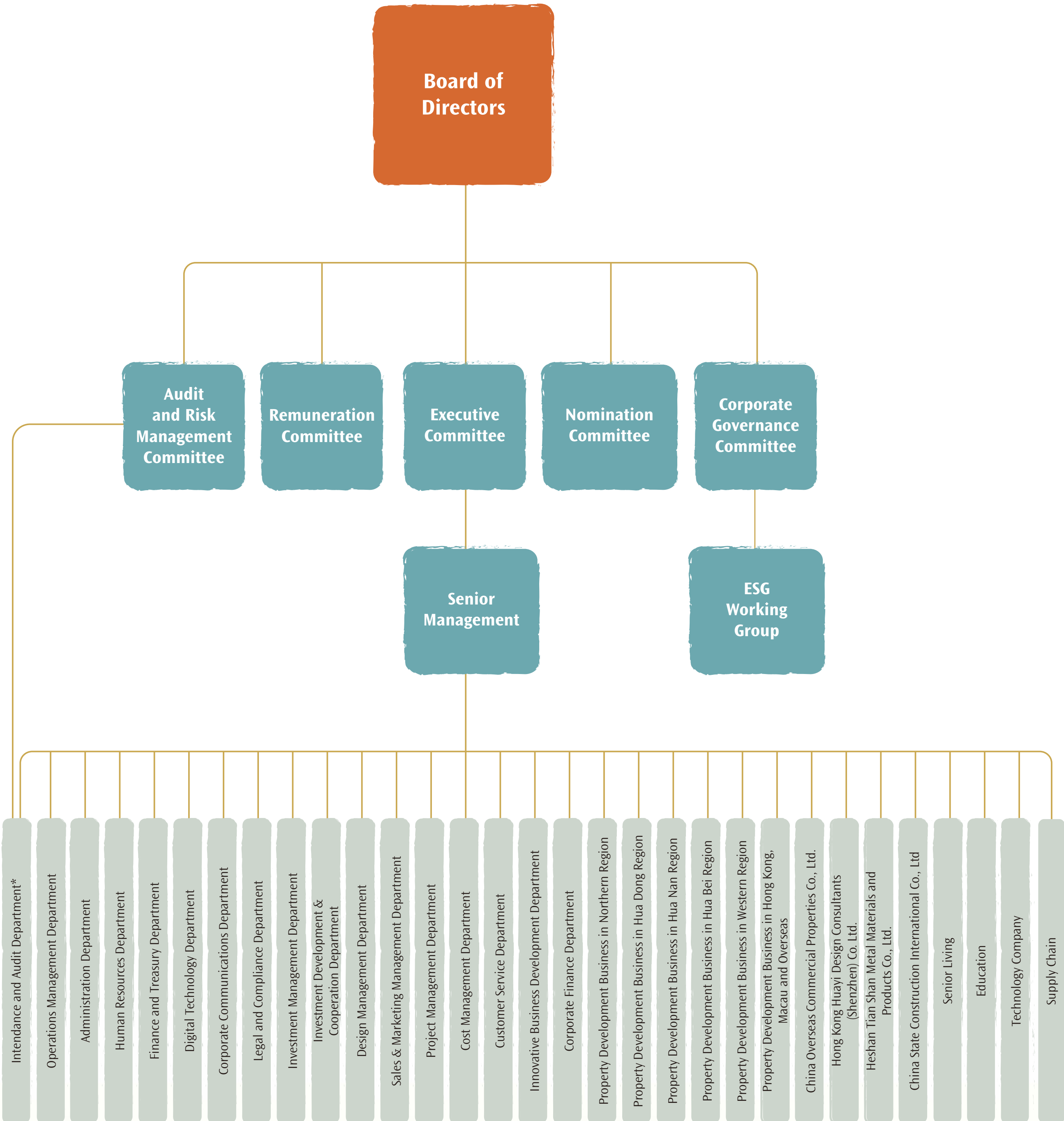
Mr. LI Yingjun
Assistant President
Aged 42, graduated from Southeast University and holds a master's degree in management from Southeast University. He joined the Group in 2003. Mr. Li has about 18 years' experience in investment planning, sales and marketing planning and corporate management.

Mr. WANG Linlin
Assistant President
Aged 43, graduated from Shenyang Institute of Civil Engineering and Architecture, and holds a master's degree in management from Harbin Institute of Technology. He is a senior engineer. He joined China State Construction Engineering Corporation in 2000 and joined the Group in 2007. Mr. Wang has about 21 years' experience in human resources, commercial operations and corporate management.

Mr. GUO Lei
Assistant President
Aged 49, graduated from Shenyang Institute of Civil Engineering and Architecture, and holds a master's degree in management from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology) and a doctorate degree in management from Harbin Institute of Technology. He is a professor-level senior engineer. He joined the Group in 2003. Mr. Guo has about 28 years' experience in engineering, contract and corporate management.

Directors and Organisation (continued)

ORGANISATION CHART OF CHINA OVERSEAS LAND & INVESTMENT LIMITED



* *Risk Management Team is set under Intendance and Audit Department.*

Sustainable Development

The Paragon, Jinan

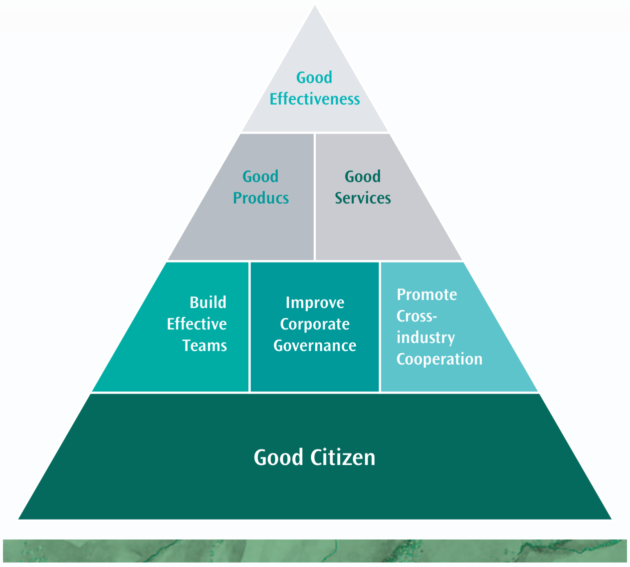
Sustainable Development

Pursuing the strategic objective of "becoming an exceptional global property development corporation", the Group firmly adheres to its sustainability strategy of "Four Excellences" and provides our customers with "Good products and services", encourages our professional team to improve efficiency, pursues innovation and change, fulfills its corporate social responsibility of being a "Good Citizen" and achieves long-term and persistent "Good Effectiveness".

SUSTAINABILITY REPORT

During the year, the Group continued to improve disclosure transparency of the Environmental, Social and Governance (ESG) report in compliance with the Guidance under Appendix 27 of the Hong Kong Stock Exchange and the GRI guidance and with reference to SASB. With growing concern for climate change issues, during the period, the Group commenced works pertaining to climate change risks, as well as started a work plan on managing 2020-2023 climate change issues with reference to the TCFD framework, responding to the expectations of the capital market.

The Board of Directors of the Company in 2020 delegated the Executive Committee to be responsible for the Company's ESG matters. To strengthen the Board's involvement in all ESG-related matters, a Board-level Corporate Governance Committee, where the majority of its members is Independent Non-executive Directors of the Company, was established in March 2021 so as to demonstrate to our stakeholders that the Board is taking its corporate responsibility and sustainable development to the next level. The Corporate Governance Committee will provide long-term direction and strategies on sustainability-related matters, identify ESG risks, and review and monitor management's execution of sustainability projects. To support the Corporate Governance Committee, we also have an established organization structure of an ESG working group, and had established the ESG strategic framework under the framework of being "a Company of Four Excellences", for planning and achieving qualitative and quantitative sustainability targets, which covered from green building area, air quality testing, customer satisfaction, employee satisfaction, employee training, carbon emissions to energy consumption density.



"A Company of Four Excellences" ESG Strategy Framework

During the year, the Company successfully issued five sustainability-related policies on its official website, including the "Sustainable Development Policy", the "Environmental Policy", the "Labour Rights and Occupational Safety and Health Policy", the "Supplier Code of Conduct" and the "Corporate Code of Conduct". For details, please visit http://www.coli.com.hk/esg/policy/.

Being well-recognised by the market for such measures, the Company was included in the Hang Seng ESG50 Index newly introduced by Hang Seng Index Company Limited in July.

Sustainable Development (continued)

RELATIONSHIP WITH KEY STAKEHOLDERS

Inter-departmental communication and cooperation are essential to sustainability management. During the year, the ESG working group held quarterly meetings, so as to review the implementation progress of the "2023 Sustainability Targets" and the gap compared to corresponding regulatory and capital market requirements in 2020; conducted internal environmental analysis and proposed improvement plans; and reviewed major sustainability issues and strategic framework for COLI.

SUSTAINABLE BUILDINGS

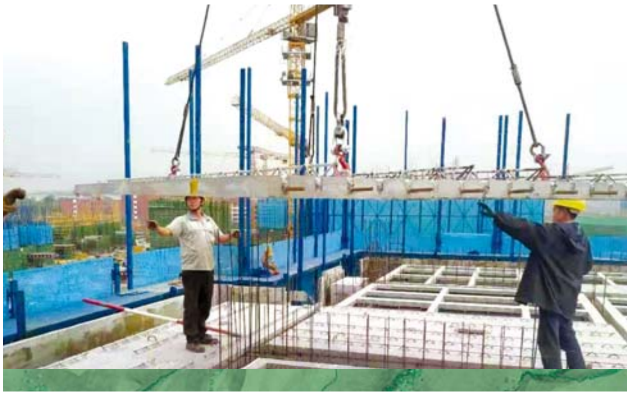
During the year, the Group established and disclosed on the website "Sustainable Development Policy" and "Environmental Policy", which define its management directions for improving environmental sustainability in its business strategies. By implementation of various management system and programs, the Group is committed to incorporate environmental considerations into architectural design, construction and operation, which include but are not limited to adopting sustainable building design and operating standards, procuring products that have lower environmental impact, improving energy efficiency and fulfilling targets on reducing carbon emission.

The Group complies with and strives to go beyond requirements of environment-related laws. The Group continues to optimise and implement the internal construction standards of "Technical Guidance for Green Building", and other green building standards such as "Technical Manual for Green Building", which are compiled based on Mainland China's "Evaluation Standard of Green Building" and the American LEED evaluation criteria.

During the year, with insights into customers' demand for healthy living, the Group developed and released the "China Overseas Standards for Green and Healthy Residential Properties", which adhere to Mainland China's "Evaluation Standard of Healthy Building" and the American WELL evaluation standards, and activated pilot projects to continuously practice the environmental philosophy of "Smart Technology, Green and Health".

The Group establishes environmental management practices for suppliers and contractors by means of the "Supplier Code of Conduct" and other related policies, as well as via the use of five major core technologies for building industrialisation of "standardised design, industrialised production, prefabricated construction, integrated decoration and information management".

During the year, the Group had 136 prefabricated construction projects under construction with a corresponding GFA of 15.51 million sq m.



Prefabricated construction

In 2020, all of the Group's new development projects had either obtained or were obtaining national green building certifications. As at the end of 2020, the Group had 64 new projects obtaining green building certifications, with a certified GFA of 10.95 million sq m; one project obtaining Platinum-level precertification under the WELL Building Standard, and the Group was granted for the first time the "Healthy Building Label (健康建築評價標識)" certification, under the Group Standard of Architectural Society of Mainland China, where 16 projects were certified.

Mansion De Renaissance, Hangzhou | Sanlilu (三裡廬) has passed the highest level of global precertification (platinum) under the "WELL Healthy Building Standard"

Sustainable Development (continued)

SUSTAINABLE BUILDINGS *(continued)*

As at the end of 2020, the Group had accumulated 379 certifications with an accumulative green GFA reaching 71.47 million sq m, including National Green Building Star Certifications, US LEED certification, US BOMA certification, US WELL certification, and UK BREEAM certification.

The Group continues to promote low-carbon and environmentally-friendly operations for owned commercial properties, strengthening energy consumption management, waste management and separation and recycling. This year, the energy consumption information platform covered 15 flexible-working OFFICEZIP projects, monitored and analysed real-time energy consumption of building facilities and equipment, thereby promoting accurate assessment of energy conservation performance and furthering emission reduction initiatives. Waste separation pilot schemes for 10 commercial projects commenced during the year. To better understand the Group's carbon footprint from operations, the Group commissioned an external consultancy to quantify greenhouse gas emissions, and reviewed the progress and achievements of various environmental goals throughout the year with the ESG working group.

CUSTOMER SERVICE

The Group regards its customers as the driving force behind the Group's efforts in sustainable development and product innovation. The Group upholds the philosophy of providing full-cycle customer service from project positioning, design, construction, sales to post-property occupation service; it continues to include customer satisfaction review in its performance appraisal, so as to constantly improve its products and services.

During the year, the Group completed a customer satisfaction survey with 100,000 random samples and achieved customer satisfaction score of 91% for 2020, ranking among the top three in the industry. The survey's evaluation indicators covered various aspects such as customer loyalty, repurchase intention and recommendation intention.

Leveraging on the CRM system, the Group focuses on meticulous maintenance and customer experience management through "Connectivity as a Service". During the year, the Group launched a white paper on online customer service risks and standards. In response to impacts of the pandemic, the Group became the first company in the industry to launch innovative tools such as "Online Handover" and "QR Code Posting (二維碼報事)", enabling it to achieve online management of property certificate registration, enhance transparency of customer service and improve service experience.

In terms of after-sales service and customer complaint handling, the Group issued the "Meticulous Maintenance Service Manual (《精工維修服務手冊》)" to optimise the maintenance service system in a comprehensive manner.

CRM online systems deliver excellent customer experience including "Online Handover", "QR Code Posting"

This year, "China Overseas Property Club ("COPC") gained approximately 120,000 new members, totaling over 500,000 members in 34 clubs. During the year, COPC held over 600 events, attracted over 1,190,000 participants. Meanwhile, "COPC" joined hands with the marketing department to launch 56 events, with 19,872 referrals from existing homeowners and 11,121 visits, achieving 5,666 transactions completed.

Children of the homeowners at the COPC running competition

Sustainable Development (continued)

STAFF DEVELOPMENT

A stable and efficient staff team is the key to a company's success. By taking employees' "talent" and "satisfaction" as two main focuses, the Group continuously refines its performance appraisal and remuneration system, the working environment and social activities to enhance employees' satisfaction and sense of belonging. As of the end of December 2020, the Group employed 6,134 employees with ratio of male and female employees being 2.54:1. During the year, staff costs of the Group amounted to RMB2.34 billion.

During the year, the Group continued to expand recruitment channels to select talents and recruited 881 employees through three major recruitment brands, namely "Sons of the Sea", "Sea's Recruits" and "Stars of the Sea". The Group launched the first share options incentive scheme in 2018, and during the year launched the second share options incentive scheme which granted a total of 285,840,000 shares to reward 1,131 senior management, core technical and management personnel of the Company who directly contributed to the overall business performances and development of the Company.

The Group's training mainly centred on "improving systems, empowering business development and strengthening synergy". We look into areas for improvement of talents and integrate them into business development with value creation as its driving force. By the end of December, the Group conducted more than 5,700 training sessions for over 170,000 staff. Annual training hours per employee were 84 hours, which included project team business knowledge and capability as well as strong business team building.

"Sons of the Sea" recruitment fair and the mascot

The Group values employees' health and work-life balance. During the year, the Group provided all employees with annual routine medical examinations and supplementary medical insurance to enhance medical protection. We also established an employee care programme to provide support and assistance to those who suffer from illness or difficulties. During the year, we conducted employee social activities and upgraded our office and cafeteria facilities.

With outstanding performance in talent development and corporate governance, the Group won ten employer recognition awards in 2020, among which, China Overseas Property ranked first among the real estate companies at "China Undergraduates' Favourite Employer Award 2020" and was honoured together with well-known global companies such as Huawei, Apple, Mercedes-Benz and Tesla.

COLI won prestigious awards in the industry: "China Undergraduate's Favourite Employer Award 2020", "China's Best Employer Award 2020" and "China's Real Estate Industry Best Employer Award 2020"

Sustainable Development (continued)

CARING FOR THE COMMUNITY AND MAKING CONTRIBUTIONS

During the year, in face of the COVID-19 pandemic, the Group shouldered its corporate social responsibility in pandemic prevention and control by promptly establishing pandemic prevention and control regime, using various channels such as WeChat official account and public areas in buildings to disseminate knowledge and information on pandemic prevention and control in a timely manner. Furthermore, it conducted trainings and seminars on pandemic prevention for employees, homeowners and tenants through point-to-point and small-group meetings.

COLI's pandemic prevention and control measures

In order to ensure the safety and protection of every employee, while putting in place a shift duty system during the early stage of the pandemic to maintain daily operation and protecting the health and safety of staff, the Group compiled an internal pandemic prevention and control regime and a pandemic prevention manual for employees, by the end of March, work orderly resumed and production speeded up. During the year, rent reduction of approximately RMB125 million was granted to 1,300 commercial properties tenants. The Group fully supported the prevention and control work against the COVID-19 pandemic by donating anti-epidemic materials to hospitals and other institutions in cities such as Wuhan and Shenzhen to proactively fulfill its corporate social responsibility.


Shanghai East Jianguo Road Old Town Renewal Project

The Group participated in construction of affordable housing and renovation of shantytowns and took the initiative to involve in livelihood protection projects. During the year, a construction area equivalent to 615,000 sq m of the Group's affordable housing was added in 19 cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Fuzhou, Harbin, Hangzhou, Jinan, Nanjing, Ningbo, Qingdao, Shijiazhuang, Taiyuan, Wuhan, Xi'an, Xiamen, Urumqi in Xinjiang, Yantai and Zhuhai, with an accumulated GFA of 3.222 million sq m to address housing difficulties for low-income families. This year, the Shanghai East Jianguo Road Old Town Renewal Project, with a total investment of RMB59 billion, was launched and is expected to relocate 8,500 households, facilitating urban renewal.

Sustainable Development (continued)

CARING FOR THE COMMUNITY AND MAKING CONTRIBUTIONS *(continued)*

Mr. Yan Jianguo, Chairman attended the kick off ceremony of the ”Kangle Mushroom” brand

The Group helped Kangle County to launch a special agricultural product brand “Kangle Mushroom”

2020 marked the end of “poverty alleviation” efforts. Through its efforts in “industrial poverty alleviation, education poverty alleviation and consumer e-commerce poverty alleviation”, the Group continued to carry out its targeted poverty alleviation initiative, the “Sea of Hope”, incorporating its own resources to help promote social and economic development of five third-tier national poverty-stricken counties, namely Shanxi’s Lan County (2018), Chongqing’s Wuxi County (2018), Gansu’s Kang County, Zhuoni County and Kangle County (2019–2020) from 2018 to 2020.

The Company made bulk purchase of Kangle County’s mushrooms and voluntarily assisted them in designing packaging, registering trademarks, producing and processing, as well as opening online stores. During the year, we held more than 370 promotional activities that promoted the “Kangle Mushroom” to hundreds of thousands of customers and homeowners in COLI developed residential communities and sales projects in over 80 cities in Mainland China, driving the sales of mushrooms from Kangle County to over RMB4 million.

During the year, the Group was awarded “Corporate Citizen of the Year 2020” and “Outstanding Enterprise in Social Responsibility 2020”.

Sustainable Development (continued)

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group mainly engages in property investment and development in the PRC, which is under strict regulation. The laws and regulations relating to the Group's operations cover these aspects:

- Establishment of a real estate development enterprise
- Qualification of a real estate developer
- Land for property development
- Sale of commodity properties
- Transfer of real estate
- Mortgages of real estate
- Real estate management
- Measures on stabilizing property prices
- PRC taxation
- Foreign currency exchange
- Labour protection

To ensure compliance with relevant environmental laws and regulations that have a significant impact on the Group, the Group not only reviews and monitors its own operations that mainly consist of office work, but also emphasizes on managing its contractors' compliance. Highlights of the Group's compliance measures during the reporting period are outlined in the following table.

Major laws or regulations	Issues of Concern	Compliance measures
• Environmental Impact Assessment Law of the People's Republic of China • Administrative Regulations on Environmental Protection for Construction Projects	Construction work commencement permit	Environmental impact assessment has been undertaken to ensure that all new projects of the Group undergo a comprehensive review before they are constructed.
• Environmental Protection Law of the People's Republic of China • Administrative Regulations on Environmental Protection for Construction Projects • Administrative Regulations on Environmental Protection for Acceptance Examination upon Completion of Buildings • Technical Guidelines of Environmental Protection Inspections for Completed Construction Projects — Pollution Impacts Category • Prevention and Control of Noise Pollution Law of the People's Republic of China • Water Pollution Prevention and Control Law of the People's Republic of China • Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste	Protection of the environment and preservation of antiquities and monuments	The Group has established a quality assessment system to regulate the construction work process. The Group has appointed a third-party supervision unit to provide construction supervision services for its property development projects in Mainland China. The Group obtained environmental protection acceptance and inspection approvals for all projects.

Sustainable Development (continued)

RELATIONSHIP WITH KEY CORPORATE STAKEHOLDERS

Employees

The Group's employees are located across a number of cities and offices across the PRC. The Group's human resources management policy focuses on two areas:

- Personal development
- Equal opportunity

The Group maintains and strengthens its core competencies through continuous investment in training and development and maintaining workforce diversity. The number of training hours in 2020 was 516,942. Property development is one of the industries with the highest ratio of male employees. In terms of gender distribution, the ratio of male to female employees is approximately 2.54:1 (2019: 2.55:1). The Group will continue to monitor diversity indicators and encourage female participation in the industry.

Customers

The Group builds its brand by offering customer-oriented products and services to customers. With business focused on the 43 cities in Mainland China, the Group develops a wide variety of medium-to-high-end properties in each region to satisfy the needs of different types of customers. To better understand our customers, the Group has been conducting customer satisfaction surveys on a regular basis. The Group has also established an owners' corporation to serve as a critical communication channel between the Group and its customers and a driving force for the Company's community volunteering efforts. The Group will continue to broaden the range of property products, optimize the project development cycle, enhance property quality and improve customer services, in response to and even exceed the rising expectations of our customers.

Suppliers

The Group's suppliers, most of which are engineering suppliers providing major materials, equipment and services for the Group's property development projects, are located across Mainland China. As a quality-based national brand, the Group has been working closely with its suppliers. Through supplier screening, evaluation, annual assessment, other management systems and regular communication, the Group makes every effort to ensure that the suppliers share its belief in upholding high product quality and integrity-based corporate culture.

Contractors

The Group outsources the construction process of its property development projects to the contractors. The Group maintains a long-term cooperation relationship with the contractors to ensure strong execution capabilities with standardized and scalable property development procedures. The Group has placed and will continue to place significant emphasis on quality control, environmental protection, health and safety over its project development. Through the implementation of integrated assessments, the Group cooperates with contractors to ensure quality control, environmental protection as well as health and safety of property development projects. Details of the above will be disclosed in the Group's Environmental, Social and Governance Report to be published in May 2021.

Accolades & Awards 2020

Award	Organizer
10th Asian Excellence Award 2020 — Best Investor Relations Company — China — Asia's Best CEO — Investor Relations	Corporate Governance Asia
Evergreen Award — Green Award for Sustainable Development	Caijing Magazine
Corporate Social Responsibility Excellence Award 2020	The 9th China Finance Summit
Hong Kong Outstanding Enterprises 2020 — Blue Chip Category	Economic Digest
Mainland China Property Award of Supreme Excellence	The Hong Kong Institute of Financial Analysts and Professional Commentators Limited
Corporate Governance Excellence Awards 2020 (Hang Seng Index Constituent Companies)	Chamber of Hong Kong Listed Companies Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University
No.1 in Mainland China Real Estate Industry 2020 — Leading Company Brand & Brand Value (RMB121.6 billion)	Enterprise Research Institute of Development Research Centre of State Council of PRC, Institute of Real Estate Studies of Tsinghua University, China Index Academy

Accolades & Awards 2020 (continued)

Award	Organizer
No. 1 in the China Real Estate Developers Brand Value 2020	China Real Estate Association, Shanghai E-House Real Estate Research and Training Institute, China Real Estate Appraisal
No.1 in the Blue Chip Real Estate Developer 2020 (17 years consecutively)	The Economic Observer
No.2 in Top 30 Listed Mainland Real Estate Companies of the Year 2020	Guandian New Media
No.1 in “2020 Top 10 Listed Mainland Real Estate Companies in Financing Capability”	Guandian New Media
No.1 in “2020 Top 10 Listed Mainland Real Estate Companies in Solvency”	Guandian New Media
Annual Exemplary Philanthropic Enterprise 2020	Leju Caijing
China‘s Valuable Real Estate Awards 2020 — Corporate Citizen of the Year	National Business Daily
“The Best CMBS Award” of the year	The China Asset Securitization Forum and the REITs Research Center

Investor Relations

The management and Corporate Communications Department of the Group update investors (including shareholders, bond investors and analysts) on the Group's performance and business operations through various channels. Following the release of interim and annual results, press conferences, analyst meetings and post results road shows are held to meet with investors, collect opinions and answer queries directly. The Group voluntarily discloses certain unaudited operating and financial data on a quarterly basis, and announces property sales results and new land acquisitions on a monthly basis to improve the transparency of information disclosure.

The Group communicates and connects closely with investors and interacts with them through conferences arranged by investment banks, company visits and site visits to property projects. During the year, the Group participated 25 investment conferences, communicated with more than 1,000 investors, organised 11 deal/non-deal roadshows.

With a gradual interconnection between the Hong Kong and Mainland China stock market and bond market, the Group maintains regular communications with mainland investors, and further expands into mainland capital market.

Investors from all sectors can obtain more information about the Group by clicking on the page "Investor Relations" at the Group's website.

Investor Relations (continued)

MAJOR INVESTOR RELATIONS ACTIVITIES IN 2020

During the year, the Group participated 25 investment conferences, communicating with more than 1,000 investors, organised 11 deal/non-deal roadshows.

Months	Activities
January	Huatai HK Research China Property & Property Management Corporate Day Morgan Stanley China Cyclicals Corporate Day UBS Greater China Conference
March–May	Announcement of 2019 annual results • Analyst briefing • Post results road shows Haitong Investors Conference BofA APAC Financial and Real Estate Equity and Credit Guosheng Securities Investors Conference CICC Investment Strategy Conference
June	Nomura Investment Forum Asia Goldman Sachs Asia Spotlight Symposium CGS-CIMB Annual HK/China Property & Property Management Conference Industrial Securities Strategy Conference UBS Property Conference Credit Suisse HK/China Property Corporate Day Haitong International China Developer Corporate Day Citi Asia Pacific Property Conference JPM China Investment Conference
August	Announcement of 2020 interim results • Press conference • Analyst briefing • Post results road shows
September–December	Huachuang Securities Autumn Strategy Conference Annual CITIC CLSA Investors' Forum Jefferies Asia Investment Conference BofA Global Property Investment Conference Macquarie Europe Investors Conference JPM Asia Credit Conference BofA China Investment Forum Credit Suisse China Investment Conference Citi China Investor Conference

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

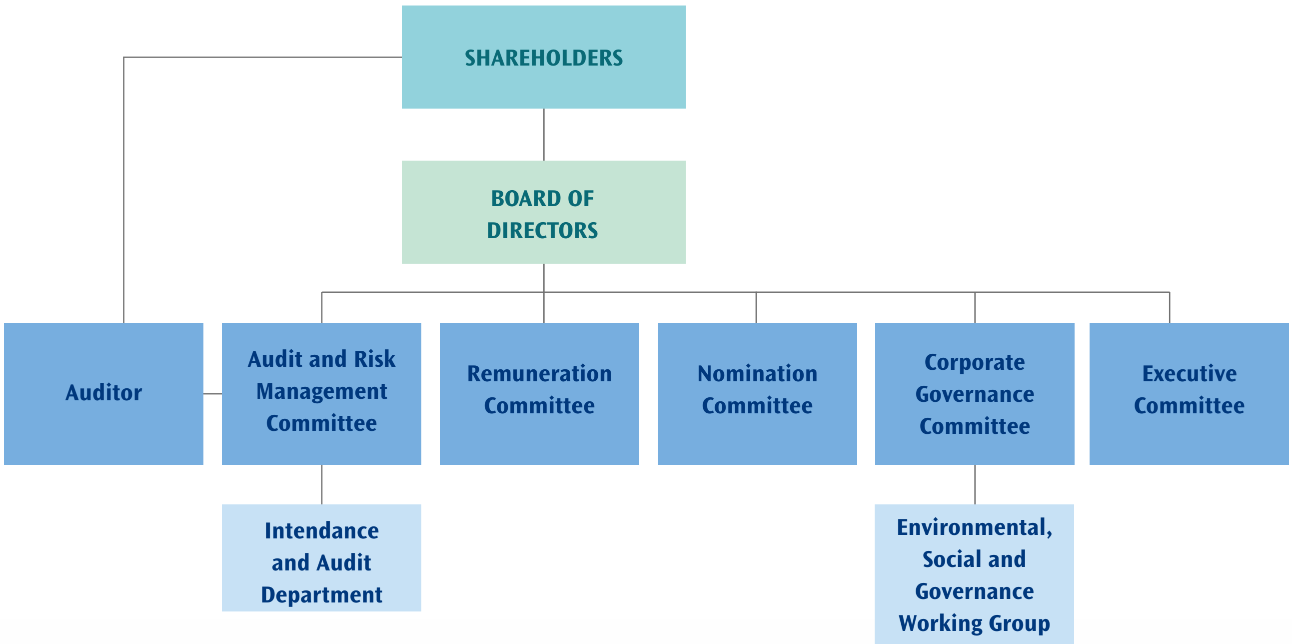
The board of directors of the Company (the "**Board**") believes that good corporate governance practices are the keys to attain long-term and sustainable growth of the business and safeguard the interests of its shareholders. The Company strives to strengthen its corporate governance practices appropriate to the conduct and growth of the Group's business, the cornerstone of which is to have an experienced, committed Board and an effective internal control to enhance its transparency and accountability to the shareholders of the Company.

The Company has applied the principles set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Board is of the view that the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2020, with the exception that the Non-executive Directors are not appointed for a specific term. Key corporate governance principles and practices of the Company as well as the status of the Company's compliance with the CG Code are summarised below.

CORPORATE GOVERNANCE STRUCTURE

The following persons are contributing to the Company's corporate governance:



Corporate Governance Report (continued)

BOARD OF DIRECTORS

Management Functions

The Board is responsible for the overall strategic leadership and management of the Group with the objectives of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirements.

Having regard to the best interests of the Company and its shareholders, the Board reviews and approves major matters such as the Company's business strategies, budgets, major investments as well as mergers and acquisitions. In addition, the Board supervises and controls the implementation of strategies of the Company and its operation and financial performance of the Company, formulates appropriate risk control policies and procedures in pursuit of the business strategies of the Group, performs and maintains a high standard of corporate governance of the Company and promotes the communication with its shareholders.

The day-to-day management, administration and operation of the Company are delegated to the Executive Committee of the Company and the management team. The Board gives clear directions to the management as to their powers and authorities, and circumstances in which the management should report back to the Board and obtain approval from the Board prior to entering into any commitment by the management.

The Board also delegates certain specific responsibilities to five Board committees of the Company, namely the Executive Committee, the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee (established on 29 March 2021), to implement internal supervision and control on each relevant aspect of the Company. Responsibilities and functions of each Board committee are described below. All the Board committees will report to the Board on their decisions or recommendations made.

Board Composition

The Board currently consists of nine directors of the Company (the "**Directors**") drawn from diverse and complementary backgrounds and experience:

Name of Directors	Background
Executive Directors	
Mr. Yan Jianguo *(Chairman)*	Construction business, real estate investment and management
Mr. Luo Liang *(Vice Chairman, Executive Vice President, Chief Operating Officer and Chief Architect)*	Architecture
Mr. Zhang Zhichao *(Chief Executive Officer)*	Property development and corporate management
Mr. Guo Guanghui *(Vice President)*	Corporate finance and accounting
Non-executive Directors	
Mr. Zhuang Yong *(Vice Chairman)*	Corporate management
Mr. Chang Ying	Real estate and investment
Independent Non-executive Directors	
Dr. Fan Hsu Lai Tai, Rita	Government and public administration
Mr. Li Man Bun, Brian David	Banking and finance
Professor Chan Ka Keung, Ceajer	Finance and public administration

Corporate Governance Report (continued)

BOARD OF DIRECTORS *(continued)*

Board Composition *(continued)*

The biographical details of the Directors and the relationships among the Directors, if any, are set out in the section headed "Directors and Organisation" on pages 76 to 84 of this annual report.

During the year, the Company has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

All Independent Non-executive Directors are financially independent from the Group bringing an independent view and judgement and a wide range of business and financial expertise, knowledge and experience to the Group's affairs. The Board considers that there is a reasonable balance between the composition of the Executive Directors and the Non-executive Directors which has provided adequate checks and balances for safeguarding the interests of the shareholders of the Company.

Pursuant to the code provision A.4.3 of the CG Code, serving more than nine years could be relevant to the determination of a non-executive director's independence. Although Dr. Fan Hsu Lai Tai, Rita ("**Dr. Fan**") has been serving as Independent Non-executive Director for more than nine years, the Directors opine that she has consistently demonstrated the required character, integrity, independence and experience to discharge the duties of an independent non-executive director. The Directors consider that there is no evidence that length of tenure has an adverse impact on independence of the Independent Non-executive Director and the Directors are not aware of any circumstances that might influence Dr. Fan in exercising her independent judgement. Based on the aforesaid, the Directors conclude that despite her length of service, Dr. Fan will continue to maintain an independent view of the Company's affairs and bring her relevant experience and knowledge to the Board.

Directors' Independence

The Board has received annual written confirmation of independence from each of the Independent Non-executive Directors and considers that all Independent Non-executive Directors are independent of the Company in accordance with the relevant requirements.

Chairman and Chief Executive Officer

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yan Jianguo ("**Mr. Yan**") has assumed the roles of both the chairman (the "**Chairman**") and the chief executive officer (the "**CEO**") of the Company since 13 June 2017 under clearly defined roles and duties. As Mr. Yan has extensive experience and knowledge in property development and commercial property management, the Board considers that Mr. Yan has assisted the Group to formulate comprehensive, competitive, long-term and sustainable business strategies and plans and implement them accordingly.

With effect from 11 February 2020, Mr. Yan ceased to act concurrently as the CEO of the Company and decided to concentrate on the role of the Chairman of the Company so as to enhance corporate governance standard. At the recommendation of the Nomination Committee, the Board appointed Mr. Luo Liang as the Vice Chairman of the Board, Mr. Zhuang Yong as the Vice Chairman of the Board and Non-executive Director and Mr. Zhang Zhichao as the Executive Director and the CEO of the Company. By then, the Company has duly complied with the said code provision A.2.1.

Corporate Governance Report (continued)

BOARD OF DIRECTORS *(continued)*

Chairman and Chief Executive Officer *(continued)*

During the year, Mr. Yan Jianguo as the Chairman of the Board leads and manages the Board. He was also responsible for ensuring that before any meeting was held, all Directors received complete and reliable information in a timely manner and the Directors were properly briefed on issues arising at the meetings. He also ensured that the Board worked effectively and discharged its responsibilities; good corporate governance practices and procedures were established; and appropriate steps were taken to provide effective communication with shareholders and those views of shareholders were communicated to the Board as a whole. The Chairman also held meeting annually with the Independent Non-executive Directors to discuss corporate governance and other matters without other Directors present.

During the year, the Executive Committee comprising all the Executive Directors of the Company was responsible for the implementation of strategies and objectives set by the Board and for day-to-day management of the Company's businesses.

Appointments, Re-Election and Removal

In accordance with the articles of association of the Company, one-third of the Directors will retire from office by rotation for re-election by shareholders at the annual general meeting and every Director is subject to retirement by rotation at least once every three years. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the next following general meeting.

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. The Non-executive Directors of the Company (as well as all other Directors) are not appointed for a specific term according to their service of contract and/or the letter of appointment but they are subject to retirement by rotation and re-election once every three years in accordance with the articles of association of the Company.

In addition, the Nomination Committee of the Company will generally oversee the appointment or re-appointment of Directors and the succession planning of the Board, having due regard to the Board Diversity Policy and the Nomination Policy of the Company as summarised in the section headed "Nomination Committee" on pages 113 and 114 of this annual report. The Board will also consider each retiring Director recommended by the Nomination Committee and recommend the retiring Director to stand for re-appointment at the annual general meeting in accordance with the articles of association of the Company.

Directors' Securities Transactions

The Company has adopted a set of code of conduct for securities transactions by Directors ("**Code of Conduct**") on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers. Having made specific inquiries to all Directors, they confirmed that they have complied with the Code of Conduct throughout the year of 2020.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover in respect of legal action against Directors and officers of the Company.

Corporate Governance Report (continued)

BOARD OF DIRECTORS *(continued)*

Supply of and Access to Information

For regular Board meetings and Board committee meetings, the agenda and accompanying Board papers are sent in full to all Directors or members of the committees of the Board at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All Directors are also entitled to have access to timely information such as monthly updates in relation to the Group's businesses and have separate and independent access to senior management of the Company.

Directors' Training

All Directors have a fiduciary duty and statutory responsibilities towards the Company and the Group. Every newly appointed Director will receive an induction on the first occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the operations and business of the Company, and his/her responsibilities under laws, regulations and particularly the governance policies of the Company.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

According to the training records provided by the Directors to the Company, they participated in continuous professional development in 2020 which comprised attending seminars and talks, giving talks at seminars and reading reference materials relevant to the directors' duties and responsibilities. Details of the type of training they received during the year are summarised as follows:

	Type of Training (see remarks)
Directors	
Mr. Yan Jianguo	A, B, C
Mr. Luo Liang	A, B, C
Mr. Zhang Zhichao (appointed with effect from 11 February 2020)	A, C
Mr. Guo Guanghui	C
Mr. Zhuang Yong (appointed with effect from 11 February 2020)	A, B, C
Mr. Chang Ying	C
Dr. Fan Hsu Lai Tai, Rita	A, C
Mr. Li Man Bun, Brian David	A, C
Professor Chan Ka Keung, Ceajer (appointed with effect from 27 June 2020)	A, B, C

Remarks:

A: attending seminars or trainings
B: giving talks at seminars
C: reading reference materials relevant to the director's duties and responsibilities

Corporate Governance Report (continued)

CORPORATE STRATEGY AND BUSINESS MODEL

The Group is striving to achieve its strategic goal of "to be an exceptional global property development corporation", expanding and creating better livings around its principle business of property development and operation, continually strengthening its three major businesses — "Residential Development", "Urban Services" and "Design Services". Built on 40 years of development and having braved the challenges of numerous economic and real estate cycles, the Group cleaves to a long-term market perspective in planning the development of the enterprise. Steady and sustained long-term growth has been the Group's strategy and action guide for the past 40 years and will remain so for the 40 years ahead. The Group firmly believes the measure of a good business is whether it qualifies as "a Company of Four Excellences", offering "good products and good services", and demonstrating "good effectiveness and good citizenship". The Group will maintain its strategies and stay committed to its vision "to be an exceptional global property development corporation", firmly adhering to its operating philosophy of "good products, good services, good effectiveness and good citizenship", maintaining its positioning in major cities, mainstream areas and mainstream products, maintain the strategic structural balance of "today, tomorrow, and the day after tomorrow", where residential development, commercial assets management, together with new businesses including senior living, education and logistics, are the Group's main businesses of today, the growth drivers of tomorrow, and will spur growth the day after tomorrow.

Details of the Group's business and financial review in the year 2020 are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the relevant laws and standards. Appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable. The Directors endeavour to ensure that a balanced, clear and understandable assessment of the Company's position and prospects are presented in annual reports, interim reports, announcements and other disclosures required under the Listing Rules and other statutory requirements.

Corporate Governance Report (continued)

ACCOUNTABILITY AND AUDIT *(continued)*

Risk Management and Internal Controls

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take when achieving the Company's business objectives, and supervising the management to establish and maintain appropriate and effective risk management and internal control systems. The management is responsible for establishing and maintaining appropriate and effective risk management and internal control systems, and providing the Board with confirmation of the effectiveness of these systems.

The Board has implemented effective risk management and internal control systems to safeguard the Company's assets and the interests of shareholders, to ensure that reliable financial information will be provided to management and to ensure that risks affecting significant investments and business of the Company can be identified and properly managed. However, risk management and internal control systems are designed to manage, rather than eliminate, the risk of failing to achieve business objectives, and it can only provide reasonable, but not absolute, assurance against material misrepresentation or loss.

Risk Management

In the context of the Company's organisation structure and nature of business, the Company has established a sound risk management framework and adopted the "three lines of defence" risk management model combined with both "top-down" and "bottom-up" approaches on oversight, risk identification and assessment and risk mitigation at corporate level and at functional and regional levels.

During the year, the Company has established the risk prevention management information system and implemented online risk identification procedures to enhance the risk management efficiency and effectiveness of various functional units. Through the establishment of the risk information platform and leveraging the information technology to integrate data across different platforms, massive business data are collected to build our database and key risk indicator model. Such model enables us to identify high dispersed risk areas and fraud issues, and to implement dynamic and comprehensive monitoring of key risks in the operation processes.

The Company has formulated risk assessment standards and risk management protocols across the regional, district and professional corporate levels of the Company that align with strategic direction and business objectives of the Company. Taking into consideration of the Company's annual risk events through multi-channel data collection and analysis, a risk register has been established that assisted the Company to document and understand the current risk exposures, to categorise and prioritise the risk issues, to implement reasonable risk mitigation measures and to monitor how the material risks are changing over time. During the annual risk assessment, the Company has completed the registration of annual risk events, and carried out an interim review to ensure the risk is contained.

Corporate Governance Report (continued)

ACCOUNTABILITY AND AUDIT *(continued)*

Risk Management and Internal Controls *(continued)*

Risk Management *(continued)*

The Company's risk management framework is guided by the principle of "three lines of defence" which aims at carrying out risk assessment and risk monitoring for various sectors, embedding risk management into business processes, monitoring and making timely adjustment to risk management procedures:

First line of defence	—	business lines identify and evaluate risk areas in the day-to-day operations, formulate risk mitigation measures and escalate the risk issues.
Second line of defence	—	the Risk Management Taskforce and the Management Level Risk Management Committee established a coordination mechanism to oversee, advise and support the first line in assessing and managing the risk issues. At the meetings of the Management Level Risk Management Committee, the team determined the Company's annual risk management issues and their priorities, established risk management procedures and designated departments in charge, which shall be implemented throughout the year upon the review and approval of the Audit and Risk Management Committee and the Board.
Third line of defence	—	the Intendance and Audit Department (the "**IA Department**") performs regular review of key risk areas and provides overall assurance to the Audit and Risk Management Committee and the Board as to the effectiveness of the Company's risk management and internal control systems.

The Board recognises the importance of an effective risk management system and is committed to promote a risk-aware culture throughout the Company that integrating risk management into the course of business operation of the Company and entrenching risk management in the organisational operation and the process of achieving the business goal. The Group strives to continually enhance its risk management framework in order to keep pace with the dynamic business environment.

Internal Controls

In order to improve the efficiency and result of the business operation, and to achieve the development strategy, the Company has established an internal monitoring system to ensure the compliance with the laws and regulations in operation and management, the safety of the assets, and the accuracy and completeness of financial report and related information of the Company. Key control measures that form the foundation of the internal monitoring system are set out below.

The Company has established standard corporate governance structure and rules of procedures, defined responsibilities and authorities of decision making, executing, and supervising, and therefore, to form scientific division of duties and check and balance mechanism. Each of shareholders meeting, Board, Committees and management is in charge of deciding on certain scope of matters, and such mechanism will be strictly followed.

One of the key features of the Group's internal monitoring system that underpin the accuracy and reliability of financial reporting includes the setting up of a distinct organisational structure as illustrated in the organisation chart on page 85 of this annual report. A diverse range of control policies and procedures have been deployed to help ensure efficient and effective operations in our growing business units and functions. Each functional department of the Company has its business management code, operation guidelines and post manual based on business needs. They also use necessary control mechanisms to ensure that employees are clear about and exercise authority properly.

Corporate Governance Report (continued)

ACCOUNTABILITY AND AUDIT *(continued)*

Risk Management and Internal Controls *(continued)*

Internal Controls *(continued)*

A comprehensive budget management has also been established to allow the Company ascertains responsibility and authority for each level unit in budget management and regulates the preparation, review and execution program of budget. The budget will be re-assessed semi-annually with reference to the business performance, business needs and strategy and significant risk and opportunities.

The Company has maintained a standardised accounting procedures and a specific business audit system to guarantee the authenticity and integrity of accounting data and information for disclosure and reporting purposes. There are regular management reports on the Group's cash, liquidity, borrowings and movements so that cash flow position of the Company is closely monitored.

Information technology has been applied to enhance the Company's internal monitoring standard, and establish a compatible information system on operation and management, thus, leveraged on effective combination with internal monitoring process, to achieve the purpose of reducing or eliminating the artificial control factors.

In addition, the IA Department will assist the Audit and Risk Management Committee and the Board to provide an independent review of the risk management and internal control systems. It monitors the effectiveness of internal control, makes remediation suggestions to the management of the Company on identified deficiencies in the design and implementation, and supervise the management to make and implement remediation plans.

Review of Risk Management and Internal Control Systems

The IA Department regularly reviews the operation of the risk management and internal control systems of the Company and submits review report to the Audit and Risk Management Committee and the Board on half-yearly basis.

In the 2020's report, the IA Department discussed the major risks of the business of the Company and confirmed the effectiveness of risk management and internal control systems. The Audit and Risk Management Committee is responsible for considering and assessing the risks of the Company and the control measures to be taken and reviewing the effectiveness of the risk management and internal control systems. It will also carry out research on important findings regarding risk management and internal control matters and the response from management to the findings, and report any deficiency of the control systems and corresponding suggestions for improvement to the Board. In addition, the external auditors host regular discussion with the Audit and Risk Management Committee on any internal control problem identified in the course of the audit.

In 2020, the Board has assumed the responsibility and reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, including financial report, operation and regulation compliance. Upon reviewing the IA Department's reports of the year, the Board considered that the systems are effective and efficient. During the year, no material deficiency of the systems was found, and the Company has rectified any deficiency in its control (if any) which might exist. The Board believes that the systems are operating effectively and various risks that may affect the Company's achievement of goals are under control.

The Board had also reviewed and found that the resources, professional qualification and experience of the staff of the accounting, internal audit and financial reporting functions of the Company as well as training programs and budget in 2020 were sufficient.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company regularly reminds the Directors, senior management and employees about due compliance with all policies regarding the inside information and keeps them apprised of the regulatory updates. Employees who may have access to inside information have also been notified from time to time on observing the relevant requirements.

Corporate Governance Report (continued)

DELEGATION BY THE BOARD

Board Proceedings

The Board meets regularly, and at least four times each year with meeting dates scheduled in advance to facilitate the attendance by the Directors. The Board held eight meetings during the year and meetings were also held as and when necessary to discuss significant transactions, including material acquisitions, disposals and connected transactions, if any. Also, the Board discussed the corporate governance duties performed by it including, without limitation, to review the Company's policies and practices on corporate governance, and compliance with legal and regulatory requirements. The attendance of each Director at meetings of the Board and its committees is set out in the table on page 115 of this annual report.

Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before meetings. Directors are also invited to inform the Chairman or the Company Secretary if they intend to include discussion items in the agenda for Board meetings.

Within a reasonable time after meetings, draft and final versions of all minutes for Board meetings and committee meetings will be sent to all Directors and committee members for review. The approved minutes are kept by the Company Secretary, and the Board and committee members may inspect the documents at anytime.

The proceedings of the Board meetings apply to the Board committee meetings.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that the Company has followed procedures and complied with all applicable laws and regulations. Where necessary, Directors can seek separate independent professional advice at the Company's expenses so as to discharge their duties to the Company.

To safeguard their independence, Directors are required to declare their interest, if any, in any business proposals to be considered by the Board and, where appropriate, they are required to abstain from voting if a Director has a conflict of interest in any matter to be considered by the Board. In addition, physical broad meetings will be held to consider all material connected transactions or any transactions involving substantial shareholder's or Director's material interest.

Currently, the Board has set up five committees, namely the Executive Committee, the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee (established on 29 March 2021) in compliance with the Listing Rules. Each committee has its own defined scope of duties and terms of reference. The terms of reference of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Company and the Stock Exchange. The Company Secretary shall also make available the terms of reference of all the committees to any shareholder upon request.

Corporate Governance Report (continued)

DELEGATION BY THE BOARD *(continued)*

Executive Committee

The Executive Committee comprises all Executive Directors of the Company, namely Mr. Yan Jianguo, Mr. Luo Liang, Mr. Zhang Zhichao and Mr. Guo Guanghui. The Executive Committee is chaired by Mr. Yan Jianguo.

Major responsibilities and functions of the Executive Committee are as follows:

- To review and approve loans or banking facilities to be granted to the Company, its subsidiaries, jointly controlled entities and associated companies and the opening of bank or securities related accounts matters;
- To review and approve financial instruments to be issued by the Company, its subsidiaries, jointly controlled entities and associated companies;
- To review and approve grant of loan or other financial assistance to the Company's jointly controlled entities and/or associates;
- To review and approve provision of corporate guarantees, indemnity and/or letter of comfort by the Company for its subsidiaries, jointly controlled entities and/or associates;
- To review and approve land auctions or tenders, and contracts in the ordinary and usual course of business of the Company; and
- To deal with any other specific business delegated by the Board.

The Executive Committee will report to the Board on a regular basis and the resolutions passed by the Executive Committee from time to time shall be tabled for the information of all Directors at the Board meetings.

During the year, the Executive Committee held thirty meetings and passed resolutions by way of written resolution to (amongst other matters) review and approve:

- various bank loans and facilities;
- land auctions and contracts in the ordinary and usual course of business of the Company; and
- listed securities and corporate bonds issued by the subsidiaries of the Company.

Corporate Governance Report (continued)

DELEGATION BY THE BOARD *(continued)*

Audit and Risk Management Committee

The Audit and Risk Management Committee currently comprises three members, namely Mr. Li Man Bun, Brian David, Dr. Fan Hsu Lai Tai, Rita and Professor Chan Ka Keung, Ceajer, all of whom are Independent Non-executive Directors. The Audit and Risk Management Committee is chaired by Mr. Li Man Bun, Brian David.

The principal duties of the Audit and Risk Management Committee are as follows:

- To review and monitor the integrity of the financial information of the Group;
- To review the financial control, internal control and risk management systems of the Company; and
- To oversee the matters relating to the external auditor.

The Audit and Risk Management Committee held four meetings during 2020 and reviewed:

- the Group's annual financial reports for the year ended 31 December 2019, and interim and quarterly results for the year ended 31 December 2020;
- the audit plans from the external auditor;
- the internal and independent audit results;
- the connected transactions entered into by the Group;
- the risk management, internal control and financial reporting systems; and
- the change of the external auditor and the remuneration of the new external auditor.

The Audit and Risk Management Committee also met with the auditor twice a year in the absence of management to discuss matters relating to any issue arising from audit and any other matters the auditor may wish to raise.

Corporate Governance Report (continued)

DELEGATION BY THE BOARD *(continued)*

Remuneration Committee

The Remuneration Committee currently comprises three members, namely Professor Chan Ka Keung, Ceajer, Mr. Li Man Bun, Brian David and Dr. Fan Hsu Lai Tai, Rita, all of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Professor Chan Ka Keung, Ceajer.

The principal duties of the Remuneration Committee are as follows:

- To make recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management;
- To make recommendations to the Board on the remuneration packages of the Directors of the Company and senior management; and
- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The remuneration of Directors approved by the shareholders of the Company is determined by the Board with reference to factors such as salaries paid by comparable companies, time commitment, responsibilities of the Directors and employment conditions. No Director was involved in determining his/her own remuneration.

The Remuneration Committee held four meetings during 2020 and reviewed:

- the remuneration policy and structure of the Group;
- the remuneration package of all Directors of the Company and the senior management and employees of the Group;
- the discretionary management bonus of the Executive Directors of the Company and the employees of the Group; and
- the grant and lapse of Share Options under the Share Option Scheme (as defined in section headed "Share Option Scheme" in this annual report with details set out thereto).

The remuneration of the senior management by band for the year ended 31 December 2020 is set out below:

Remuneration bands *(RMB)*	**Number of individuals** *(Note)*
5,000,000 or below	7
5,000,001 — 7,500,000	5
7,500,001 — 10,000,000	2
10,000,001 — 12,500,000	4

Note: Inclusive of four senior management who ceased as the Company's senior management due to job reassignment during the year 2020.

Corporate Governance Report (continued)

DELEGATION BY THE BOARD *(continued)*

Nomination Committee

The Nomination Committee currently comprises three members, namely Dr. Fan Hsu Lai Tai, Rita, Mr. Li Man Bun, Brian David and Professor Chan Ka Keung, Ceajer, all of whom are Independent Non-executive Directors. The Nomination Committee is chaired by Dr. Fan Hsu Lai Tai, Rita.

The principal duties of the Nomination Committee are as follows:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board;
- To identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of Independent Non-executive Directors; and
- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee held three meetings during 2020 and reviewed:

- the structure, size and composition of the Board;
- the re-election of the retiring Directors at the annual general meeting;
- the independence of the Independent Non-executive Directors of the Company; and
- the appointment of new Directors, and the change of the CEO and appointment of Vice Chairman of the Board.

Since 6 August 2013, the Board has adopted a board diversity policy (“**Board Diversity Policy**”) in order to achieve a sustainable and balanced development of the Company. In designing the Board’s composition, Board diversity takes into account number of aspects, including but not limited to gender, age, educational background, professional experience, knowledge, culture and length of service. All Board appointments will be based on meritocracy and selection of candidates will be based on a range of diversity factors. The Nomination Committee is responsible for reviewing the Board Diversity Policy (if necessary), making recommendation to the Board of the amendment of this policy and developing measurable objectives for implementing this policy and monitoring progress towards the achievement of these objectives.

In respect of selecting individual to be nominated for directorship, the Nomination Committee will have regard to the Procedure Regarding Appointment, Election and Removal of Directors of the Company (equivalent to the nomination policy of the Company and hereafter referred to as “**Nomination Policy**”) which has come in force since 27 May 2014. Individual to be nominated shall satisfy the requirements as set out in the Listing Rules including that the nominee should have the character, experience and integrity and be able to demonstrate a standard of competence commensurate with his or her position as a Director.

Corporate Governance Report (continued)

DELEGATION BY THE BOARD *(continued)*

Nomination Committee *(continued)*

Based on the formalised process and procedure of nominating a director regulated under the Nomination Policy of the Company, the management team led by the Chairman of the Board will identify a wide and diverse range of candidates from various backgrounds that would be attributable to the business needs and carry out a due diligence on the shortlisted candidates. A comprehensive review will be presented to the Nomination Committee who will further discuss and assess the suitability of the candidates against a range of criteria from an independent perspective, and make recommendation to the Board.

During the year, the Nomination Committee reviewed the qualifications, experience, background and the core competencies in the field of relevant industry knowledge of each of the candidates for Vice Chairmen and Directors and discussed their suitability of nominations in accordance with the Nomination Policy and the Board Diversity Policy. At the recommendation of the Nomination Committee, the Board appointed Mr. Luo Liang as Vice Chairman, Mr. Zhang Zhichao as Executive Director and Chief Executive Officer and Mr. Zhuang Yong as Vice Chairman and Non-executive Director respectively with effect from 11 February 2020, and Professor Chan Ka Keung, Ceajer as Independent Non-executive Director with effect from 27 June 2020.

The current composition of the Board reflects an appropriate mix of skills, experience and diversity of perspectives among its members that are relevant to the Company's strategy, governance and business and contribute to the Board's effectiveness. As at the date of this annual report, the Board comprises four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors including one female, thereby promoting critical review and control of the management process.

Corporate Governance Committee

The Corporate Governance Committee was newly established on 29 March 2021 and currently comprises four members, namely Professor Chan Ka Keung, Ceajer, Dr. Fan Hsu Lai Tai, Rita, Mr. Li Man Bun, Brian David and Mr. Luo Liang, the majority of whom are Independent Non-executive Directors. The Corporate Governance Committee is chaired by Professor Chan Ka Keung, Ceajer.

The principal duties of the Corporate Governance Committee are as follows:

- To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- To review and monitor the training and continuous professional development of directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- To review the Company's compliance with the code provision of Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report of the Company; and
- To perform the duties in respect of environmental, social and governance related issues of the Group under the Listing Rules.

Corporate Governance Report (continued)

ATTENDANCE RECORDS

To ensure that the Directors have spent sufficient time on the affairs of the Company, the Directors disclose to the Company once a year the details of their other offices held in Hong Kong or overseas listed public companies and other significant commitments, as well as an indication of the time involved in those positions. In addition, the Directors usually inform the Company promptly whenever there are changes regarding their other positions.

The Board was satisfied that the Directors had positively contributed to the Board through active participation in the Company's affairs as reflected in their high attendance record on the Board meetings, meetings of Board committees and annual general meeting held in 2020 as set out in the following table:

	Actual Attendance/Number of Meetings a Director was entitled to attend					
Name of Directors	Board Meetings	Audit and Risk Management Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Executive Committee Meetings	Annual General Meeting
Mr. Yan Jianguo	8/8	N/A	N/A	N/A	30/30	1/1
Mr. Luo Liang	8/8	N/A	N/A	N/A	30/30	1/1
Mr. Zhang Zhichao (Note 1)	7/7	N/A	N/A	N/A	23/23	1/1
Mr. Guo Guanghui	8/8	N/A	N/A	N/A	30/30	1/1
Mr. Zhuang Yong (Note 1)	7/7	N/A	N/A	N/A	N/A	1/1
Mr. Chang Ying	7/8	N/A	N/A	N/A	N/A	1/1
Mr. Lam Kwong Siu (Note 2)	4/4	2/2	3/3	3/3	N/A	1/1
Dr. Fan Hsu Lai Tai, Rita	7/8	4/4	3/4	3/3	N/A	1/1
Mr. Li Man Bun, Brian David	8/8	4/4	4/4	3/3	N/A	1/1
Professor Chan Ka Keung, Ceajer (Note 3)	5/5	2/2	1/1	N/A	N/A	N/A

Notes:

1. appointed as a Director with effect from 11 February 2020
2. resigned as a Director with effect from 27 June 2020
3. appointed as a Director with effect from 27 June 2020

Corporate Governance Report (continued)

DIVIDEND POLICY

The Company aims at providing a stable and sustainable return to the shareholders and a dividend policy was adopted by the Company in 2019. Under the dividend policy, the Board shall take into account future operating and profit, cash flows, capital and other reserve requirements of the Group, overall financial position, contractual restrictions, articles of association of the Company, all applicable laws (including the Inland Revenue Ordinance) and other factors when the Board recommends the declaration of dividends and determines the dividend amounts.

The Company will continue to review the dividend policy and retain its sole and absolute discretion to update, revise and/or modify the dividend policy at any time.

COMPANY SECRETARY

The Company Secretary of the Company supports the Board by ensuring good information flow and that the board policies and procedures are strictly followed. The Company Secretary is also responsible for advising the Board on governance matters and facilitating the induction and professional development of Directors.

During the year, Mr. Edmond Chong, the Company Secretary of the Company, has taken no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS

The Board is committed to maintain an on-going and open dialogue with current and prospective shareholders of the Company. Apart from reporting to the shareholders and investors on its operation and financial conditions semi-annually and annually, the Company also discloses relevant information monthly and quarterly so that the investors can have a better understanding about the Company's operations and allow for a fair and balanced outlook of the Company and industry to the market.

A shareholders' communication policy was adopted throughout the year pursuant to the CG Code which aims at establishing a two-way relationship and communication between the Company and its shareholders.

Shareholders of the Company are encouraged to attend the general meetings of the Company which provide a useful forum for exchange views with management of the Company. A separate resolution would be proposed by the Chairman in respect of each substantial issue at the general meetings. The Chairman of the Board and the chairpersons of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee, or in their absence, other members of the relevant committees, are available at the general meetings to answer questions from shareholders on the business of the Group. The Company's management ensures the external auditors attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

The Company also holds regular meetings with financial analysts and investors, during which the Company's management will provide relevant information and data to the analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner while at all times respecting the relevant regulations restricting the disclosure of inside information. The Company's website is updated continuously, providing up-to-date information regarding every aspect of the Company.

Corporate Governance Report (continued)

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene a General Meeting

Shareholder(s) of the Company can request the Directors to convene a general meeting pursuant to section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") by fulfilling the conditions below:

(i) One or more shareholder(s) in aggregate holding not less than 5% of the total voting rights of the Company carrying the right to vote at general meetings may send request(s) to the Company in hard copy form or in electronic form.

(ii) Such request(s):

 (1) Must state the general nature of the business to be dealt with at the meeting;

 (2) May include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

 (3) May consist of several documents in like form; and

 (4) Must be authenticated by the person or persons making it.

Procedures for Shareholders to Put Forward Proposals at General Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a shareholders' meeting are set out in the Corporate Governance section of the Company's website.

(ii) Shareholder(s) can request the Company to circulate a statement (or notice of a resolution that may properly be moved and is intended to be moved at the annual general meeting) to members of the Company entitled to receive notice of a general meeting (or annual general meeting, where applicable), in pursuance of section 580 (or section 615, in the case of annual general meeting) of the Companies Ordinance subject to the following:

 (1) The statement should be of not more than 1000 words and with respect to:

  (a) A matter mentioned in a proposed resolution to be dealt with at that meeting; or

  (b) Other business to be dealt with at that meeting.

 (2) Each shareholder may only request the Company to circulate:

  (a) One such statement with respect to the resolution mentioned in (1)(a) above; and

  (b) One such statement with respect to the other business mentioned in (1)(b) above.

 (3) Such request(s) has to be sent by the shareholders who have a relevant right to vote and fulfill the conditions below:

  (a) Shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote; or

  (b) At least 50 shareholders.

Corporate Governance Report (continued)

SHAREHOLDERS' RIGHTS *(continued)*

Procedures for Shareholders to Put Forward Proposals at General Meetings *(continued)*

(ii) *(continued)*

(3) *(continued)*

Relevant right to vote means:

(a) In relation to a statement with respect to a matter mentioned in a proposed resolution, a right to vote on that resolution at the meeting to which the requests relate;

(b) In relation to any other statement, a right to vote at the meeting to which the requests relate; and

(c) In relation to notice of a resolution, a right to vote on the resolution at the annual general meeting to which the requests relate.

(4) Such request(s):

(a) May be sent to the Company in hard copy form or in electronic form;

(b) Must identify the statement (or notice, in the case of annual general meeting) to be circulated;

(c) Must be authenticated by the person or persons making it; and

(d) Must be received by the Company:

(aa) at least 7 days before the general meeting to which it relates;

(bb) not later than 6 weeks before the annual general meeting to which the requests relate; or if later, not later than the time at which notice of that meeting is given.

Enquiries to the Board

The "Corporate Information" of this annual report provides the registered address of the Company and the email address, fax number and telephone number of the Investor Relations team to facilitate the shareholders of the Company to address their concerns or enquiries to the Board at any time. Please mark for the attention of the Company Secretary in the incoming letters or e-mails.

AUDITOR'S REMUNERATION

For the year ended 31 December 2020, fees for audit services and non-audit services payable to the auditor of the Company amounted to approximately RMB9,617,000 and RMB48,000 respectively. Fee payable for the non-audit services included that for professional services rendered in connection with results announcement and continuing connected transactions.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's articles of association during the year ended 31 December 2020, and a consolidated version is available on the websites of the Company and the Stock Exchange.

Report of Directors

The directors of the Company (the "**Directors**") present the annual report and the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The Group is principally engaged in property development and investment, and other operations. The activities of the Company's principal subsidiaries, associates and joint ventures are set out in notes 42, 18 and 19 respectively to the financial statements.

An analysis of the Group's performance by segment is set out in note 8 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Company as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" as set out on pages 14 to 75 of this annual report.

In addition, discussions on the Group's environmental policies and performance and compliance with the relevant laws and regulations and an account of the Group's key relationships with its employees, customers, suppliers and stakeholders, that have a significant impact on the Group can be found in the section headed "Sustainable Development" as set out on pages 86 to 95 of this annual report and in the Company's 2020 Environmental, Social and Governance Report to be published in accordance with the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These sections form part of this Report of Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 153 and 154 of this annual report respectively.

An interim dividend of HK45 cents per share was paid on 5 October 2020. The board of Directors (the "**Board**") recommends the payment of a final dividend of HK73 cents per share (2019: HK57 cents per share) to shareholders whose names appear on the Register of Members of the Company on 28 June 2021. Together with the interim dividend of HK45 cents per share (2019: HK45 cents per share), dividends for the year will amount to a total of HK118 cents per share. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable on 12 July 2021.

RESERVES

Movements during the year in the reserves of the Group and of the Company (including but not limited to distributable reserves) are set out in the consolidated statement of changes in equity on pages 157 and 158 of this annual report and note 41 to the financial statements respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 253 and 254 of this annual report.

Report of Directors (continued)

MAJOR PROPERTIES

Details of the major property development and commercial properties of the Group at 31 December 2020 are set out on pages 44 to 47, 53 to 57 of this annual report.

TANGIBLE FIXED ASSETS

The Group's investment properties were revalued at the reporting date. The revaluation resulted in a net increase in fair value of RMB9,191,416,000 which has been credited directly to the consolidated income statement.

Details of the movement in investment properties and movements in property, plant and equipment of the Group during the year are set out in notes 16 and 17 respectively to the financial statements.

EQUITY-LINKED AGREEMENTS

For the year under review, save for the Share Option Scheme (as defined in the section headed "Share Option Scheme" in this report with details set out thereto) adopted by the Company on 11 June 2018, the Company did not enter into any equity-linked agreement.

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

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the year ended 31 December 2020 and up to the date of this report.

Buy-back of Shares

During the year ended 31 December 2020, the Company repurchased a total of 3,016,500 shares of the Company (the "**Shares**") on the Stock Exchange at an aggregate consideration (before expenses) of HK$57,740,485. Out of 3,016,500 Shares repurchased during the year, 2,116,500 Shares were cancelled during the year ended 31 December 2020 while the remaining 900,000 Shares were cancelled in January 2021.

Details of the Shares repurchased during the year are as follows:

Month	Number of Shares repurchased	Price paid per Share Highest HK$	Price paid per Share Lowest HK$	Aggregate consideration (before expenses) HK$
June 2020	416,500	23.95	23.75	9,939,385
August 2020	200,000	22.95	22.90	4,585,000
September 2020	500,000	19.94	19.90	9,962,000
December 2020	1,900,000	17.82	17.16	33,254,100
	3,016,500			57,740,485

Report of Directors (continued)

PURCHASE, SALE OR REDEMPTION OF THE GROUP'S LISTED SECURITIES *(continued)*

Buy-back of Shares *(continued)*

Subsequent to the end of the reporting period and up to the date of this report, the Company has repurchased a total of 8,370,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$130,912,752. Such repurchased Shares were subsequently cancelled. Details of the Shares repurchased after the end of the reporting period are as follows:

Month	Number of Shares repurchased	Price paid per Share		Aggregate consideration (before expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
January 2021	8,370,000	18.30	15.08	130,912,752

As the Board considered the prevailing trading price of Shares in the Company was at a level which undervalued the Company's performance, assets value and business prospects, the Board actively considered undertaking an on-market repurchase of the Shares pursuant to the mandate from shareholders received at the last annual general meeting. The Share repurchases demonstrated the Board's confidence in the Company and would only be conducted under circumstances which the Board considered to be appropriate and in the interest of the Company and its shareholders as a whole.

Issue of Debentures

On 2 March 2020, China Overseas Finance (Cayman) VIII Limited, a wholly-owned subsidiary of the Company, issued US$300,000,000 2.375 per cent. guaranteed notes due March 2025, US$500,000,000 2.750 per cent. guaranteed notes due March 2030 and US$200,000,000 3.125 per cent. guaranteed notes due March 2035 (collectively, the "**Guaranteed Notes**") under its US$2,500,000,000 medium term note programme established on 8 July 2019. The net proceeds, after deducting the expenses in connection with the issue of the Guaranteed Notes, are used to repay and/or refinance the existing indebtedness of the Group. The Guaranteed Notes are listed on the Stock Exchange and are guaranteed by the Company irrevocably and unconditionally.

Beijing China Overseas Plaza Commercial Development Ltd.* (the "**Beijing China Overseas Plaza**"), a wholly-owned subsidiary of the Company, issued the following securities during the year:

(i) On 28 April 2020, RMB3,701,000,000 green commercial mortgage-backed securities (due April 2038) was issued, which includes preferred class securities of RMB3,700,000,000 2.5 per cent. and equity class securities of RMB1,000,000 (Beijing China Overseas Plaza subscribed for all equity class securities) ("**CMBS 1**"). The net proceeds, after deducting the expenses in connection with the issue of CMBS 1, are used to repay existing indebtedness and outstanding liabilities of the Group. CMBS 1 is listed on the Shenzhen Stock Exchange and is guaranteed by a subsidiary of the Company and secured with the Group's properties and rental receivables.

(ii) On 17 August 2020, RMB3,001,000,000 commercial mortgage-backed securities (due August 2038) was issued, which includes preferred class securities of RMB3,000,000,000 3.9 per cent. and equity class securities of RMB1,000,000 (Beijing China Overseas Plaza subscribed for all equity class securities) ("**CMBS 2**"). The net proceeds, after deducting the expenses in connection with the issue of CMBS 2, are used to repay existing indebtedness and outstanding liabilities of the Group. CMBS 2 is listed on the Shenzhen Stock Exchange and is guaranteed by a subsidiary of the Company and secured with the Group's properties and rental receivables.

Report of Directors (continued)

PURCHASE, SALE OR REDEMPTION OF THE GROUP'S LISTED SECURITIES *(continued)*

Issue of Debentures *(continued)*

China Overseas Development Group Co., Ltd.* ("**China Overseas Development**"), a wholly-owned subsidiary of the Company, issued the following securities during the year and up to the date of this report:

(i) On 14 August 2020, RMB2,000,000,000 3.2 per cent. rental housing corporate bonds due August 2026 was issued. The net proceeds, after deducting the expenses in connection with the issue of the corporate bonds, are used for rental housing construction projects and general working capital requirements of the Group. The corporate bonds are listed on the Shenzhen Stock Exchange.

(ii) On 9 November 2020, RMB2,400,000,000 3.4 per cent. corporate bonds due November 2023 was issued. The net proceeds, after deducting the expenses in connection with the issue of the corporate bonds, are used to repay and/or refinance the existing indebtedness of the Group. The corporate bonds are listed on the Shenzhen Stock Exchange.

(iii) On 10 December 2020, RMB1,500,000,000 3.6 per cent. medium term notes due December 2023 was issued. The net proceeds, after deducting the expenses in connection with the issue of the medium term notes, are used to repay and/or refinance the existing indebtedness of the Group. The medium term notes are issued in the interbank market of the PRC.

(iv) On 13 January 2021, RMB1,500,000,000 3.35 per cent. medium term notes due January 2024 was issued. The net proceeds, after deducting the expenses in connection with the issue of the medium term notes, are used to repay and/or refinance the existing indebtedness of the Group. The medium term notes are issued in the interbank market of the PRC.

Redemption of Listed Securities

China Overseas Finance (Cayman) II Limited, a wholly-owned subsidiary of the Company, issued US$1,000,000,000 5.5 per cent. guaranteed notes on 10 November 2010 which were listed on the Stock Exchange. The guaranteed notes were redeemed in whole at par on 10 November 2020 (i.e. maturity date of the guaranteed notes).

CITIC Real Estate Group Company Limited* ("**CITIC Real Estate**"), a wholly-owned subsidiary of the Company, issued RMB4,000,000,000 4.8 per cent. non-publicly issued corporate bonds with sell-back option on 9 December 2015 which were listed on the Shanghai Stock Exchange. CITIC Real Estate partially redeemed the non-publicly issued corporate bonds at par on 9 December 2018. The remaining RMB1,015,000,000 non-publicly issued corporate bonds were redeemed in whole at par with interests payable on 9 December 2020 (i.e. maturity date of the non-publicly issued corporate bonds).

CITIC Real Estate also issued RMB1,000,000,000 4.4 per cent. non-publicly issued corporate bonds with sell-back option on 15 January 2016 which were listed on the Shanghai Stock Exchange. CITIC Real Estate partially redeemed the non-publicly issued corporate bonds at par on 15 January 2019. The remaining RMB400,000,000 non-publicly issued corporate bonds were redeemed in whole at par with interests payable on 15 January 2021 (i.e. maturity date of the non-publicly issued corporate bonds).

China Overseas Development issued RMB1,000,000,000 3.85 per cent. corporate bonds on 19 November 2015 which were listed on the Shanghai Stock Exchange. On 19 November 2020, China Overseas Development redeemed RMB999,000,000 corporate bonds at 3.85 per cent. The remaining RMB1,000,000 corporate bonds has adjusted its interest rate to 3.20 per cent. since 19 November 2020 and are scheduled to be mature in November 2022. After negotiation with investors, China Overseas Development early redeemed all the remaining corporate bonds at 3.20 per cent. on 17 December 2020.

Details of the above securities (including the carrying amount) are set out in relevant announcements of the Company and note 32 to the financial statements.

* *English translation for identification purpose only*

Report of Directors (continued)

BORROWINGS AND INTEREST CAPITALISED

Analysis of bank and other borrowings, notes payable and interest capitalised (including capitalisation of exchange losses) are set out in notes 31, 32 and 10 respectively to the financial statements.

DIRECTORS

(a) Directors of the Company

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

Executive Directors

Mr. Yan Jianguo
Mr. Luo Liang
Mr. Zhang Zhichao (appointed w.e.f. 11 February 2020)
Mr. Guo Guanghui

Non-executive Directors

Mr. Zhuang Yong (appointed w.e.f. 11 February 2020)
Mr. Chang Ying

Independent Non-executive Directors

Mr. Lam Kwong Siu (resigned w.e.f. 27 June 2020)
Dr. Fan Hsu Lai Tai, Rita
Mr. Li Man Bun, Brian David
Professor Chan Ka Keung, Ceajer (appointed w.e.f. 27 June 2020)

In accordance with articles 96 and 105(1) of the Company's articles of association, Mr. Yan Jianguo, Mr. Luo Liang, Mr. Chang Ying and Professor Chan Ka Keung, Ceajer shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office for each Independent Non-executive Director is the period up to his/her retirement by rotation in accordance with the Company's articles of association.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers the Independent Non-executive Directors to be independent.

No Director proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

(b) Directors of the subsidiaries of the Company

The list of directors of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at http://www.coli.com.hk under the "Corporate Governance" section.

Report of Directors (continued)

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Information regarding Directors' emoluments and senior management's emoluments are set out in notes 13 and 40(b) to the financial statements, and the section headed "Remuneration Committees" on page 112 of the Corporate Governance Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out in the section headed "Directors and Organisation" on pages 76 to 84 of this annual report.

SHARE OPTION SCHEME

The share option scheme was approved and adopted by the shareholders of the Company on 11 June 2018 (the "**Share Option Scheme**") to enable the qualifying grantees to acquire ordinary shares of the Company and unless otherwise cancelled or amended, it will remain in force for 10 years from 11 June 2018. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group's businesses, to provide additional incentives to the qualifying grantees (being, among others, any employee of the Group or such other persons that have contributed to the Group as specified in the Share Option Scheme) that have contributed to the Group; and to promote the long term financial success of the Group by aligning the interests of share option holders with shareholders of the Company.

The limit on the number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time. No share options may be granted under any scheme of the Company if this will result in the limit being exceeded.

The number of Shares in respect of the share options that may be granted according to the Share Option Scheme (the "**Share Options**") shall not exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme (i.e. 11 June 2018). On the basis of 10,956,201,535 Shares in issue as at 11 June 2018, this would be 1,095,620,153 Shares.

Total number of ordinary Shares in the capital of the Company available for issue under the Share Option Scheme as at the date of this annual report is 716,760,153 shares which represented 6.54% of the total issued share capital at that date.

Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares issued and to be issued upon exercise of the Share Options (whether exercised or outstanding) granted to each of the eligible persons in any 12-month period shall not exceed 1% of the Shares in issue.

Unless otherwise approved by the shareholders of the Company in a general meeting, no Share Option may be granted to any substantial shareholder of the Company, Independent Non-executive Directors or their respective associates, that would result in the Shares issued or to be issued to such person in the 12-month period up to and including the date of Board meeting proposing for the grant (i) in aggregate exceeding 0.1% of the Shares in issue from time to time; and (ii) in aggregate exceeding HK$5 million based on the closing price of the Shares at the date of the Board meeting proposing for such grant.

The exercise price in respect of any particular Share Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Share Option, but shall not be less than whichever is the higher of (i) the closing price of the Shares as stated in the Stock Exchange daily quotation sheet on the date of grant, which must be a business day; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

Report of Directors (continued)

SHARE OPTION SCHEME *(continued)*

The period within which the Shares must be taken up under a Share Option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 6 years from the date of grant of the relevant Share Option.

The minimum period, if any, for which a Share Option must be held before it can be exercised shall be determined by the Board as its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

HK$1.00 is payable by each of the Share Option holders to the Company on the acceptance of the offer of the Share Option. The period within which payments or calls must or may be made should be 28 days after the offer date of a Share Option or such period as the Directors may determine.

The life of the Share Option Scheme is 10 years commencing on 11 June 2018 and expiring on 10 June 2028.

Other details of the Share Option Scheme are set out in Appendix III to the circular published by the Company on 16 April 2018.

During the year, a total of 285,840,000 Share Options were granted on 24 November 2020 to certain eligible persons under the Share Option Scheme with a fair value on the date of grant of approximately HK$2.64 per Share granted under the Share Option Scheme. Details of the fair value are set out in note 30 to the financial statements.

During the year, save as disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" of this annual report, details of the movements of the Share Options under the Share Option Scheme are as follows:

				Number of Share Options					
Participants	**Date of grant**	**Subscription price** *HK$ (per Share)*	**Exercise period** *(Note b)*	**Balance as at 1 January 2020**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**Balance as at 31 December 2020**
Other eligible persons	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	99,160,000	–	–	–	(9,190,000)	89,970,000
	24.11.2020	18.724 *(Note a)*	24.11.2022 to 23.11.2026 *(Note d)*	–	279,540,000	–	–	(100,000)	279,440,000
				99,160,000	279,540,000	–	–	(9,290,000)	369,410,000

Notes:

(a) The closing price of the Shares immediately before the date of grant (i.e. as of 23 November 2020) was HK$17.64.

(b) Exercise of the Share Options is conditional upon the achievement of certain individual performance targets of each eligible person and certain financial performance targets of the Company as determined by the Board.

(c) One-third of the Share Options granted will be vested on each of 29 June 2020, 29 June 2021 and 29 June 2022.

(d) One-third of the Share Options granted will be vested on each of 24 November 2022, 24 November 2023 and 24 November 2024.

Report of Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 December 2020, the Directors, the chief executive of the Company and their respective associates had the following interests in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

(a) Long Positions in Shares and Underlying Shares of the Company

(i) Long Positions in Ordinary Shares
(all being personal interest and being held in the capacity of beneficial owner)

Name of Director	Number of Shares held	% of Shares in issue *(Note 1)*
Dr. Fan Hsu Lai Tai, Rita	70,000 *(Note 2)*	0.0006%
Mr. Li Man Bun, Brian David	5,660,000	0.0517%

Notes:

1. The percentage was calculated based on the total number of Shares of the Company in issue as at 31 December 2020 (i.e. 10,954,085,035 Shares).

2. Subsequent to the end of the reporting period, Dr. Fan Hsu Lai Tai, Rita acquired 30,000 Shares in January 2021. As at the date of this report, Dr. Fan Hsu Lai Tai, Rita held a total of 100,000 Shares.

Report of Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES *(continued)*

(a) Long Positions in Shares and Underlying Shares of the Company *(continued)*

(ii) Long Positions in Share Options relating to Ordinary Shares (all being personal interest and being held in the capacity of beneficial owner)

Name of Director	Date of grant	Subscription price *HK$* *(per Share)*	Exercise period *(Note b)*	Number of Share Options: Balance as at 1 January 2020	Granted	Exercised	Cancelled/ lapsed	Balance as at 31 December 2020
Mr. Yan Jianguo	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	700,000	–	–	–	700,000
	24.11.2020	18.724 *(Note a)*	24.11.2022 to 23.11.2026 *(Note d)*	–	1,800,000	–	–	1,800,000
Mr. Luo Liang	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	700,000	–	–	–	700,000
	24.11.2020	18.724 *(Note a)*	24.11.2022 to 23.11.2026 *(Note d)*	–	1,600,000	–	–	1,600,000
Mr. Zhang Zhichao	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	550,000	–	–	–	550,000
	24.11.2020	18.724 *(Note a)*	24.11.2022 to 23.11.2026 *(Note d)*	–	1,600,000	–	–	1,600,000
Mr. Guo Guanghui	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	600,000	–	–	–	600,000
	24.11.2020	18.724 *(Note a)*	24.11.2022 to 23.11.2026 *(Note d)*	–	1,300,000	–	–	1,300,000
Mr. Zhuang Yong	29.06.2018	25.85	29.06.2020 to 28.06.2024 *(Note c)*	600,000	–	–	–	600,000

Notes:

(a) The closing price of the Shares immediately before the date of grant (i.e. as of 23 November 2020) was HK$17.64.

(b) Exercise of the Share Options is conditional upon the achievement of certain individual performance targets of each eligible person and certain financial performance targets of the Company as determined by the Board.

(c) One-third of the Share Options granted will be vested on each of 29 June 2020, 29 June 2021 and 29 June 2022.

(d) One-third of the Share Options granted will be vested on each of 24 November 2022, 24 November 2023 and 24 November 2024.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES *(continued)*

(b) Long Positions in Shares and Underlying Shares of the Associated Corporations

(all being personal interest and being held in the capacity of beneficial owner)

Name of associated corporation	Name of Director	Number of shares held *(Notes 6 and 7)*	% of shares in issue *(Notes 1, 2, 3, 4 and 5)*
China State Construction Engineering Corporation Limited ("**CSCECL**")	Mr. Luo Liang	294,000	0.001%
	Mr. Zhang Zhichao	70,000	0.000%
	Mr. Guo Guanghui	210,000	0.001%
	Mr. Zhuang Yong	140,000	0.000%
China State Construction International Holdings Limited ("**CSC**")	Mr. Luo Liang	3,531,469	0.070%
China Overseas Property Holdings Limited ("**COPL**")	Mr. Li Man Bun, Brian David	1,820,000	0.055%
China Overseas Grand Oceans Group Limited ("**COGO**")	Mr. Luo Liang	105,000	0.003%
China State Construction Development Holdings Limited ("**CSCD**")	Mr. Zhang Zhichao	2,984,000	0.138%

Notes:

1. The percentage was calculated based on the total number of shares of CSCECL in issue as at 31 December 2020 (i.e. 41,965,071,511 shares).
2. The percentage was calculated based on the total number of shares of CSC in issue as at 31 December 2020 (i.e. 5,049,156,668 shares).
3. The percentage was calculated based on the total number of shares of COPL in issue as at 31 December 2020 (i.e. 3,286,860,460 shares).
4. The percentage was calculated based on the total number of shares of COGO in issue as at 31 December 2020 (i.e. 3,423,359,841 shares).
5. The percentage was calculated based on the total number of shares of CSCD in issue as at 31 December 2020 (i.e. 2,155,545,000 shares).
6. The number of shares of CSCECL held by each of Mr. Luo Liang, Mr. Zhang Zhichao, Mr. Guo Guanghui and Mr. Zhuang Yong represented the "A" shares in CSCECL under the A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL together with bonus shares on the basis of four bonus "A" shares for every ten existing "A" shares as set out in note 30 to the financial statements.
7. Mr. Zhuang Yong sold 70,000 "A" shares in CSCECL on 6 January 2021. As at the date of this report, Mr. Zhuang Yong held a total of 70,000 "A" shares in CSCECL.

Save as disclosed above, as at 31 December 2020, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein. None of the Directors and the chief executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2020, any interest in, or had been granted any right to subscribe for the shares, options and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Report of Directors (continued)

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and in note 30 to the financial statements, at no time during the year, the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, as at the date of this report, the following Directors declared interests in the following entities which compete or are likely to compete, either directly or indirectly, with the businesses of the Company:

Mr. Yan Jianguo, the Chairman and Executive Director of the Company, is also the chairman and president of China Overseas Holdings Limited ("**COHL**"), the non-executive director of COGO, and the chairman and non-executive director of CSC. Mr. Zhang Zhichao, the Executive Director and the Chief Executive Officer of the Company, is also a director of COHL. Mr. Zhuang Yong, the Vice Chairman and Non-executive Director of the Company, is also a director of COHL and the chairman and executive director of COGO. COHL, COGO and CSC are engaged in construction, property development and related businesses.

The entities in which the above Directors had declared interests are managed by separate boards of directors and management, which are accountable to their respective shareholders. Further, the Board includes three Independent Non-executive Directors and one Non-executive Director (other than Mr. Zhuang Yong) whose views carry significant weight in the Board's decisions. The Audit and Risk Management Committee of the Company, which consists of three Independent Non-executive Directors, meets regularly to assist the Board in reviewing the financial performance, internal control, risk management and compliance systems of the Company and its subsidiaries. The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which the Directors had declared interests.

Report of Directors (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

At 31 December 2020, the following parties (other than the Directors or the chief executive of the Company) were the substantial shareholders (as defined in the Listing Rules) of the Company and had interests in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Number of shares and underlying shares held			% of shares in issue *(Note 1)*			Capacity
	(Long Position)	*(Short Position)*	*(Lending Pool)*	*(Long Position)*	*(Short Position)*	*(Lending Pool)*	
Silver Lot Development Limited ("**Silver Lot**")	521,264,928	–	–	4.76%	–	–	Beneficial owner
COHL *(Note 2)*	5,613,080,255	111,564,090 *(Note 4)*	–	51.24%	1.02%	–	Beneficial owner
	521,264,928	–	–	4.76%	–	–	Interest of controlled corporation
CSCECL *(Note 3)*	6,134,345,183	111,564,090 *(Note 4)*	–	56.00%	1.02%	–	Interest of controlled corporation
China State Construction Engineering Corporation ("**CSCEC**") *(Note 3)*	6,134,345,183	111,564,090 *(Note 4)*	–	56.00%	1.02%	–	Interest of controlled corporation
Complete Noble Investments Limited ("**Complete Noble**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Beneficial owner
Affluent East Investments Limited ("**Affluent East**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Limited ("**CITIC**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Glory Limited ("**CITIC Glory**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Polaris Limited ("**CITIC Polaris**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Group Corporation ("**CITIC Group**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation

Report of Directors (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Notes:

1. The percentage was calculated based on the total number of Shares of the Company in issue as at 31 December 2020 (i.e. 10,954,085,035 Shares).

2. Silver Lot is a direct wholly-owned subsidiary of COHL, thus COHL is deemed by the SFO to be interested in Shares of the Company (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.

3. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in Shares of the Company (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.

4. On 5 January 2016, a subsidiary of COHL (the "**Issuer**") issued exchangeable bonds (the "**Bonds**") with the aggregate principal amount of US$1,500,000,000 which are exchangeable into 280,124,096 Shares of the Company. On 5 January 2020, the Issuer redeemed US$902,600,000 in aggregate principal amount of the Bonds at an aggregate redemption price of US$1,006,760,040. The redeemed Bonds have been cancelled pursuant to the terms and conditions of the Bonds. After that the remaining Bonds can be exchangeable into 111,564,090 Shares of the Company.

5. Complete Noble is a direct wholly-owned subsidiary of Affluent East, which in turn is a direct wholly-owned subsidiary of CITIC.

6. More than 50% of CITIC is held by CITIC Glory and CITIC Polaris, both of which are direct wholly-owned subsidiaries of CITIC Group, in aggregate. Accordingly, CITIC is an indirect non-wholly owned subsidiary of CITIC Group and Affluent East, CITIC, CITIC Glory, CITIC Polaris and CITIC Group are all deemed by the SFO to be interested in Shares of the Company (including long position, short position and lending pool (if any)) in which Complete Noble is or is taken to be interested.

Save as disclosed above, the Company had not been notified by any other person (other than the Directors or the chief executive of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2020.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2020, the five largest customers of the Group accounted for less than 30% of the Group's revenue. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

Definitions

In this section, the following expressions have the following meanings unless the context requires otherwise:

"COHL"	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested directly and indirectly, over 50% of the issued share capital of the Company
"Company"	China Overseas Land & Investment Limited
"COPL"	China Overseas Property Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669)
"COPL Group"	COPL and its subsidiaries from time to time
"CSC"	China State Construction International Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
"CSC Group"	CSC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
"CSCEC"	中國建築集團有限公司 (formerly known as 中國建築工程總公司) (China State Construction Engineering Corporation*), a state-owned corporation organised and existing under the laws of the PRC, being the ultimate controlling shareholder of the Company
"CSCECL"	China State Construction Engineering Corporation Limited, a joint stock company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange (stock code: 601668). CSCECL is a non-wholly owned subsidiary of CSCEC and the holding company of COHL
"CSCECL Group"	CSCECL and its subsidiaries (excluding COHL, the Company, CSC, CSCD, COPL and their respective subsidiaries) from time to time
"CSCD"	China State Construction Development Holdings Limited (formerly known as Far East Global Group Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 830)
"CSCD Group"	CSCD and its subsidiaries from time to time
"Group"	the Company and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time

* *English translation for identification purpose only*

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

During the year under review, the Group entered into the following connected transactions or continuing connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules or which have been approved by independent shareholders in pursuance of Rule 14A.36 of the Listing Rules:

A. Connected Transactions

(1) Formation of Joint Venture in relation to Land in Kai Tak

On 14 December 2020, the Company, CSC and Honour Vision Limited ("**Honour Vision**") entered into an agreement (the "**JV Agreement**") in respect of forming a joint venture for the property development and ownership of a parcel of land situated at New Kowloon Inland Lot No. 6603, Kai Tak Area 4E, Site 1, Kai Tak, Kowloon (the "**Land**"). The Land is planned for private residential purposes and is owned by Honour Vision which, before the formation of the joint venture, was wholly-owned by Windy Summer Limited ("**Windy Summer**", an indirect wholly-owned subsidiary of the Company).

Pursuant to the JV Agreement, Citycharm Investments Limited ("**Citycharm**", an indirect wholly-owned subsidiary of CSC) acquired 20% equity interest in Honour Vision. Since then, Honour Vision is owned as to 80% and 20% by Windy Summer and Citycharm respectively. Honour Vision is accounted for as a subsidiary of the Company.

The estimated total investment amount (excluding the registered capital) to be provided to Honour Vision will not exceed HK$5.3 billion which shall be contributed by Windy Summer and Citycharm in proportion to their respective effective interests in Honour Vision.

Under the JV Agreement, the Group will be responsible for conducting the development plus sales and marketing of the Land.

COHL is the controlling shareholder of both the Company and CSC. Accordingly, each of the Company and CSC is connected person of each other and the entering into the JV Agreement and the transactions contemplated thereunder constitute connected transactions of both the Company and CSC under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

A. Connected Transactions *(continued)*

(2) Provision of Supply Chain Management Services

On 15 December 2020, 深圳領潮供應鏈管理有限公司 (Shenzhen Lingchao Supply Chain Management Co., Ltd.*) ("**Shenzhen Lingchao**"), a wholly-owned subsidiary of the Company, entered into ten supply chain management agreements ("**Supply Chain Management Agreements**") to provide procurement services of various civil-works, electromechanical and renovation items/goods/materials and relevant supply chain consultation services in relation to ten property development projects in the PRC for a term of three years. Details of the Supply Chain Management Agreements are set out as follows and also the Company's announcement dated 15 December 2020:

Agreement	Parties	Estimated contract sum
(1) The Jincheng International Agreement	Shenzhen Lingchao and 鄂州中建寶來房地產有限公司 (Ezhou Zhongjian Baolai Real Estate Co., Ltd.*) ("**Ezhou Zhongjian**")	RMB65,195,412.00
(2) The Yunding Daguan D04 Agreement	Shenzhen Lingchao and 新疆中海地產有限公司 (Xinjiang China Overseas Properties Co., Ltd.*) ("**Xinjiang China Overseas**")	RMB5,400,000.00
(3) The Yunding Daguan D09 Agreement	Shenzhen Lingchao and Xinjiang China Overseas	RMB3,000,000.00
(4) The Yunding Daguan D12 Agreement	Shenzhen Lingchao and Xinjiang China Overseas	RMB9,600,000.00
(5) The Yunding Daguan D13 Agreement	Shenzhen Lingchao and Xinjiang China Overseas	RMB8,400,000.00
(6) The Ziyun Ge Agreement	Shenzhen Lingchao and Xinjiang China Overseas	RMB38,400,000.00
(7) The Ziyun Ge Phase II Agreement	Shenzhen Lingchao and Xinjiang China Overseas	RMB84,000,000.00
(8) The Zhengzhengchu (2016) No.149 Agreement	Shenzhen Lingchao and 鄭州海捷房地產開發有限公司 (Zhengzhou Haijie Real Estate Development Co., Ltd.*) ("**Zhengzhou Haijie**")	RMB47,731,266.00
(9) The Jinyuan Whole Phase Agreement	Shenzhen Lingchao and 福州海建地產有限公司 (Fuzhou Haijian Properties Co., Ltd.*) ("**Fuzhou Haijian**")	RMB21,840,000.00
(10) The Huizhi Building Agreement	Shenzhen Lingchao and 深圳市海清置業發展有限公司 (Shenzhen Haiqing Properties Development Co., Ltd.*) ("**Shenzhen Haiqing**")	RMB12,000,000.00

CSCECL is the intermediate controlling shareholder of both the Company and CSC. Each of Ezhou Zhongjian, Xinjiang China Overseas, Zhengzhou Haijie, Fuzhou Haijian and Shenzhen Haiqing is a connected person of the Company. Accordingly, the transactions contemplated under the Supply Chain Management Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

* *English translation for identification purpose only*

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions

(1) CSCD Master Engagement Agreement

On 26 June 2018, the Company and CSCD entered into a framework agreement (the "**CSCD Master Engagement Agreement**"), pursuant to which the Group may invite the CSCD Group to participate in competitive tender for provision of contracting and engineering works, project management, supervision and consultancy services for the construction works of the Group as a contractor or service provider (as the case may be) from time to time for a period commencing from 20 August 2018 and ending on 30 June 2021. If tenders submitted by members of the CSCD Group are accepted and the total contract sum awarded to the CSCD Group does not exceed the corresponding cap as set out below, the Group may engage the CSCD Group as contractor or service provider (as the case may be).

The principal terms of the CSCD Master Engagement Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
CSCD Master Engagement Agreement	The Company and CSCD	26 June 2018	20 August 2018 to 31 December 2018	HK$1,200 million
			1 January 2019 to 31 December 2019	HK$1,200 million
			1 January 2020 to 31 December 2020	HK$1,200 million
			1 January 2021 to 30 June 2021	HK$800 million

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 26 June 2018. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to the CSCD Group are no more favourable than those awarded to independent third parties.

COHL is the controlling shareholder of the Company, CSC and CSCD. CSC is the indirect holding company of CSCD. Thus, members of the CSCD Group are connected persons of the Company and the transactions contemplated under the CSCD Master Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(2) New CSC Master Engagement Agreement

On 6 October 2017, the Company and CSC entered into an engagement agreement (the "**Previous CSC Master Engagement Agreement**"), pursuant to which members of CSC Group may tender for the Group's construction works in the PRC, Hong Kong and Macau for a term of three years commencing from 1 January 2018 and ending on 31 December 2020.

The Company expected that the Group will invite the CSC Group to tender for more construction works of the Group in the PRC, Hong Kong and Macau as construction contractor from time to time and the annual cap provided for in the Previous CSC Master Engagement Agreement for the financial year ending on 31 December 2020 needs to be revised. As such, on 8 April 2020, the Company and CSC entered into a new engagement agreement ("**New CSC Master Engagement Agreement**") to replace and supersede the Previous CSC Master Engagement Agreement. Pursuant to the New CSC Master Engagement Agreement, the CSC Group may tender for the Group's construction works in the PRC, Hong Kong and Macau as construction contractor in accordance with the tendering procedures of the Group from time to time for three financial years ending on 31 December 2022. If tenders submitted by members of the CSC Group are accepted and the total contract sum awarded to the CSC Group does not exceed the corresponding annual cap as set out below, the Group may engage the CSC Group as construction contractor for the Group's construction works in the PRC, Hong Kong and Macau.

The principal terms of the New CSC Master Engagement Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Annual Cap
New CSC Master Engagement Agreement	The Company and CSC	8 April 2020	1 January 2020 to 31 December 2020	HK$9,000 million
			1 January 2021 to 31 December 2021	HK$9,000 million
			1 January 2022 to 31 December 2022	HK$9,000 million

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 8 April 2020. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to CSC Group are no more favourable than those awarded to independent third parties.

As COHL is the controlling shareholder of both the Company and CSC, members of CSC Group are connected persons of the Group. The transactions contemplated under the New CSC Master Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(3) CSCECL Master Engagement Agreement

On 1 April 2019, the Company and CSCECL entered into an engagement agreement (the "**CSCECL Master Engagement Agreement**"), pursuant to which the Group may invite the CSCECL Group to participate in competitive tender as construction contractor for construction related services such as building design, construction piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators (the "**Construction Related Services**") in the PRC for a term of three years commencing from 1 July 2019 and ending on 30 June 2022. If tenders submitted by members of the CSCECL Group are accepted and the total contract sum awarded to the CSCECL Group does not exceed the corresponding cap as set out below, the Group may engage the CSCECL Group as construction contractor for the Construction Related Services in the PRC.

The principal terms of the CSCECL Master Engagement Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
CSCECL Master Engagement Agreement	The Company and CSCECL	1 April 2019	1 July 2019 to 31 December 2019	RMB6,206 million
			1 January 2020 to 31 December 2020	RMB19,768 million
			1 January 2021 to 31 December 2021	RMB16,121 million
			1 January 2022 to 30 June 2022	RMB8,473 million

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 1 April 2019. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to CSCECL Group are no more favourable than those awarded to independent third parties.

As CSCECL is the intermediate holding company of the Company, members of the CSCECL Group are connected persons of the Company. The transactions contemplated under the CSCECL Master Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(4) COPL Target Services Agreement

Before the acquisition of the entire equity interests of 中信物業服務有限公司 (the "**Service Company**") by 中海物業管理有限公司 (a wholly-owned subsidiary of COPL) (the "**Management Company**") on 20 October 2017, the Company had been engaging the Service Company and its subsidiaries (the "**Service Company Group**") to provide property management services and engineering services including automation projects, specialised engineering, and repair and maintenance and upgrade projects of equipment and machinery to residential communities, commercial properties and other properties (the "**Services**") to the Group. While the Service Company Group would continue to provide the Services to the Group in the PRC after the acquisition, the Company and COPL entered into a framework agreement on 20 October 2017 (the "**COPL Target Services Agreement**") for a term commencing on 1 January 2018 and ending on 30 June 2020. Under the COPL Target Services Agreement, the Service Company Group may tender for the Group's Services. If tenders submitted by members of the Service Company Group are accepted and the total contract sum awarded to the Service Company Group does not exceed the corresponding cap as set out below, the Group may engage the Service Company Group as service provider for the Services in the PRC.

The principal terms of the COPL Target Services Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
COPL Target Services Agreement	The Company and COPL	20 October 2017	1 January 2018 to 31 December 2018	HK$48 million
			1 January 2019 to 31 December 2019	HK$51.1 million
			1 January 2020 to 30 June 2020	HK$19.8 million

The prices and terms of the tenders awarded by the Group are subject to the tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 20 October 2017. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to the COPL Group are no more favourable than those awarded to independent third parties.

As COHL is the controlling shareholder of both the Company and COPL, members of the COPL Group are connected persons of the Company. The transactions contemplated under the COPL Target Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(5) COPL Prevailing Services Agreement

On 20 October 2017, the Company and COPL entered into a framework agreement (the "**COPL Prevailing Services Agreement**"), pursuant to which the Group may invite the COPL Group (except the Service Company Group) to participate in competitive tender for the provision of the Services in the PRC, Hong Kong and Macau for a term commencing on 1 January 2018 and ending on 30 June 2020. If tenders submitted by members of the COPL Group (except the Service Company Group) are accepted and the total contract sum awarded to the COPL Group (except the Service Company Group) does not exceed the corresponding cap as set out below, the Group may engage the COPL Group (except the Service Company Group) as service provider for the Services in the PRC, Hong Kong and Macau.

The principal terms of the COPL Prevailing Services Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
COPL Prevailing Services Agreement	The Company and COPL	20 October 2017	1 January 2018 to 31 December 2018	HK$634.3 million
			1 January 2019 to 31 December 2019	HK$725.2 million
			1 January 2020 to 30 June 2020	HK$420.7 million

The prices and terms of the tenders awarded by the Group are subject to the tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 20 October 2017. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to the COPL Group are no more favourable than those awarded to independent third parties.

As COHL is the controlling shareholder of both the Company and COPL, members of the COPL Group are connected persons of the Company. The transactions under the COPL Prevailing Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(6) Renewal COPL Framework Agreement

The COPL Target Services Agreement and the COPL Prevailing Services Agreement have expired on 30 June 2020. The Company expected that the Group will continue to invite the COPL Group to participate in competitive tenders to provide the Services (which has been expanded to include gardening, interior fine finishing and vetting of building plans etc.) ("**Expanded Services**") to the Group in respect of the property development projects or properties (including residential communities, commercial properties and other properties) owned or held by the Group (which has been expanded to include property development projects owned or held by the Group in the PRC, Hong Kong, Macau and other locations). In this connection, on 28 April 2020, the Company and COPL entered into the renewal framework agreement ("**Renewal COPL Framework Agreement**") for a term of three years commencing from 1 July 2020 and ending on 30 June 2023. If tenders submitted by members of the COPL Group are accepted and the total contract sum awarded to the COPL Group does not exceed the corresponding cap as set out below, the Group may engage the COPL Group as service provider for the Expanded Services in the PRC, Hong Kong, Macau and other locations.

The principal terms of the Renewal COPL Framework Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
Renewal COPL Framework Agreement	The Company and COPL	28 April 2020	1 July 2020 to 31 December 2020	HK$1,076 million
			1 January 2021 to 31 December 2021	HK$2,093 million
			1 January 2022 to 31 December 2022	HK$2,616 million
			1 January 2023 to 30 June 2023	HK$1,633 million

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 28 April 2020. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to the COPL Group are no more favourable than those awarded to independent third parties.

As COHL is the controlling shareholder of both the Company and COPL, members of the COPL Group are connected persons of the Company. The transactions contemplated under the Renewal COPL Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(7) COPL Car Parking Spaces Framework Agreement

On 23 October 2019, the Company and COPL entered into a framework agreement (the "**COPL Car Parking Spaces Framework Agreement**"), pursuant to which the COPL Group may from time to time enter into transactions with the Group for the acquisition of rights-of-use of car parking spaces (the "**Transactions**"), situated in the developments or properties built, developed or owned by the Group and managed by the COPL Group as property manager for a term of three years commencing from 1 December 2019 and ending on 30 November 2022.

The principal terms of the COPL Car Parking Spaces Framework Agreement together with respective maximum total agreement sums payable by the COPL Group to the Group for each of the period/year for the Transactions (i.e. the "**Cap**") are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
COPL Car Parking Spaces Framework Agreement	The Company and COPL	23 October 2019	1 December 2019 to 31 December 2019	HK$300 million
			1 January 2020 to 31 December 2020	HK$500 million
			1 January 2021 to 31 December 2021	HK$600 million
			1 January 2022 to 30 November 2022	HK$600 million

To determine the sale price for each Transaction, the Group will verify the valuation obtained from an independent third party property appraiser and will take into account the factors such as development cost, historical maintenance cost, ongoing management cost savings, terms of the Transactions and the qualifications of the purchaser. In any event, the sale price shall be no less favourable to the Group than that available to independent third party purchaser.

As COHL is the controlling shareholder of both the Company and COPL, members of the COPL Group are connected persons of the Company. The transactions contemplated under the COPL Car Parking Spaces Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(8) Financial Services Agreement

On 1 November 2019, the Company and 中建財務有限公司 (China State Construction Finance Limited*, "**CSCF**") (a subsidiary of CSCECL) entered into the financial services framework agreement (the "**Financial Services Agreement**"), pursuant to which CSCF agreed to provide the Group with deposit services, loan services, bill acceptance and discount services, and other financial services (the "**Financial Services**") on a non-exclusive basis for a term of three years commencing from 1 November 2019 and ending on 31 October 2022.

The principal terms of the Financial Services Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
Financial Services Agreement	The Company and CSCF	1 November 2019		
(i) deposit placed by the Group with CSCF				Maximum daily deposit balance (including interests accrued thereon):
			1 November 2019 to 31 October 2020	RMB7,000 million
			1 November 2020 to 31 October 2021	RMB7,000 million
			1 November 2021 to 31 October 2022	RMB7,000 million
(ii) bill acceptance and discount services handled by CSCF for the Group				Maximum aggregate transaction amount:
			1 November 2019 to 31 October 2020	RMB5,000 million
			1 November 2020 to 31 October 2021	RMB5,000 million
			1 November 2021 to 31 October 2022	RMB5,000 million

The interest rate applicable to the Group for its deposits with CSCF should be the higher of: (i) the highest interest rate for the same type of deposits quoted by other major commercial banks in the PRC (reference shall be made to rates from at least three such banks); and (ii) the interest rate provided by CSCF.

* *English translation for identification purpose only*

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(8) Financial Services Agreement *(continued)*

The terms of loans provided to the Group by CSCF shall be no less favourable than the terms of the same type of loans provided by independent third party commercial banks which have existing cooperative relationships with the Group. The interest rate applicable to the Group for its loans to be granted by CSCF shall be the lower of: (i) the lowest interest rate among the interest rates of the same type of loans quoted by other major commercial banks in the PRC (reference shall be made to rates from at least three such banks are referred to); and (ii) the interest rate provided by CSCF.

The discount amount for bill acceptance and discount services shall be calculated by reference to the same rate as the interest rate applicable to the Group for its loans granted by CSCF.

In addition, as no security over the assets of the Group is granted to CSCF in respect of the loan services, and other financial services are for free, these services to be provided by CSCF to the Group under the Financial Services Agreement will be exempted from all reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, details of which are set out in the announcement of the Company dated 1 November 2019 (the "**Announcement**").

The Group has adopted a number of capital risk control measures and internal control policies and procedures as set out in the Announcement to ensure that adequate measures are taken to manage the risks involved in depositing funds with CSCF, and the terms of the relevant transactions are fair comparing to financial services provided by independent parties other than CSCF.

As CSCECL is the intermediate holding company of the Company, CSCF is a connected person of the Company. The transactions in relation to the deposit services, bill acceptance and discount services contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

Annual review and confirmation regarding continuing connected transaction in accordance with Rule 14A.55 and 14A.56 of the Listing Rules

The Independent Non-executive Directors conducted annual review on the continuing connected transactions mentioned in this section and confirmed that those transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company also engaged auditor to report on the Group's continuing connected transactions mentioned in this section in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter and confirmed that nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions mentioned in this section:

a. have not been approved by the Board;

b. were not, in all material respects, in accordance with the relevant agreements governing such transactions;

c. were not, in all material aspects, in accordance with the pricing policies of the Group; and

d. have exceeded the annual cap set by the Company.

The continuing connected transactions mentioned in this section also constitute related party transaction under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year were disclosed in note 40 to the financial statements. Transactions under "Fellow subsidiaries" section of item (a) therein also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions or continuing connected transactions.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There is no transaction, arrangement or contract of significance subsisting during or at the end of the financial year 2020 in which the Directors or an entity connected with him/her is or was materially interested, either directly or indirectly.

INTEREST IN CONTRACTS OF SIGNIFICANCE

The transactions set out in paragraphs A, B(2), B(3) and B(8) of the section headed "Connected Transactions Entered Into By The Group" above are considered contracts of significance under paragraph 16 of Appendix 16 of the Listing Rules.

EMOLUMENT POLICY, BASIS OF DETERMINING EMOLUMENT TO DIRECTORS AND RETIREMENT BENEFIT SCHEME

Subject to the compliance with relevant rules and regulations, the Company implements an emolument and benefit system comprised of basic salary, incentive bonus and employee benefits. The emolument and employee benefits are reviewed at appropriate time, with reference to both the annual survey on the industry's remuneration level and the Company's operating performance. The emoluments of the Directors are determined by reference to the industry's remuneration level, the Company's operating performance and the respective responsibilities and performances of the Directors. Under the arrangement of the Company's ultimate controlling shareholder, certain Directors and core employees are holding A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL. The purpose of the arrangement is to motivate the core talents. In addition, the Company set up a "688 share option incentive scheme" in 2018. The information of the scheme is set out separately in note 30 to the financial statement and the Report of Directors.

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme (the "**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. With effect from 1 January 2018, Employer Voluntary Contributions are made, under specific criteria set in the company policy, as a part of the employee benefits program. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. Details of these schemes are set out in notes 3 and 12 to the financial statements.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Report of Directors (continued)

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

DONATIONS

During the year, the Group made charitable and other donations amounted to approximately RMB5,128,000.

AUDIT AND RISK MANAGEMENT COMMITTEE

One of the principal duties of the Audit and Risk Management Committee is to review the Group's financial reporting requirements and system, and risk management and internal control systems. The members of the Audit and Risk Management Committee have been satisfied with the Company's financial reporting disclosures and system, and risk management and internal control procedures.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 100 of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company and subject to the provisions of the Companies Ordinance, every Director, former Director, other officer or other former officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto provided that such articles shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has maintained appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year under review.

AUDITOR

Ernst & Young ("**EY**") has been appointed as auditor of the Company following the retirement of PricewaterhouseCoopers at the annual general meeting of the Company held on 26 June 2020. Save as disclosed above, there were no other changes in auditor of the Company during the past three years. The accompanying financial statements have been audited by EY.

A resolution will be proposed at the forthcoming annual general meeting to re-appoint EY as auditor of the Company.

On behalf of the Board

Luo Liang
Vice Chairman and Executive Director

Hong Kong, 29 March 2021

Independent Auditor's Report

TO THE MEMBERS OF CHINA OVERSEAS LAND & INVESTMENT LIMITED
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Overseas Land & Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 153 to 252, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, 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 financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group's investment properties amounted to approximately RMB140,879 million as at 31 December 2020 and a fair value gain of approximately RMB9,191 million was accounted for under "Gain arising from changes in fair value of investment properties" in the consolidated income statement. Management engaged independent valuers to determine the valuation of the Group's investment properties. There are significant judgements and estimates involved in the valuation which mainly include: • Completed investment properties: The valuation was arrived at using the investment approach by considering the capitalised income derived from the existing tenancies and the reversionary potential, including reversionary yields and prevailing market rents, of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. • Investment properties under construction: The valuation was arrived at using the residual method by making reference to estimated selling prices as available in the relevant market. The estimated cost to complete the development and estimated developer's profit as at the date of valuation were also taken into account. The significance of the carrying amounts of the investment properties to the consolidated financial statements and the existence of significant judgements and estimates of the assumptions involved in the property valuations warrant specific audit focus and attention on this area. Related disclosures are included in notes 3(b), 4(a) and 16 to the consolidated financial statements.	Our procedures in relation to the valuation of investment properties included: • Assessing the competence, independence and objectivity of the valuers and discussing the scope of their work; and • Assessing, with the assistance of our internal valuation specialists, the methodologies used by the valuers and the appropriateness of the key assumptions, on a sample basis, based on our knowledge of the property industry, research evidence of reversionary yields, prevailing market rents and estimated selling prices with reference to comparable market transactions for similar properties, comparing the estimated developer's profit to historical records, and testing, on a sample basis, the data used in the valuation of properties, including the rental rates from existing tenancies and estimated cost to complete, by agreeing them to the underlying agreements with the tenants and contractors respectively.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of property portfolio held by the Group	
As at 31 December 2020, the carrying value of the Group's stock of properties was approximately RMB457,932 million. Management assesses the recoverability of property portfolio held by the Group's subsidiaries based on estimates of the net realisable values of the stock of properties. This involves estimation of, inter-alia, construction costs to be incurred to complete the properties under development based on existing plans, and a forecast of future sales based on the current market price of properties of comparable locations and conditions. Management concluded that no significant provision for impairment is necessary for the stock of properties held by the Group's subsidiaries. If the estimated net realisable values of the stock of properties are significantly different from their carrying values as a result of changes in market conditions and/or significant variation in the budgeted development costs, material provision for impairment losses may result. Accordingly, the existence of significant estimation uncertainty and the significance of the carrying amounts of the stock of properties to the consolidated financial statements warrant specific audit focus and attention on this area. Related disclosures are included in notes 3(b), 4(c) and 21 to the consolidated financial statements.	Our procedures in relation to management's recoverability assessment included: • Obtaining an understanding of, evaluating and testing, on a sample basis, the key internal controls around the property development cycle with particular focus on controls over cost budgeting and periodic reviews, sources of impairment assessment data and calculation of impairment provisions; • Understanding management's assessment, with reference to the appropriate supporting evidence, on the impairment of the stock of properties which had relatively low forecasted or actual gross profit margins, within the general property development and sales cycle; and • For significant stock of properties which had relatively low forecasted or actual gross profit margins, assessing the reasonableness of key assumptions adopted by management. For the forecast of future sales, we checked, on a sample basis, the contracted sales price of the underlying properties and the recent market transaction prices of properties with comparable locations and conditions, where applicable. For construction costs to be incurred for properties under development, we assessed the reasonableness of the latest budgets of total construction costs and tested, on a sample basis, the incurred construction costs to supporting documentations, e.g., construction contracts and other documentations.

Independent Auditor's Report (continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 and Risk Management 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, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report (continued)

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

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

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

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

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

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

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

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

We communicate with the Audit and Risk Management 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 and Risk Management 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.

Independent Auditor's Report (continued)

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

From the matters communicated with the Audit and Risk Management 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 Chow Chi Chung.

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

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	7	**185,789,528**	163,650,953
Direct operating costs		**(129,968,676)**	(108,570,841)
		55,820,852	55,080,112
Other income and gains, net	9	**6,363,300**	2,637,890
Gain arising from changes in fair value of investment properties	16	**9,191,416**	10,002,062
Selling and distribution expenses		**(3,512,875)**	(2,646,272)
Administrative expenses		**(2,631,304)**	(2,729,592)
Operating profit		**65,231,389**	62,344,200
Share of profits and losses of			
Associates		**2,639,918**	2,254,638
Joint ventures		**2,216,133**	1,112,179
Finance costs	10	**(883,890)**	(759,297)
Profit before tax		**69,203,550**	64,951,720
Income tax expenses	11	**(21,494,912)**	(22,204,315)
Profit for the year	12	**47,708,638**	42,747,405
Attributable to:			
Owners of the Company		**43,903,954**	41,618,313
Non-controlling interests		**3,804,684**	1,129,092
		47,708,638	42,747,405
		RMB	RMB
EARNINGS PER SHARE	14		
Basic		**4.01**	3.80
Diluted		**3.99**	3.80

The notes on pages 161 to 252 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Profit for the year	**47,708,638**	42,747,405
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of subsidiaries of the Company	**(702,389)**	167,004
Exchange differences on translation of associates	**338,290**	(124,338)
	(364,099)	42,666
Other comprehensive income for the year	**(364,099)**	42,666
Total comprehensive income for the year	**47,344,539**	42,790,071
Total comprehensive income attributable to:		
Owners of the Company	**43,539,686**	41,659,941
Non-controlling interests	**3,804,853**	1,130,130
	47,344,539	42,790,071

The notes on pages 161 to 252 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current Assets			
Investment properties	*16*	**140,879,089**	114,020,656
Property, plant and equipment	*17*	**5,010,803**	4,019,414
Interests in associates	*18*	**14,543,727**	12,430,239
Interests in joint ventures	*19*	**18,770,162**	23,876,179
Amounts due from associates	*20*	**–**	1,103,456
Other receivables		**450,353**	433,142
Goodwill	*34*	**56,395**	56,395
Deferred tax assets	*33*	**7,693,664**	7,324,745
		187,404,193	163,264,226
Current Assets			
Stock of properties and other inventories	*21*	**458,087,286**	390,982,478
Land development expenditure	*22*	**13,403,278**	18,046,053
Trade and other receivables	*23*	**12,196,646**	10,931,518
Contract assets	*27*	**3,102,710**	1,753,993
Deposits and prepayments		**10,497,858**	9,215,418
Deposits for land use rights for property development		**4,198,634**	14,026,891
Amounts due from fellow subsidiaries	*24*	**312,165**	49,680
Amounts due from associates	*24*	**3,580,280**	4,334,368
Amounts due from joint ventures	*24*	**8,744,043**	7,068,451
Amounts due from non-controlling shareholders	*24*	**2,699,724**	1,059,962
Tax prepaid		**8,961,644**	7,715,181
Bank balances and cash	*25*	**110,468,910**	95,447,568
		636,253,178	560,631,561
Current Liabilities			
Trade and other payables	*26*	**82,807,619**	65,812,031
Pre-sales proceeds	*27*	**121,121,893**	97,939,167
Amounts due to fellow subsidiaries and a related company	*28*	**2,599,775**	2,556,926
Amounts due to associates	*28*	**1,706,459**	727,421
Amounts due to joint ventures	*28*	**4,197,226**	6,980,871
Amounts due to non-controlling shareholders	*29*	**9,337,457**	13,409,714
Lease liabilities — due within one year	*35*	**263,030**	72,040
Tax liabilities		**38,123,766**	38,671,775
Bank and other borrowings — due within one year	*31*	**27,501,259**	23,217,153
Notes payable — due within one year	*32*	**16,303,716**	8,861,117
		303,962,200	258,248,215
Net Current Assets		**332,290,978**	302,383,346
Total Assets Less Current Liabilities		**519,695,171**	465,647,572

Consolidated Statement of Financial Position (continued)

At 31 December 2020

	Notes	**2020 RMB'000**	2019 RMB'000
Capital and Reserves			
Share capital	*30*	**74,033,624**	74,033,624
Reserves		**240,112,907**	206,570,068
Equity attributable to owners of the Company		**314,146,531**	280,603,692
Non-controlling interests		**14,202,789**	8,540,933
Total Equity		**328,349,320**	289,144,625
Non-current Liabilities			
Bank and other borrowings — due after one year	*31*	**109,307,995**	99,050,354
Notes payable — due after one year	*32*	**59,867,471**	58,835,801
Amounts due to non-controlling shareholders	*29*	**1,542,377**	2,293,675
Lease liabilities — due after one year	*35*	**428,798**	136,267
Deferred tax liabilities	*33*	**20,199,210**	16,186,850
		191,345,851	176,502,947
		519,695,171	465,647,572

The financial statements on pages 153 to 252 were approved by the Board of Directors on 29 March 2021 and were signed on its behalf by:

Luo Liang
Executive Director

Guo Guanghui
Executive Director

The notes on pages 161 to 252 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company								
	Share capital RMB'000	Property revaluation reserve RMB'000 *(Note (a))*	Translation reserve RMB'000	Merger and other reserves RMB'000 *(Note (b))*	PRC statutory reserve RMB'000 *(Note (c))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	74,033,624	285,446	719,038	(12,150,053)	9,367,326	175,507,073	247,762,454	8,849,400	256,611,854
Profit for the year	–	–	–	–	–	41,618,313	41,618,313	1,129,092	42,747,405
Exchange differences on translation of subsidiaries of the Company	–	–	165,966	–	–	–	165,966	1,038	167,004
Exchange differences on translation of associates	–	–	(124,338)	–	–	–	(124,338)	–	(124,338)
Total comprehensive income for the year	–	–	41,628	–	–	41,618,313	41,659,941	1,130,130	42,790,071
2018 final dividend	–	–	–	–	–	(4,771,426)	(4,771,426)	–	(4,771,426)
2019 interim dividend	–	–	–	–	–	(4,294,283)	(4,294,283)	–	(4,294,283)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	347,421	347,421
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	(509,436)	(509,436)
Equity-settled share-based transactions *(Note 30)*	–	–	–	214,177	–	–	214,177	–	214,177
Capital contribution relating to share-based payments borne by an intermediate holding company *(Note 30)*	–	–	–	5,870	–	–	5,870	–	5,870
Acquisition of additional interest in a subsidiary	–	–	–	–	–	26,959	26,959	(222,472)	(195,513)
Disposal of subsidiaries	–	–	–	–	–	–	–	(1,054,110)	(1,054,110)
Transfer to PRC statutory reserve	–	–	–	–	902,196	(902,196)	–	–	–
At 31 December 2019	74,033,624	285,446	760,666	(11,930,006)	10,269,522	207,184,440	280,603,692	8,540,933	289,144,625

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020

	Attributable to owners of the Company								
	Share capital RMB'000	Property revaluation reserve RMB'000 *(Note (a))*	Translation reserve RMB'000	Merger and other reserves RMB'000 *(Note (b))*	PRC statutory reserve RMB'000 *(Note (c))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	74,033,624	285,446	760,666	(11,930,006)	10,269,522	207,184,440	280,603,692	8,540,933	289,144,625
Profit for the year	–	–	–	–	–	43,903,954	43,903,954	3,804,684	47,708,638
Exchange differences on translation of subsidiaries of the Company	–	–	(702,558)	–	–	–	(702,558)	169	(702,389)
Exchange differences on translation of associates	–	–	338,290	–	–	–	338,290	–	338,290
Total comprehensive income for the year	–	–	(364,268)	–	–	43,903,954	43,539,686	3,804,853	47,344,539
2019 final dividend	–	–	–	–	–	(5,651,542)	(5,651,542)	–	(5,651,542)
2020 interim dividend	–	–	–	–	–	(4,314,747)	(4,314,747)	–	(4,314,747)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	921,860	921,860
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	(784,589)	(784,589)
Equity-settled share-based transactions *(Note 30)*	–	–	–	17,594	–	–	17,594	–	17,594
Capital contribution relating to share-based payments borne by an intermediate holding company *(Note 30)*	–	–	–	3,369	–	–	3,369	–	3,369
Return of capital to non-controlling shareholders	–	–	–	–	–	–	–	(23,084)	(23,084)
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	2,503,571	2,503,571
Disposal of subsidiaries	–	–	–	–	–	–	–	(760,755)	(760,755)
Buy-back of shares *(Note 30)*	–	–	–	–	–	(51,521)	(51,521)	–	(51,521)
Transfer to PRC statutory reserve	–	–	–	–	95,189	(95,189)	–	–	–
At 31 December 2020	74,033,624	285,446	396,398	(11,909,043)	10,364,711	240,975,395	314,146,531	14,202,789	328,349,320

Notes:

(a) The property revaluation reserve mainly represents the surplus on revaluation of properties transferred from owner-occupied properties to investment properties, net of tax.

(b) The reserves mainly represent the merger reserve arising from the acquisition of subsidiaries in 2015 by the Group from China State Construction Engineering Corporation Limited ("CSCECL") and in 2016 from CITIC Limited, which are all state-owned entities and are under common control of the State Council of the People's Republic of China ("PRC").

(c) The PRC statutory reserve of the Group represents the general and development fund reserve applicable to subsidiaries which was established in accordance with the relevant PRC regulations.

The notes on pages 161 to 252 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**69,203,550**	64,951,720
Adjustments for:		
Share of profits and losses of associates	**(2,639,918)**	(2,254,638)
Share of profits and losses of joint ventures	**(2,216,133)**	(1,112,179)
Finance costs	**883,890**	759,297
Depreciation	**370,848**	236,255
Interest income	**(1,818,148)**	(1,597,029)
Gain arising from changes in fair value of investment properties	**(9,191,416)**	(10,002,062)
Gain on disposal of investment properties	**–**	(234,587)
Gain on disposal of property, plant and equipment	**(1,850)**	(6,502)
Equity-settled share-based payment expenses	**20,963**	220,047
Gain on disposal of associates and joint ventures	**–**	(59,569)
Effect of foreign exchange rate changes	**(3,112,174)**	(173,329)
	51,499,612	50,727,424
Increase in stock of properties and other inventories	**(69,348,095)**	(51,638,084)
Decrease in land development expenditure	**4,642,775**	7,051,503
Increase in trade and other receivables, deposits and prepayments	**(2,732,073)**	(2,492,313)
Increase in contract assets	**(1,318,275)**	(449,149)
Decrease/(increase) in deposits for land use rights for property development	**9,828,257**	(4,969,775)
(Increase)/decrease in restricted bank deposits	**(251,773)**	1,336,300
Increase in trade and other payables and pre-sales proceeds	**38,273,354**	26,822,455
Cash generated from operations	**30,593,782**	26,388,361
Income taxes paid	**(20,896,400)**	(16,478,824)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**9,697,382**	9,909,537
INVESTING ACTIVITIES		
Interest received	**1,503,210**	1,730,016
Dividends received from associates	**845,591**	1,160,259
Dividends received from joint ventures	**1,306,661**	849,345
Purchase of property, plant and equipment	**(312,655)**	(124,691)
Additions of investment properties	**(11,855,963)**	(6,014,032)
(Increase)/decrease in amounts due from fellow subsidiaries	**(262,485)**	278,545
Advances to associates	**(85,928)**	(15,242)
Repayment from associates	**1,954,320**	5,730,633
Advances to joint ventures	**(454,940)**	(58,102)
Repayment from joint ventures	**4,700,035**	2,171,190
Advances to non-controlling shareholders	**(715,765)**	(215,800)
Repayment from non-controlling shareholders	**575,562**	268,702
Capital contributions to associates	**(15,645)**	(86,866)
Return of capital from joint ventures	**452,425**	–
Capital contributions to joint ventures	**(256,542)**	(9,895,155)
Net proceeds on disposal of property, plant and equipment	**81,799**	40,314
Net proceeds on disposal of investment properties	**–**	1,355,783
Net proceeds on disposal of associates and joint ventures	**–**	226,106
NET CASH USED IN INVESTING ACTIVITIES	**(2,540,320)**	(2,598,995)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES			
Interest paid		**(8,179,213)**	(7,823,429)
Other finance costs paid		**(195,140)**	(352,015)
Dividends paid to owners of the Company		**(9,966,289)**	(9,065,709)
Dividends paid to non-controlling shareholders		**(661,130)**	(654,170)
New bank and other borrowings raised		**44,578,716**	50,334,281
Repayment of bank and other borrowings		**(28,401,361)**	(27,987,850)
Issue of notes		**19,514,330**	10,708,172
Redemption of notes		**(8,931,190)**	(13,745,829)
Advances from fellow subsidiaries and a related company		**249,369**	2,138,309
Repayment to a fellow subsidiary		**(158,249)**	(533,780)
Contributions from non-controlling shareholders		**921,860**	347,421
Return of capital to non-controlling shareholders		**(23,084)**	–
Advances from associates		**1,091,344**	27,234
Repayment to associates		**(112,306)**	(931,999)
Advances from joint ventures		**1,913,200**	1,345,858
Repayment to joint ventures		**(2,290,622)**	(2,215,087)
Advances from non-controlling shareholders		**3,531,510**	1,961,408
Repayment to non-controlling shareholders		**(4,579,972)**	(2,002,206)
Principal element of lease payments		**(215,059)**	(69,904)
Share repurchase		**(51,521)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**8,035,193**	1,480,705
NET INCREASE IN CASH AND CASH EQUIVALENTS		**15,192,255**	8,791,247
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**92,894,556**	83,996,069
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(422,686)**	107,240
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**107,664,125**	92,894,556
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash as per statement of financial position		**110,468,910**	95,447,568
Less: restricted bank deposits	25	**(2,804,785)**	(2,553,012)
		107,664,125	92,894,556

The notes on pages 161 to 252 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2020

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The Company's immediate parent company is China Overseas Holdings Limited (“COHL”), a company incorporated in Hong Kong, and its ultimate holding company is 中國建築集團有限公司 (China State Construction Engineering Corporation*, “CSCEC”), an entity established in the PRC and the PRC government is a substantial shareholder of CSCEC. The registered office and principal place of business of the Company are situated at 10/F, Three Pacific Place, 1 Queen's Road East, Hong Kong. The Group's business activities are principally carried out in Hong Kong, Macau, Guangzhou, Shenzhen, Shanghai, Beijing, Tianjin, Jinan, Nanjing, Suzhou, Chengdu, Shenyang and other regions in Mainland China.

The Group, comprising the Company and its subsidiaries, is principally engaged in property development and investment, and other operations.

The Company's functional currency is Renminbi (“RMB”) and the consolidated financial statements are presented in RMB as the directors of the Company consider that RMB is the appropriate presentation currency for the users of the Group's consolidated financial statements.

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the *Conceptual Framework for Financial Reporting 2018* and the following amendments to HKFRSs issued by the HKICPA which are relevant to the Group:

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, Hong Kong Accounting Standard (“HKAS”) 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The application of the above amendments has had no material impact on the Group’s results and financial position.

* *The English name is a translated name and is for identification purpose only.*

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

The following amendments and improvements to existing standards, that are relevant to the Group's operation, have been issued but not yet effective for the financial year beginning on 1 January 2020 and have not been early adopted:

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

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

The Group has already commenced an assessment of the impact of the above amendments and improvements to HKFRSs. So far it has assessed that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values as explained in the accounting policies set out below.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Except for business combination under common control, subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income of a subsidiary is attributed to owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests and the fair value of the consideration paid or received is recognised directly in retained profits and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Business combinations — common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as expenses in the period in which it is incurred.

Business combinations — acquisition method

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Business combinations — acquisition method *(continued)*

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

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

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

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

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

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

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Business combinations — acquisition method *(continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKFRS 9 or HKAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

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

Fair Value Measurement

The Group measures its investment properties 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Fair Value Measurement *(continued)*

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

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

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

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

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

Separate Financial Statements

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Cost includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

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

Interests in Associates and Joint Ventures

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Interests in Associates and Joint Ventures *(continued)*

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36, *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence or joint control over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture.

If an interest in an associate becomes an interest 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.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. When the Group disposes of a business to its associate or joint venture, the entire gain or loss on disposal is recognised in profit or loss as a loss of control of a business.

Accounting policies of associates and joint ventures are changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management. The Group's management, who is responsible for resource allocation and assessment of performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

Investment Properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

For a transfer from stock of properties to investment properties (which is evidenced by commencement of operating leases) that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Related Parties *(continued)*

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Assets in the course of construction in progress are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation, on the same basis as other assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Property, Plant and Equipment *(continued)*

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

Impairment Losses on Tangible and Intangible Assets other than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Assets

Classification

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

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

- those to be measured at amortised cost.

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

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

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

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

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

Measurement

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Assets *(continued)*

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost, which include trade and other receivables, amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders and bank balances. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

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

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

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Assets *(continued)*

Impairment

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

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

Impairment of financial assets measured at amortised cost other than trade receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

When there is a significant increase in credit risk or the proceeds receivable are not settled in accordance with the terms stipulated in the agreements, management considers these receivables as underperforming or non-performing and impairment is measured as lifetime expected credit losses.

When management considers that there is no reasonable expectation of recovery, the financial assets measured at amortised cost will be written off.

Financial Liabilities and Equity Instruments

Financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Financial liabilities (including trade and other payables, amounts due to associates, joint ventures, non-controlling shareholders, fellow subsidiaries and a related company, lease liabilities, bank and other borrowings and notes payable) are measured at amortised cost, using the effective interest method.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Liabilities and Equity Instruments *(continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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.

Debt instruments

Derecognition

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

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group or the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group or the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with the expected credit loss model under HKFRS 9, *Financial Instruments*; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the revenue recognition policy in profit or loss.

Inventories

Inventories, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Stock of Properties

Completed properties and properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other directly attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Borrowing costs include interest expense, interest in respect of lease liabilities and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the Group's subsidiaries had borrowed funds in their functional currencies, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Foreign Currencies *(continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Leasing

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

Leases are initially measured on a present value basis at the date at which the leased asset is available for use by the Group. These are presented within “Property, plant and equipment” in the consolidated statement of financial position.

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Leasing *(continued)*

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

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

To determine the incremental borrowing rate, the Group:

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

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

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

Lease income from operating leases (presented as rental income within “Revenue” in the consolidated income statement) where the Group is a lessor is recognised as income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Leasing *(continued)*

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 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.

Employee Benefits

(i) Retirement benefits

The Group participates in mandatory provident fund schemes in Hong Kong which are the defined contribution plan generally funded through payments to trustee-administered funds. The assets of the scheme are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in Mainland China, the subsidiaries in Mainland China participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of Mainland China is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group's contributions to the scheme are expensed as incurred.

(ii) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Employee Benefits *(continued)*

(iii) Share-based payments

Incentive shares granted by the Group's holding entities

Incentive shares granted by an intermediate holding company to the employees of the Group are treated as capital contribution. The fair value of employee services received, measured by reference to the fair value of incentive shares on the date of grant, is recognised as an expense over the vesting period, with a corresponding credit to equity.

At the end of each reporting period, the Group revises its estimates of the number of incentive shares that are expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

Share options granted by the Company

The Company operates a share option scheme, under which the Group receives services from employees as consideration for share options of the Company. The fair value of the employee services received in exchange for the grant of the share options is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (e.g. the entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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

At the end of each reporting period, the Company revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Share Capital

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

Own equity instruments which are reacquired by the Company or the Group are recognised directly in equity at cost. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Revenue Recognition

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 entitles in exchange for those goods or services.

Property development

The Group determines whether the properties have alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date.

- For properties which have no alternative use to the Group and the Group has no enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied at a point in time when the customer obtains control of the property and the Group satisfies the performance obligations.

- For properties which have no alternative use to the Group and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Upon entering into a contract with a buyer, the Group obtains rights to receive consideration from the buyer and assumes performance obligations to transfer goods or provide services to the buyer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Revenue is measured at the fair value if the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of discount.

Proceeds received from purchasers prior to meeting the revenue recognition criteria are included in “Pre-sales proceeds” in the consolidated statement of financial position.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

Accounting for costs incurred for obtaining a contract

Costs such as stamp duty and sales commission incurred directly attributable for obtaining a pre-sale property contract, if recoverable, are capitalised and recorded in contract assets.

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Construction services

When the outcome of a construction service contract can be estimated reliably, revenue and costs are recognised when or as the construction projects are transferred to the customer. Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Hotel operation and building design consultancy services

Revenue from hotel operation and building design consultancy services is recognised when services are provided.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

Property rentals

Rental income from operating leases where the Group is a lessor is recognised as revenue on a straight-line basis over the lease term.

Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income

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

Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

For distribution of non-cash assets as a dividend to the Company's shareholders, the Group measures the dividend payable at the fair value of the assets being distributed. When the Group settles the dividend payable, the difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable is recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

4. KEY SOURCES OF JUDGEMENT AND ESTIMATION UNCERTAINTY

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

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

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

(a) Fair Value of Investment Properties

Investment properties at 31 December 2020 are carried at their fair values of RMB140,879,089,000 (2019: RMB114,020,656,000). The fair values were based on a valuation on these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss recognised in profit or loss.

(b) Impairment of Property Portfolio Held by the Group's Associates and Joint Ventures

The carrying amounts of the Group's net investments in a listed associate, unlisted associates and joint ventures (representing interests in and amounts due from these companies) undertaking property development projects in the PRC and Hong Kong included in the consolidated statement of financial position at 31 December 2020 were RMB9,408,245,000 (2019: RMB7,997,375,000), RMB8,715,762,000 (2019: RMB9,408,989,000) and RMB27,514,205,000 (2019: RMB27,815,104,000) respectively.

Management assessed the recoverability of property portfolio held by the Group's unlisted associates and joint ventures based on the judgement and estimation of the net realisable value of the stock of properties of the associates and joint ventures which involve, inter-alia, considerable analysis of the current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on the existing asset structure and a forecast of future sales based on a zero growth rate of the property price. If the actual net realisable values of the stock of properties are more or less than expected as a result of change in the market condition and/or significant variation in the budgeted development costs, a material reversal of or provision for impairment losses may result.

The recoverable amount of the investment in the listed associate is evaluated based on the performance and financial position of the associate, and return on investments including the listed associate's share price performance and dividend yield.

Judgement is required in assessing the ultimate recoverability of the property portfolio held by the Group's associates and joint ventures.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

4. KEY SOURCES OF JUDGEMENT AND ESTIMATION UNCERTAINTY *(continued)*

(c) Impairment of Stock of Properties

Included in the consolidated statement of financial position at 31 December 2020 is stock of properties with an aggregate carrying amount of RMB457,932,040,000 (2019: RMB390,832,352,000). Management assessed the recoverability of the amount based on the judgement and estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of the current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on the existing asset structure and a forecast of future sales based on a zero growth rate of the property price. If the actual net realisable values of the underlying stock of properties are more or less than expected as a result of change in the market condition and/or significant variation in the budgeted development costs, a material reversal of or provision for impairment losses may result.

(d) Land Appreciation Tax ("LAT")

LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including land costs, borrowing costs and other property development expenditure.

The subsidiaries engaging in the property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these tax liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax expense and provisions for LAT in the period in which such determination is made.

(e) Revenue Recognition

Revenue from property development activities 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. The properties contracted for pre-sale to customers have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue should be recognised over time depends on the terms of each contract and the relevant laws that apply to that contract. Judgement is required in such determination.

For property development revenue that is recognised over time, the Group recognises such property development revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Judgements are required in the determination in these estimates, such as the accuracy of the budgets, the extent of the costs incurred and the allocation of costs to each property unit.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which mainly includes bank and other borrowings and notes payable disclosed in notes 31 and 32, respectively, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects, taking into account the provision of funding. Based on the operating budgets, the directors of the Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net gearing. For this purpose, the Group defines net debt as total debt less bank balances and cash. Equity attributable to owners of the Company comprise share capital and reserves attributable to the Company's owners as shown in the consolidated statement of financial position.

The net gearing at the end of the reporting period was as follows:

	2020 RMB'000	2019 RMB'000
Bank and other borrowings	**136,809,254**	122,267,507
Notes payable	**76,171,187**	67,696,918
Total debt	**212,980,441**	189,964,425
Less: Bank balances and cash	**(110,468,910)**	(95,447,568)
Net debt	**102,511,531**	94,516,857
Equity attributable to owners of the Company	**314,146,531**	280,603,692
Net gearing	**32.6%**	33.7%

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

6. FINANCIAL INSTRUMENTS

Details of significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

a. Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	**146,883,733**	131,519,104
Financial liabilities		
Liabilities at amortised cost	**313,013,267**	279,047,459

b. Financial risk management objectives and policies

The Group's major financial instruments include bank and other borrowings, notes payable, trade and other receivables, trade and other payables, amounts due from/to affiliated companies, bank balances and cash, and lease liabilities. Details of the financial instruments are disclosed in the respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by the degree and magnitude of risks. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures these risks.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and changes in foreign exchange rates.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank and other borrowings, amounts due to non-controlling shareholders, amounts due from associates and joint ventures, and other receivables amounting to RMB129,758,168,000 (2019: RMB112,570,607,000), RMB544,888,000 (2019: RMB2,189,315,000), RMB7,073,511,000 (2019: RMB343,326,000), and RMB450,353,000 (2019: RMB433,142,000), respectively. The variable-rate bank and other borrowings with original maturities from one to more than ten years are for financing development of property projects. An increase in interest rates would increase interest expenses. Management monitors interest rate exposure on a dynamic basis and will consider hedging significant interest rate exposure should the need arise. Management considers that the exposure to interest rate risk in relation to bank deposits is insignificant due to the low level of the bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate bank and other borrowings, notes payable, amounts due to associates, joint ventures, non-controlling shareholders, fellow subsidiaries and a related company, and amounts due from associates, joint ventures, non-controlling shareholders and a fellow subsidiary amounting to RMB7,051,086,000 (2019: RMB9,696,900,000), RMB76,171,187,000 (2019: RMB67,696,918,000), RMB12,025,469,000 (2019: RMB11,202,633,000) and RMB2,046,963,000 (2019: RMB2,607,168,000), respectively. Management will also consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The analysis is prepared assuming that the amount of assets/liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2019: 100) basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year would decrease/increase by RMB126,987,000 (2019: RMB89,376,000) after capitalising finance costs in properties under development and investment properties under construction of RMB1,100,805,000 (2019: RMB1,050,458,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank and other borrowings, amounts due to non-controlling shareholders, amounts due from associates and joint ventures and other receivables.

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, and hence, exposures to exchange rate fluctuation arise. The Group's assets are mainly RMB-denominated assets, however, HK$-denominated bank borrowings and notes payable, British Pound ("GBP")-denominated bank borrowings, and United States dollars ("US$")-denominated notes payable in aggregate account for 46.5% of the Group's interest bearing debts. Management manages its foreign currency risk by closely reviewing the movement of the foreign currency rates and considers hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date, mainly attributable to amounts due from associates and joint ventures, bank balances, bank and other borrowings and notes payable, are as follows:

	2020	2019
	RMB'000	RMB'000
Assets		
HK$	**1,082,436**	290,871
US$	**2,243,041**	3,298,384
GBP	**3,249**	469,149
Liabilities		
HK$	**55,232,828**	55,458,841
US$	**42,086,275**	44,123,049

Currency risk sensitivity analysis

The Group mainly exposes to the currency risk of US$ and HK$. The following details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in the functional currencies of group entities against US$ and HK$, respectively. 5% (2019: 5%) is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates. The sensitivity analysis includes amounts due from associates and joint ventures, bank balances, bank and other borrowings and notes payable in currencies other than the functional currencies of the group entities.

For a 5% (2019: 5%) decrease of functional currencies of group entities against US$ and HK$, all other variables were held constant, the Group's profit before tax for the year would decrease by RMB3,112,174,000 (2019: RMB2,689,413,000) after an increase in capitalising of exchange losses in properties under development of RMB4,187,000 (2019: RMB247,800,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Currency risk *(continued)*

Currency risk sensitivity analysis (continued)

For a 5% (2019: 5%) increase of functional currencies of group entities against US$ and HK$, all other variables were held constant, the Group's profit before tax for the year would increase by RMB3,116,360,000 (2019: RMB2,148,348,000) after a decrease in capitalising of exchange losses in properties under development of nil (2019: RMB788,865,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Credit risk

At 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties and financial guarantees provided by the Group were arising from:

- the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amounts of financial guarantees issued by the Group as disclosed in note 38.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

For the trade receivables and contract assets arising from sales of properties, the Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loan financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with the payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(ii) Credit risk *(continued)*

For other receivables, amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the fellow subsidiaries, associates, joint ventures and non-controlling shareholders, which are mainly engaged in property development business in Hong Kong and the PRC and their property development projects are profitable. Based on the above assessment, management considered that the expected credit loss is minimal and the directors of the Company are of the opinion that the risk of default by counterparties is low.

Except for trade receivables and contract assets for which the loss allowances are measured at an amount equal to lifetime expected credit losses under simplified approach, the loss allowances of other financial assets are measured at an amount equal to 12-month expected credit losses.

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings and notes payable as a significant source of liquidity. At 31 December 2020, the Group maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following table analyses the contractual undiscounted cash flows of the Group's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group is required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from flat rate at the end of the reporting period. The undiscounted amounts are subject to changes if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(iii) Liquidity risk *(continued)*

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020						
Trade and other payables	**75,172,158**	**2,879,152**	**2,012,396**	**143,962**	**80,207,668**	**79,957,704**
Amounts due to fellow subsidiaries and a related company	**2,735,904**	**–**	**–**	**–**	**2,735,904**	**2,599,775**
Amounts due to associates	**1,719,836**	**–**	**–**	**–**	**1,719,836**	**1,706,459**
Amounts due to joint ventures	**4,240,935**	**–**	**–**	**–**	**4,240,935**	**4,197,226**
Amounts due to non-controlling shareholders	**9,830,611**	**1,615,640**	**–**	**–**	**11,446,251**	**10,879,834**
Lease liabilities	**305,489**	**285,515**	**143,052**	**9,956**	**744,012**	**691,828**
Bank and other borrowings	**31,722,915**	**38,778,930**	**75,561,573**	**5,697,078**	**151,760,496**	**136,809,254**
Notes payable	**9,863,052**	**11,981,307**	**40,559,465**	**40,229,024**	**102,632,848**	**76,171,187**
Financial guarantee contracts	**70,432,133**	**794,780**	**482,733**	**–**	**71,709,646**	**–**
	206,023,033	**56,335,324**	**118,759,219**	**46,080,020**	**427,197,596**	**313,013,267**
At 31 December 2019						
Trade and other payables	57,082,886	4,578,470	1,359,793	177,790	63,198,939	62,906,120
Amounts due to fellow subsidiaries and a related company	2,682,583	–	–	–	2,682,583	2,556,926
Amounts due to associates	737,037	–	–	–	737,037	727,421
Amounts due to joint ventures	7,044,438	–	–	–	7,044,438	6,980,871
Amounts due to non-controlling shareholders	13,933,885	2,429,313	–	–	16,363,198	15,703,389
Lease liabilities	73,591	68,418	79,839	2,840	224,688	208,307
Bank and other borrowings	27,126,364	31,621,670	72,898,038	5,418,276	137,064,348	122,267,507
Notes payable	9,701,502	9,340,547	33,415,682	34,745,716	87,203,447	67,696,918
Financial guarantee contracts	55,430,943	1,072,851	569,100	–	57,072,894	–
	173,813,229	49,111,269	108,322,452	40,344,622	371,591,572	279,047,459

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

(iii) Liquidity risk *(continued)*

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amounts if those amounts are claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee that the guaranteed financial receivables held by the counterparty suffer credit losses.

c. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial guarantee contracts are determined using discounted cash flow models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss given the default; and

- The fair values of other financial assets and other financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Other than the notes payable as disclosed in note 32, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

7. REVENUE

Revenue comprises sales from property development activities, property rentals and income from other operations. An analysis of the Group's revenue for the year is as follows:

	2020 **RMB'000**	2019 RMB'000
Sales from property development activities	**180,785,776**	159,185,960
Property rentals	**4,052,088**	3,749,542
Others *(Note)*	**951,664**	715,451
Revenue	**185,789,528**	163,650,953

Note: Others mainly comprise revenue from hotel operation and the provision of construction and building design consultancy services.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

8. SEGMENT INFORMATION

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's management for the purposes of resource allocation and performance assessment. The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

Property development	—	sales from property development activities
Property investment	—	property rentals
Other operations	—	revenue from hotel operation and provision of construction and building design consultancy services

Segment Revenue and Results

The following is an analysis of the Group's revenue and results (including share of results of associates and joint ventures) by reportable segments:

Year ended 31 December 2020

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Segment total RMB'000
Revenue from contracts with customers				
— Recognised at a point in time	149,712,971	–	–	149,712,971
— Recognised over time	31,072,805	–	951,664	32,024,469
	180,785,776	–	951,664	181,737,440
Revenue from other sources				
— Rental income	–	4,052,088	–	4,052,088
Segment revenue — External	180,785,776	4,052,088	951,664	185,789,528
Segment profit (including share of profits and losses of associates and joint ventures)	54,169,938	11,589,787	69,524	65,829,249

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

8. SEGMENT INFORMATION *(continued)*

Segment Revenue and Results *(continued)*

Year ended 31 December 2019

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Segment total RMB'000
Revenue from contracts with customers				
— Recognised at a point in time	131,271,260	–	–	131,271,260
— Recognised over time	27,914,700	–	715,451	28,630,151
	159,185,960	–	715,451	159,901,411
Revenue from other sources				
— Rental income	–	3,749,542	–	3,749,542
Segment revenue — External	159,185,960	3,749,542	715,451	163,650,953
Segment profit (including share of profits and losses of associates and joint ventures)	52,200,269	12,494,576	28,061	64,722,906

Reconciliation of reportable segment profits to the consolidated profit before tax

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profits include profits from subsidiaries and share of profits and losses of associates and joint ventures. These represent the profit earned by each segment without allocation of interest income on bank deposits, corporate expenses, finance costs and net foreign exchange gains recognised in the consolidated income statement. This is the measure reported to management of the Group for the purposes of resource allocation and performance assessment.

	2020 RMB'000	2019 RMB'000
Reportable segment profits	**65,829,249**	64,722,906
Unallocated items:		
Interest income on bank deposits	**1,331,513**	1,381,607
Corporate expenses	**(185,496)**	(566,825)
Finance costs	**(883,890)**	(759,297)
Net foreign exchange gains recognised in the consolidated income statement	**3,112,174**	173,329
Consolidated profit before tax	**69,203,550**	64,951,720

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

8. SEGMENT INFORMATION *(continued)*

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

At 31 December 2020

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Segment total RMB'000
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	**568,207,149**	**141,590,896**	**3,390,416**	**713,188,461**
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	**(262,055,468)**	**(18,556,494)**	**(1,715,648)**	**(282,327,610)**

At 31 December 2019

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Segment total RMB'000
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	510,530,496	114,793,141	3,124,582	628,448,219
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	(229,773,153)	(9,772,710)	(5,240,874)	(244,786,737)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than bank balances and cash; and
- all liabilities are allocated to reportable segments other than bank and other borrowings and notes payable.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

8. SEGMENT INFORMATION *(continued)*

Segment Assets and Liabilities *(continued)*

	2020 RMB'000	2019 RMB'000
Reportable segment assets	**713,188,461**	628,448,219
Unallocated items:		
Bank balances and cash	**110,468,910**	95,447,568
Consolidated total assets	**823,657,371**	723,895,787
Reportable segment liabilities	**(282,327,610)**	(244,786,737)
Unallocated items:		
Bank and other borrowings	**(136,809,254)**	(122,267,507)
Notes payable	**(76,171,187)**	(67,696,918)
Consolidated total liabilities	**(495,308,051)**	(434,751,162)

Notes:

(a) *Segment assets include interests in and amounts due from associates of RMB14,543,727,000 (2019: RMB12,430,239,000) and RMB3,580,280,000 (2019: RMB5,437,824,000) and interests in and amounts due from joint ventures of RMB18,770,162,000 (2019: RMB23,876,179,000) and RMB8,744,043,000 (2019: RMB7,068,451,000), respectively.*

(b) *Segment liabilities include amounts due to associates and joint ventures of RMB1,706,459,000 (2019: RMB727,421,000) and RMB4,197,226,000 (2019: RMB6,980,871,000), respectively.*

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

8. SEGMENT INFORMATION *(continued)*

Other Segment Information

Year ended 31 December 2020

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Consolidated RMB'000
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets *(Note)*	**95,338**	**12,484,056**	**263,581**	**12,842,975**
Gain on disposal of property, plant and equipment	**1,850**	**–**	**–**	**1,850**
Depreciation	**110,519**	**133,508**	**126,821**	**370,848**
Gain arising from changes in fair value of investment properties	**–**	**9,191,416**	**–**	**9,191,416**
Interest income on amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders	**469,222**	**–**	**–**	**469,222**
Share of profits and losses of associates	**2,639,918**	**–**	**–**	**2,639,918**
Share of profits and losses of joint ventures	**2,216,133**	**–**	**–**	**2,216,133**

Year ended 31 December 2019

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Consolidated RMB'000
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets *(Note)*	204,712	6,045,618	60,243	6,310,573
Gain on disposal of property, plant and equipment	602	–	5,900	6,502
Gain on disposal of investment properties	–	234,587	–	234,587
Depreciation	118,234	36,282	81,739	236,255
Gain arising from changes in fair value of investment properties	–	10,002,062	–	10,002,062
Interest income on amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders	201,602	–	–	201,602
Share of profits and losses of associates	2,254,638	–	–	2,254,638
Share of profits and losses of joint ventures	1,026,606	85,573	–	1,112,179

Note: Non-current assets exclude interests in and amounts due from associates, interests in and loans to joint ventures, other receivables and deferred tax assets.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

8. SEGMENT INFORMATION *(continued)*

Revenue from Major Products and Services

An analysis of the Group's revenue for the year from its major products and services is set out in note 7.

Information about Geographical Areas

The Group's property development, property investment and other operations are carried out in Mainland China, Hong Kong, Macau and the United Kingdom. The following table provides a geographical analysis of the Group's revenue from external customers (based on where the products and services are delivered or provided) and non-current assets (based on the location of assets).

	Revenue by geographical market		**Non-current assets** *(Note)*	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC				
Hua Nan Region	**20,300,254**	27,465,881	**22,740,903**	16,896,312
Hua Dong Region	**50,034,445**	43,292,781	**43,345,940**	29,471,144
Hua Bei Region	**42,521,531**	35,730,493	**52,027,185**	46,231,218
Northern Region	**30,675,330**	28,727,499	**6,203,740**	5,029,344
Western Region	**29,961,067**	26,604,255	**12,718,588**	11,252,160
Hong Kong and Macau	**11,975,316**	1,517,999	**2,791,854**	3,038,457
The United Kingdom	**321,585**	312,045	**6,118,077**	6,164,168
Total	**185,789,528**	163,650,953	**145,946,287**	118,082,803

Note: Non-current assets exclude interests in and amounts due from associates, interests in and loans to joint ventures, other receivables and deferred tax assets.

Information about major customers

There was no revenue from a single customer accounted for 10% or more of the Group's revenue for both years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

9. OTHER INCOME AND GAINS, NET

	2020 RMB'000	2019 RMB'000
Other income and gains, net include:		
Interest income on bank deposits	**1,331,513**	1,381,607
Interest income on amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders	**469,222**	201,602
Other interest income	**17,413**	13,820
Total interest income	**1,818,148**	1,597,029
Income from primary land development *(Note 22)*	**142,378**	–
Gain on disposal of investment properties	**–**	234,587
Gain on disposal of property, plant and equipment	**1,850**	6,502
Net foreign exchange gains/(losses)	**3,112,174**	(615,536)
Add: Exchange losses arising from foreign currency borrowings capitalised	**–**	788,865
Net foreign exchange gains recognised in the consolidated income statement	**3,112,174**	173,329

10. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank and other borrowings and notes payable	**7,949,090**	7,950,336
Interest on amounts due to fellow subsidiaries and a related company, associates, joint venture and non-controlling shareholders	**408,368**	810,333
Interest on lease liabilities and other finance costs	**188,559**	209,498
Total finance costs	**8,546,017**	8,970,167
Less: Amount capitalised	**(7,662,127)**	(8,210,870)
	883,890	759,297

Finance costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 3.41% (2019: 4.34%) per annum to expenditure on qualifying assets including the effect of capitalisation of exchange losses (note 9).

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

11. INCOME TAX EXPENSES

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Corporate Income Tax ("CIT")	**10,291,676**	12,170,762
PRC LAT	**7,310,595**	9,239,598
PRC withholding income tax	**390,636**	192,714
Hong Kong profits tax	**619,913**	59,891
Macau income tax	**41,515**	21,322
Others	**6,637**	2,908
	18,660,972	21,687,195
Overprovision in prior years:		
Hong Kong profits tax	**–**	(713)
	–	(713)
Deferred tax *(note 33)*:		
Current year	**2,833,940**	517,833
Total	**21,494,912**	22,204,315

Under the Law of PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of PRC subsidiaries is 25% (2019: 25%).

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit for the year.

Macau income tax is calculated at the prevailing tax rate of 12% (2019: 12%) in Macau.

Details of deferred tax are set out in note 33.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

11. INCOME TAX EXPENSES *(continued)*

The income tax expenses for the year are reconciled to the profit before tax per the consolidated income statement as follows:

	2020 **RMB'000**	2019 RMB'000
Profit before tax	**69,203,550**	64,951,720
Tax at the applicable tax rate of 25% (2019: 25%)	**17,300,888**	16,237,930
PRC withholding income tax	**390,636**	192,714
LAT	**7,310,595**	9,239,598
Tax effect of LAT	**(1,827,649)**	(2,309,899)
Tax effect of share of profits and losses of associates and joint ventures	**(1,214,013)**	(841,704)
Tax effect of expenses not deductible for tax purpose	**692,809**	780,850
Tax effect of income not taxable for tax purpose	**(1,033,116)**	(103,713)
Overprovision in prior years	**–**	(713)
Tax effect of tax losses not recognised	**78,023**	58,975
Recognition of previously unrecognised tax losses	**–**	(1,043,187)
Effect of different tax rates	**(364,324)**	(57,496)
Others	**161,063**	50,960
Income tax expenses for the year	**21,494,912**	22,204,315

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

12. PROFIT FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Profit for the year has been arrived at after charging/(crediting):		
Auditors' remuneration		
Audit services	**9,617**	10,400
Non-audit services	**48**	1,928
	9,665	12,328
Depreciation	**370,848**	236,255
Staff costs including benefits and interests of directors *(Note)*	**2,340,048**	2,457,906
Share of tax of		
Associates	**2,332,500**	2,100,657
Joint ventures	**796,503**	442,784
Cost of stock of properties and other inventories recognised as expenses	**127,585,267**	106,507,456
Rental income in respect of investment properties under operating leases, net of outgoings of RMB1,329,727,000 (2019: RMB1,149,574,000)	**(2,722,361)**	(2,599,968)

Note: *During the year ended 31 December 2020, expenses incurred in respect of the Share Option Schemes and A-shares Restricted Stock Incentive Plan (note 30) were RMB17,594,000 and RMB3,369,000 (2019: RMB214,177,000 and RMB5,870,000), respectively, which have been included in the staff costs as disclosed above.*

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees. During the year ended 31 December 2020, the aggregate amount of forfeited contributions in respect of employees who left before their interests vested fully and thus utilised to reduce contributions during the year was RMB28,000 (2019: Nil).

The employees of the Group's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme.

The total cost for retirement schemes recognised in the consolidated income statement of RMB59,488,000 (2019: RMB155,948,000), which has been included in staff costs disclosed above, represents contributions to the schemes by the Group in respect of the current accounting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

13. BENEFITS AND INTERESTS OF DIRECTORS

	Notes	Year ended 31 December 2020 As director Directors' fees RMB'000	Basic salaries, allowances and benefits-in-kind *(Note (vi))* RMB'000	Performance related bonus RMB'000	Contributions to provident fund RMB'000	Total RMB'000
Executive Directors						
Yan Jianguo	*(i)*	–	4,895	2,600	16	7,511
Zhang Zhichao	*(ii)*	–	1,785	8,000	191	9,976
Luo Liang		–	2,419	9,200	253	11,872
Guo Guanghui		–	1,981	7,660	217	9,858
		–	11,080	27,460	677	39,217
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-executive Directors						
Zhuang Yong	*(iii), (vii)*	–	–	–	–	–
Chang Ying	*(vii), (viii)*	–	–	–	–	–
Independent Non-executive Directors						
Li Man Bun, Brian David	*(vii)*	500 (approximately RMB445)	–	–	–	500 (approximately RMB445)
Fan Hsu Lai Tai, Rita	*(vii)*	500 (approximately RMB445)	–	–	–	500 (approximately RMB445)
Chan Ka Keung, Ceajer	*(iv), (vii)*	257 (approximately RMB229)	–	–	–	257 (approximately RMB229)
Lam Kwong Siu	*(v), (vii)*	243 (approximately RMB216)	–	–	–	243 (approximately RMB216)
		1,500 (approximately RMB1,335)	–	–	–	1,500 (approximately RMB1,335)

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

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

		Year ended 31 December 2019 As director				
	Notes	Directors' fees RMB'000	Basic salaries, allowances and benefits-in-kind *(Note (vi))* RMB'000	Performance related bonus RMB'000	Contributions to provident fund RMB'000	Total RMB'000
Executive Directors						
Yan Jianguo	*(i)*	–	4,529	2,309	16	6,854
Luo Liang		–	2,411	9,100	252	11,763
Guo Guanghui		–	1,973	7,600	215	9,788
		–	8,913	19,009	483	28,405
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-executive Director						
Chang Ying	*(vii), (viii)*	300 (approximately RMB261)	–	–	–	300 (approximately RMB261)
Independent Non-executive Directors						
Li Man Bun, Brian David	*(vii)*	500 (approximately RMB436)	–	–	–	500 (approximately RMB436)
Fan Hsu Lai Tai, Rita	*(vii)*	500 (approximately RMB436)	–	–	–	500 (approximately RMB436)
Lam Kwong Siu	*(v), (vii)*	500 (approximately RMB436)	–	–	–	500 (approximately RMB436)
		1,800 (approximately RMB1,569)	–	–	–	1,800 (approximately RMB1,569)

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

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

Notes:

(i) Mr. Yan was appointed as an Executive Director and the Chief Executive Officer of the Company effective from 1 January 2017. Mr. Yan was also appointed as the Chairman of the Company effective from 13 June 2017. Mr. Yan ceased to act concurrently as the Chief Executive Officer of the Company effective from 11 February 2020.

(ii) Mr. Zhang was appointed as an Executive Director and the Chief Executive Officer of the Company effective from 11 February 2020.

(iii) Appointed effective from 11 February 2020 and no longer entitled to any director fee as from 1 March 2020.

(iv) Appointed effective from 27 June 2020.

(v) Retired effective from 27 June 2020.

(vi) Allowances and benefits-in-kind include housing allowance and non-cash benefits including the expense incurred in respect of the annual leave in lieu and share-based payments.

(vii) The directors' fees are paid in HK$. The RMB amounts are disclosed for presentation purpose only.

(viii) In March 2020, Mr. Chang Ying decided to waive his director's emoluments during his term of office (i.e. from 15 September 2016 up to 31 December 2019), with a total amount of HK$989,000 (equivalent to approximately RMB861,000). Mr. Chang ceased to receive any director's emolument with effect from 1 January 2020.

The performance related bonus was determined based on the Group's performance for the year.

Of the five individuals with the highest emoluments in the Group, one (2019: one) was a director of the Company whose emoluments are included above. The emoluments of the remaining four (2019: four) individuals were set out as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**8,486**	8,354
Bonuses	**35,000**	35,950
Provident fund contributions	**845**	886
	44,331	45,190

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

	2020	2019
HK$11,000,001 to HK$11,500,000	**1**	–
HK$12,000,001 to HK$12,500,000	**–**	1
HK$12,500,001 to HK$13,000,000	**2**	1
HK$13,000,001 to HK$13,500,000	**1**	2
	4	4

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

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

Save as disclosed above, no directors waived any emoluments in both years ended 31 December 2020 and 2019.

No directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2020 and 2019.

During the year, Mr. Yan Jianguo held directorship in CSCEC, and/or its subsidiaries/associated companies, which engaged in construction, property development and property investment and related businesses.

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during both years ended 31 December 2020 and 2019.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2020 **RMB'000**	2019 RMB'000
Earnings		
Earnings for the purpose of calculation of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**43,903,954**	41,618,313

Basic earnings per share

	2020 **'000**	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**10,955,707**	10,956,201

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

14. EARNINGS PER SHARE *(continued)*

Diluted earnings per share

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**10,955,707**	10,956,201
Effect of dilution of share options under the Company's share option scheme — weighted average number of ordinary shares	**57,844**	6,152
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	**11,013,551**	10,962,353

15. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends recognised as distributions during the year		
Interim dividend in respect of the financial year ended 31 December 2020 of HK45 cents per share (2019: Interim dividend in respect of the financial year ended 31 December 2019 of HK45 cents per share)	**4,314,747**	4,294,283
Final dividend in respect of the financial year ended 31 December 2019 of HK57 cents per share (2019: Final dividend in respect of the financial year ended 31 December 2018 of HK50 cents per share)	**5,651,542**	4,771,426
	9,966,289	9,065,709

The final dividend of HK73 cents per share in respect of the financial year ended 31 December 2020, amounting to approximately RMB6,740,124,000 has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of the final dividend proposed, which was calculated based on the number of ordinary shares in issue at the date of approval of these consolidated financial statements, has not been recognised as a liability in the consolidated financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

16. INVESTMENT PROPERTIES

	Completed			Under construction	
	PRC	Hong Kong and Macau	The United Kingdom	PRC	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FAIR VALUE					
At 1 January 2019	66,898,000	2,590,186	5,865,841	22,162,000	97,516,027
Additions	1,933,950	127	35,686	4,044,269	6,014,032
Gain arising from changes in fair value of investment properties	5,386,295	66,504	19,187	4,530,076	10,002,062
Transfer upon completion	1,504,837	–	–	(1,504,837)	–
Transfer from stock of properties	411,114	–	–	2,349,516	2,760,630
Transfer to stock of properties	–	–	–	(1,211,000)	(1,211,000)
Transfer to property, plant and equipment	–	–	–	(217,024)	(217,024)
Disposals	(1,121,196)	–	–	–	(1,121,196)
Exchange realignment	–	33,671	243,454	–	277,125
At 31 December 2019 and 1 January 2020	**75,013,000**	**2,690,488**	**6,164,168**	**30,153,000**	**114,020,656**
Additions	**1,003,005**	**–**	**34,121**	**10,818,837**	**11,855,963**
Gain arising from changes in fair value of investment properties	**2,255,069**	**(73,069)**	**3,989**	**7,005,427**	**9,191,416**
Transfer upon completion	**8,091,000**	**–**	**–**	**(8,091,000)**	**–**
Transfer from stock of properties	**1,123,386**	**–**	**–**	**4,892,736**	**6,016,122**
Exchange realignment	**–**	**(120,867)**	**(84,201)**	**–**	**(205,068)**
At 31 December 2020	**87,485,460**	**2,496,552**	**6,118,077**	**44,779,000**	**140,879,089**

Leasing Arrangements

Investment properties are leased to tenants under operating leases with rentals payable monthly. Where considered necessary to reduce credit risk, the Group may obtain rental deposits from the tenant.

For future minimum lease receivables in leases of investment properties, please refer to note 36.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

16. INVESTMENT PROPERTIES *(continued)*

Investment Properties Valuation

The fair values of the investment properties held by the Group at 31 December 2020 have been arrived on the basis of a valuation carried out on that date by Cushman & Wakefield Limited and CBRE Limited. The current use of the investment properties equates to their highest and best use.

The valuers mentioned above are independent firms of professional valuers not connected with the Group, who have appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The Group's finance team reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to senior management. Discussions of valuation processes and results are held between management and the valuers at least twice a year.

At each financial year end the finance team:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Fair values of the Group's investment properties are categorised as level 3 measurement in the three-level fair value hierarchy. During the year, there were no transfers between different levels within the fair value hierarchy.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

16. INVESTMENT PROPERTIES *(continued)*

Fair Value Measurements Using Significant Unobservable Inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The valuation for investment properties under construction was arrived at by making reference to comparable selling prices, as available in the relevant market. The estimated construction costs to complete the development and estimated developer's profits at the date of valuation are also taken into account.

There was no change to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	**44,779,000**	Residual method	Estimated selling prices	RMB12,200–RMB94,500 per sq m
			Estimated costs to completion	RMB1,900–RMB24,300 per sq m
			Estimated developer's profits	5.0%–25.0%
Completed investment properties in the PRC	**87,485,460**	Investment approach	Prevailing market rents	RMB30–RMB1,073 per sq m per month
			Reversionary yield	3.5%–8.25%
Completed investment properties in Hong Kong and Macau	**2,496,552**	Investment approach	Prevailing market rents	HK$15–HK$300 per square foot per month
			Reversionary yield	2.1%–3.8%
Completed investment properties in the United Kingdom	**6,118,077**	Investment approach	Prevailing market rents	GBP47–GBP64 per square foot per year
			Capitalisation rate	4.5%–5.0%

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

16. INVESTMENT PROPERTIES *(continued)*

Fair Value Measurements Using Significant Unobservable Inputs *(continued)*

Information about fair value measurements using significant unobservable inputs *(continued)*

Description	Fair value at 31 December 2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	30,153,000	Residual method	Estimated selling prices	RMB18,200–RMB84,200 per square meter
			Estimated costs to completion	RMB4,600–RMB7,500 per square meter
			Estimated developer's profits	6.0%–23.0%
Completed investment properties in the PRC	75,013,000	Investment approach	Prevailing market rents	RMB30–RMB1,042 per square meter per month
			Reversionary yield	3.5%–8.25%
Completed investment properties in Hong Kong and Macau	2,690,488	Investment approach	Prevailing market rents	HK$15–HK$400 per square foot per month
			Reversionary yield	2.1%–4.0%
Completed investment properties in the United Kingdom	6,164,168	Investment approach	Prevailing market rents	GBP47–GBP68 per square foot per year
			Capitalisation rate	4.6%–5.0%

Estimated costs to completion and the developer's profit required are estimated by the independent valuers based on market conditions at the end of the reporting period. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The lower the costs and developer's profits, the higher the fair value.

Estimated selling prices and prevailing market rents are estimated based on the independent valuers' view of recent lettings or selling transactions within the subject properties and other comparable properties. The higher the selling prices and rents, the higher the fair value.

The reversionary yield and capitalisation rate are estimated by the independent valuers based on the risk profile of the properties being valued and the market conditions. The lower the yield and capitalisation rate, the higher the fair value.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

17. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets *(Note 35(i))*							
	Leasehold land and buildings RMB'000	Prepaid lease payments for land RMB'000	Other right-of-use assets RMB'000	Hotel buildings RMB'000	Plant, machinery and equipment RMB'000	Furniture, fixtures, office equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2019	1,772,606	581,232	65,925	1,985,140	328,042	651,803	–	5,384,748
Additions	218	15,632	171,850	14,641	8,395	85,805	–	296,541
Transfer from investment properties	–	–	–	–	–	–	217,024	217,024
Disposals	(17,958)	–	–	–	(4,280)	(88,565)	–	(110,803)
Exchange realignment	15,742	–	–	–	–	7,580	–	23,322
At 31 December 2019 and 1 January 2020	**1,770,608**	**596,864**	**237,775**	**1,999,781**	**332,157**	**656,623**	**217,024**	**5,810,832**
Additions	**47,477**	**263**	**674,357**	**940**	**6,861**	**88,627**	**168,487**	**987,012**
Transfer from properties under development	**–**	**–**	**–**	**–**	**–**	**–**	**466,959**	**466,959**
Disposals	**(10,391)**	**–**	**(6,728)**	**(17,442)**	**(80,348)**	**(92,221)**	**–**	**(207,130)**
Exchange realignment	**(9,686)**	**–**	**(2,932)**	**–**	**–**	**(1,638)**	**–**	**(14,256)**
At 31 December 2020	**1,798,008**	**597,127**	**902,472**	**1,983,279**	**258,670**	**651,391**	**852,470**	**7,043,417**
DEPRECIATION								
At 1 January 2019	325,122	103,150	–	486,367	205,397	516,385	–	1,636,421
Provided for the year	61,208	13,811	36,586	46,561	21,164	56,925	–	236,255
Eliminated on disposals	(2,611)	–	–	–	(3,043)	(71,337)	–	(76,991)
Exchange realignment	611	–	–	–	4	(4,882)	–	(4,267)
At 31 December 2019 and 1 January 2020	**384,330**	**116,961**	**36,586**	**532,928**	**223,522**	**497,091**	**–**	**1,791,418**
Provided for the year	**47,388**	**11,414**	**200,336**	**59,706**	**24,251**	**27,753**	**–**	**370,848**
Eliminated on disposals	**(1,268)**	**–**	**(3,923)**	**(4,676)**	**(33,774)**	**(83,540)**	**–**	**(127,181)**
Exchange realignment	**(814)**	**–**	**(1,334)**	**–**	**–**	**(323)**	**–**	**(2,471)**
At 31 December 2020	**429,636**	**128,375**	**231,665**	**587,958**	**213,999**	**440,981**	**–**	**2,032,614**
CARRYING VALUE								
At 31 December 2020	**1,368,372**	**468,752**	**670,807**	**1,395,321**	**44,671**	**210,410**	**852,470**	**5,010,803**
At 31 December 2019	1,386,278	479,903	201,189	1,466,853	108,635	159,532	217,024	4,019,414

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land in Hong Kong	Over the lease terms
Leasehold land and buildings	Over the shorter of the term of the relevant lease or 25 years
Prepaid lease payments for land	20 to 70 years
Other right-of-use assets	1 to 30 years
Hotel buildings	20 years or over the remaining lease terms
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

18. INTERESTS IN ASSOCIATES

	2020 **RMB'000**	2019 RMB'000
Cost of investments		
Listed in Hong Kong	**3,889,208**	3,889,208
Unlisted	**3,805,596**	3,789,951
Share of post-acquisition profits and other comprehensive income, net of dividends received	**6,848,923**	4,751,080
	14,543,727	12,430,239
Market value of the interest in the listed associate	**4,617,437**	6,258,273

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

18. INTERESTS IN ASSOCIATES *(continued)*

Set out below are the particulars of the principal associates at 31 December 2020. In the opinion of the directors of the Company, to give details of other associates would result in particulars of excessive length.

Name of entity	Place of incorporation/ establishment	Place of operation	Proportion of nominal value of issued ordinary capital/registered capital held by the Group		Principal activities
			2020	2019	
China Overseas Grand Oceans Group Ltd. ("COGO")*	Hong Kong	PRC	**38.32%**	38.32%	Property development and investment, and investment holding
金茂投資(長沙)有限公司	PRC	PRC	**20%**	20%	Property development
廣州利合房地產開發有限公司	PRC	PRC	**20%**	20%	Property development
上海佳晟房地產開發有限公司	PRC	PRC	**49%**	49%	Property development
北京金良興業房地產開發有限公司	PRC	PRC	**40%**	40%	Property development
濟南泰暉房地產開發有限公司	PRC	PRC	**33%**	33%	Property development

* *COGO is listed on the Main Board of the Hong Kong Stock Exchange.*

All of these associates are accounted for using the equity method in these consolidated financial statements.

Set out below is the summarised financial information of an associate of the Group at 31 December 2020 which, in the opinion of the directors of the Company, is material to the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

18. INTERESTS IN ASSOCIATES *(continued)*

Summarised Statement of Financial Position

	COGO	
	2020	2019
	RMB'000	RMB'000
Current		
Bank balances and cash	**28,069,091**	27,426,734
Other current assets	**132,916,641**	100,928,726
Total current assets	**160,985,732**	128,355,460
Financial liabilities (excluding trade payables)	**(19,367,759)**	(19,464,979)
Other current liabilities (including trade payables)	**(90,821,286)**	(71,092,040)
Total current liabilities	**(110,189,045)**	(90,557,019)
Non-current		
Total non-current assets	**6,427,765**	5,741,814
Financial liabilities	**(26,798,712)**	(19,157,720)
Other liabilities	**(3,189,358)**	(2,869,227)
Total non-current liabilities	**(29,988,070)**	(22,026,947)
Net assets	**27,236,382**	21,513,308

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

18. INTERESTS IN ASSOCIATES *(continued)*

Summarised Statement of Comprehensive income

	COGO	
	2020	2019
	RMB'000	RMB'000
Revenue	**42,909,060**	28,590,883
Depreciation and amortisation	**(94,405)**	(80,375)
Interest income	**270,202**	337,187
Interest expense	**(43,125)**	(33,843)
Profit before tax	**9,539,835**	8,295,572
Income tax expenses	**(4,935,694)**	(4,798,611)
Profit for the year	**4,604,141**	3,496,961
Other comprehensive income	**1,035,288**	(302,751)
Total comprehensive income	**5,639,429**	3,194,210
Dividends received from COGO	**309,427**	196,548

Reconciliation of Summarised Financial Information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate

	COGO	
	2020	2019
	RMB'000	RMB'000
Opening net assets at 1 January	**21,513,308**	17,767,967
Profit for the year	**4,604,141**	3,496,961
Other comprehensive income and other equity movements	**1,941,088**	770,359
Dividends paid	**(822,155)**	(521,979)
Closing net assets at 31 December	**27,236,382**	21,513,308
Non-controlling interests	**(3,103,157)**	(1,967,981)
Equity attributable to owners of the associate	**24,133,225**	19,545,327
Interest in associate (%)	**38.32%**	38.32%
Interest in associate	**9,247,852**	7,489,769
Carrying value at 31 December	**9,247,852**	7,489,769

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

18. INTERESTS IN ASSOCIATES *(continued)*

Aggregate Information of Associates that are not Individually Material

	2020 RMB'000	2019 RMB'000
The Group's share of profits and losses	**963,508**	978,704
The Group's share of total comprehensive income	**963,508**	978,704
Aggregate carrying amount of the Group's interests in these associates	**5,295,875**	4,940,470

The financial guarantees granted to the Group's associates are disclosed in note 38.

19. INTERESTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Cost of investments, unlisted	**5,608,957**	9,242,362
Loans to joint ventures *(Note)*	**8,431,612**	11,090,959
Share of post-acquisition profits and other comprehensive income, net of dividends received	**4,729,593**	3,542,858
	18,770,162	23,876,179

Note: The loans to joint ventures are classified as equity loan in nature, which are unsecured, interest-free and recoverable on demand, except for the amounts of RMB6,757,911,000 (2019: Nil) which bear variable interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 1% (2019: Nil) per annum.

Set out below are the particulars of the principal joint ventures at 31 December 2020. In the opinion of the directors of the Company, to give details of other joint ventures would result in particulars of excessive length.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

19. INTERESTS IN JOINT VENTURES *(continued)*

Name of entity	Place of incorporation/ establishment	Place of operation	Proportion of nominal value of issued ordinary capital/registered capital held by the Group 2020	2019	Principal activities
Ultra Keen Holdings Limited	Hong Kong	Hong Kong	**30%^**	30%^	Property development
Infinite Sun Limited	Hong Kong	Hong Kong	**30%^**	30%^	Property development
Dragon Star H.K. Investments Limited	Hong Kong	Hong Kong	**20%^**	20%^	Property development
Marble Edge Investments Limited	Hong Kong	Hong Kong	**18%^**	18%^	Property development
Top Regent Holdings Limited	Hong Kong	Hong Kong	**33.3%^**	33.3%^	Property development
重慶嘉益房地產開發有限公司	PRC	PRC	**50%^**	50%^	Property development
中信保利達地產(佛山)有限公司	PRC	PRC	**50%^**	50%^	Property development
北京南悦房地產開發有限公司	PRC	PRC	**35%^**	35%^	Property development
廣州穗海置業有限公司	PRC	PRC	**25%^**	25%^	Property development

^ *The Group exercises joint control over decisions about the relevant activities which require unanimous consent with other joint venture partners in accordance with joint venture agreements and/or the companies' Articles, and accordingly, these companies have been accounted for as joint ventures.*

All of these joint ventures are accounted for using the equity method in these consolidated financial statements. In the opinion of the directors of the Company, there are no individually material joint ventures.

Aggregate Information of Joint Ventures that are not Individually Material

	2020 RMB'000	2019 RMB'000
The Group's share of profits and losses	**2,216,133**	1,112,179
The Group's share of total comprehensive income	**2,216,133**	1,112,179
Aggregate carrying amount of the Group's interests in these joint ventures	**18,770,162**	23,876,179

The financial guarantees granted to the Group's joint ventures are disclosed in note 38.

20. AMOUNTS DUE FROM ASSOCIATES UNDER NON-CURRENT ASSETS

At 31 December 2019, all the non-current amounts due from associates were unsecured, interest-free and not expected to be recovered within one year after the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

21. STOCK OF PROPERTIES AND OTHER INVENTORIES

	2020 **RMB'000**	2019 RMB'000
Completed properties	**56,923,081**	53,225,422
Properties under development *(Note)*	**401,008,959**	337,606,930
Total stock of properties	**457,932,040**	390,832,352
Other inventories	**155,246**	150,126
	458,087,286	390,982,478

Note: Included in the amount are properties under development of RMB230,672,805,000 (2019: RMB194,898,472,000) which are not expected to be realised within twelve months from the end of the reporting period.

At 31 December 2020, stock of properties included the costs incurred in fulfilling customer contracts amounting to RMB87,597,743,000 (2019: RMB45,852,128,000).

At 31 December 2020, the stock of properties included costs incurred for a project in Beijing of RMB11,024,937,000 (2019: RMB14,571,619,000), whereby the Group entered into agreements with the Beijing local government for land development works such as relocation of residents and infrastructure constructions, and subsequent development of residential properties for sale.

22. LAND DEVELOPMENT EXPENDITURE

	2020 **RMB'000**	2019 RMB'000
Costs incurred	**13,403,278**	18,046,053

The Group, together with independent third parties, entered into agreements ("Agreements") with the Beijing local government to jointly redevelop some lands in Beijing. The Group assists the Beijing local government for the land redevelopment works, which included but is not limited to the removal of the existing buildings situated on the land, the relocation of the existing residents, the provision of infrastructure systems including roads, the drainage system, water, gas and electricity supply and the construction of public facilities. Pursuant to the Agreements, the Group will be reimbursed for the actual costs incurred in carrying out the land development and be entitled to the fixed returns irrespective of whether the Group will obtain the land use rights of the land in the future. The fixed return is recognised as income from primary land development under other income in the consolidated financial statements with reference to the progress for the land redevelopment works.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

23. TRADE AND OTHER RECEIVABLES

Proceeds receivable in respect of property development are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from property development and rental income from leases of properties which are receivable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

As at the end of the reporting period, the aging analysis of trade receivables, based on the date the trade receivables recognised, is as follows:

	2020 RMB'000	2019 RMB'000
Trade receivables, aged		
0–30 days	**7,354,974**	6,775,299
31–90 days	**479,419**	290,480
Over 90 days	**1,397,458**	1,207,510
	9,231,851	8,273,289
Other receivables — current portion	**2,964,795**	2,658,229
	12,196,646	10,931,518

In determining the recoverability of trade receivables, management has closely monitored the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the track record of repayment from them, the history of cooperation with them and forward-looking information. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors of the Company believe that the provision was insignificant at the end of the reporting period (2019: Nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

24. AMOUNTS DUE FROM FELLOW SUBSIDIARIES/ASSOCIATES/JOINT VENTURES/ NON-CONTROLLING SHAREHOLDERS UNDER CURRENT ASSETS

At 31 December 2020, the amounts due from fellow subsidiaries are unsecured, interest-free and recoverable on demand, except for the amount of RMB49,675,000 (2019: Nil) which bears fixed interest rate at 5.05% (2019: Nil) per annum.

At 31 December 2020, the amounts due from associates are unsecured, interest-free and recoverable on demand, except for the amounts of RMB469,015,000 (2019: RMB794,966,000) and RMB315,600,000 (2019: RMB343,326,000), which bear fixed and variable interest rates, respectively, ranging from 4.75% to 6.18% (2019: 4.75% to 7.13%) per annum.

At 31 December 2020, the amounts due from joint ventures are unsecured, interest-free and recoverable on demand, except for the amounts of RMB1,528,273,000 (2019: RMB1,612,202,000) which bear fixed interest rates, ranging from 4.35% to 8.5% (2019: 2.5% to 4.75%) per annum.

At 31 December 2020, the amounts due from non-controlling shareholders are unsecured, interest-free and recoverable on demand. At 31 December 2019, the amounts due from non-controlling shareholders were unsecured, interest-free and recoverable on demand, except for an amount of RMB200,000,000 which bore a fixed interest rate at 2.1% per annum.

25. BANK BALANCES AND CASH

Included in bank balances and cash are restricted bank deposits of RMB2,804,785,000 (2019: RMB2,553,012,000) which can only be applied in the designated property development projects.

At 31 December 2020, current deposits of RMB4,516,889,000 (2019: RMB200,000,000) were placed by the Group in China State Construction Finance Limited, a fellow subsidiary of the Company and non-bank financial institution approved by the China Banking and Insurance Regulatory Commission, which carried interest rates ranging from 0.455% to 1.725% (2019: 1.495%) per annum. This related party transaction also constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules.

All bank deposits of the Group carry interest at market rates ranging from 0.01% to 3.48% (2019: 0.01% to 2.90%) per annum.

At the end of the reporting period, the Group had the following bank balances and cash denominated in foreign currencies:

	2020 **RMB'000**	2019 RMB'000
Bank balances and cash denominated in:		
HK$	**5,240,195**	6,064,744
US$	**2,812,012**	1,881,491

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

25. BANK BALANCES AND CASH *(continued)*

The reconciliation of liabilities arising from financing activities is as follows:

	Bank and other borrowings	Notes payable	Accrued interest	Amounts due to fellow subsidiaries and a related company	Amounts due to associates	Amounts due to joint ventures	Amounts due to non-controlling shareholders	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	100,624,629	70,634,777	878,494	854,770	1,632,186	7,830,812	14,975,574	65,925	197,497,167
Cash flows									
— inflow from financing activities	50,334,281	10,708,172	–	2,138,309	27,234	1,345,858	1,961,408	–	66,515,262
— outflow from financing activities	(28,285,497)	(13,787,192)	(7,712,785)	(533,780)	(931,999)	(2,229,482)	(2,256,194)	(69,904)	(55,806,833)
Exchange realignment	791,354	93,407	11,056	–	–	19,288	20,634	–	935,739
Other non-cash movements	(1,197,260)	47,754	7,950,336	97,627	–	14,395	1,001,967	212,286	8,127,105
At 31 December 2019 and 1 January 2020	122,267,507	67,696,918	1,127,101	2,556,926	727,421	6,980,871	15,703,389	208,307	217,268,440
Cash flows									
— inflow from financing activities	**44,578,716**	**19,514,330**	**–**	**249,369**	**1,091,344**	**1,913,200**	**3,531,510**	**–**	**70,878,469**
— outflow from financing activities	**(28,469,224)**	**(8,983,978)**	**(8,139,808)**	**(158,249)**	**(112,306)**	**(2,296,937)**	**(4,760,094)**	**(215,059)**	**(53,135,655)**
Exchange realignment	**(2,444,769)**	**(2,081,530)**	**(25,305)**	**(48,271)**	**–**	**51,969**	**(76,963)**	**(1,711)**	**(4,626,580)**
Other non-cash movements	**877,024**	**25,447**	**7,949,090**	**–**	**–**	**(2,451,877)**	**(3,518,008)**	**700,291**	**3,581,967**
At 31 December 2020	**136,809,254**	**76,171,187**	**911,078**	**2,599,775**	**1,706,459**	**4,197,226**	**10,879,834**	**691,828**	**233,966,641**

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

26. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 **RMB'000**	2019 RMB'000
Trade payables, aged		
0–30 days	**27,951,928**	20,544,498
31–90 days	**6,808,434**	2,183,732
Over 90 days	**29,848,576**	21,315,096
	64,608,938	44,043,326
Other payables	**9,942,188**	10,318,488
Retentions payable	**8,256,493**	11,450,217
	82,807,619	65,812,031

Other payables mainly include rental and other deposits, other taxes payable and accrued charges.

Of the other payables and retentions payable, an amount of RMB5,131,384,000 (2019: RMB5,823,234,000) is due beyond twelve months from the end of the reporting period.

27. CONTRACT ASSETS AND PRE-SALES PROCEEDS

Details of contract assets are as follows:

	2020 **RMB'000**	2019 RMB'000
Contract assets related to sales of properties *(Note (i))*	**2,681,621**	1,121,750
Costs for obtaining contracts *(Note (ii))*	**421,089**	632,243
Total contract assets	**3,102,710**	1,753,993

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

27. CONTRACT ASSETS AND PRE-SALES PROCEEDS *(continued)*

Notes:

(i) Contract assets consist of unbilled amounts resulting from sales of properties when revenue recognised exceeds the amounts billed to the customer.

The increase in contract assets for the year ended 31 December 2020 was the result of the increase in the revenue from sales of properties recognised over time during the year.

(ii) Management expects that the incremental costs, primarily sales commissions and stamp duties, as a result of obtaining the pre-sale property contracts, are recoverable. The Group has capitalised the amounts and amortised when the related revenue is recognised. For the years ended 31 December 2020 and 2019, the amount of amortisation was insignificant and there was no impairment loss in relation to the costs capitalised.

(iii) In determining the recoverability of contract assets, management has closely monitored the credit qualities and the collectability of the assets and considers that the expected credit risks of them are minimal in view of the track record of repayment from them and forward-looking information. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors of the Company believe that no provision is required at the end of the reporting period.

At 31 December 2020, contract assets with a carrying amount of RMB3,054,543,000 (2019: RMB1,440,847,000) are expected to be recovered within twelve months from the end of the reporting period.

(iv) Total contract assets as at 1 January 2019 consist of contract assets related to sales of properties of RMB1,144,782,000 and costs for obtaining contracts of RMB158,422,000.

Details of pre-sales proceeds are as follows:

	2020 **RMB'000**	2019 RMB'000
Contract liabilities related to sales of properties *(Note (v))*	**111,121,080**	90,546,818
Value-added tax related to sales of properties as included in pre-sales proceeds	**10,000,813**	7,392,349
Total pre-sales proceeds	**121,121,893**	97,939,167

(v) The increase in contract liabilities during the year was in line with the growth of the Group's contracted property sales.

The Group receives payments from customers based on the billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

The following table shows the amount of revenue recognised in the current reporting period in relation to carried-forward contract liabilities:

	2020 **RMB'000**	2019 RMB'000
Revenue recognised that was included in the contract liabilities balance a the beginning of the year	**77,307,536**	67,981,651

Management expects that the transaction price allocated to the unsatisfied contracts related to sales of properties at 31 December 2020 amounting to RMB158,502,000,000 (2019: RMB128,899,082,000) will be recognised as revenue within the coming three financial years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

28. AMOUNTS DUE TO FELLOW SUBSIDIARIES AND A RELATED COMPANY/ ASSOCIATES/JOINT VENTURES

At 31 December 2020, the amounts due to fellow subsidiaries of RMB124,695,000 (2019: RMB272,263,000) are unsecured, interest-free and repayable on demand, except for the amounts due to certain fellow subsidiaries and a related company (which is the joint venture of a fellow subsidiary) of RMB2,475,080,000 (2019: RMB2,284,663,000) in aggregate which bear a fixed interest rate at 5.5% (2019: 5.5%) per annum.

At 31 December 2020, the amounts due to associates and joint ventures are unsecured, interest-free and repayable on demand, except for the amounts due to associates and joint ventures of RMB615,000,000 (2019: RMB440,833,000) and RMB624,384,000 (2019: RMB1,537,742,000), respectively, which bear fixed interest rates ranging from 2.18% to 7.0% (2019: 1.5% to 7.0%) per annum.

29. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

At 31 December 2020, the current amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand, except for the amounts of RMB6,768,628,000 (2019: RMB5,261,433,000) and RMB544,888,000 (2019: RMB1,653,315,000) which bear fixed and variable interest rates, respectively, ranging from 3.15% to 7.5% (2019: 2.5% to 8.0%) per annum.

At 31 December 2020, the non-current amounts due to non-controlling shareholders are unsecured, interest bearing at a fixed rate of 4.75% per annum and are not repayable within one year from the end of the reporting period. At 31 December 2019, the non-current amounts due to non-controlling shareholders were unsecured, interest-free and not repayable within one year from the end of the reporting period, except for the amounts of RMB1,677,962,000 and RMB536,000,000 which bore fixed and variable interest rates respectively, ranging from 4.75% to 8.5% per annum.

30. SHARE CAPITAL

	Number of shares '000	HK$'000	RMB'000
Issued and fully paid			
At 1 January 2019, 31 December 2019 and 1 January 2020	10,956,201	90,420,438	74,033,624
Shares repurchased *(Note (i))*	(3,016)	–	–
At 31 December 2020 *(Note (ii))*	10,953,185	90,420,438	74,033,624

Notes:

(i) During the year ended 31 December 2020, the Company bought back a total of 3,016,500 (2019: Nil) of its shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of RMB51,521,000 (inclusive of transaction costs) which was paid fully out of the Company's retained profits in accordance with Section 257 of the Hong Kong Companies Ordinance. Out of these shares repurchased, 2,116,500 shares were cancelled during the year while the remaining 900,000 shares were cancelled in January 2021. The total amount paid for the buy-back of the shares has been charged to retained profits of the Company.

(ii) The number of shares as at 31 December 2020 excluded 900,000 shares which were repurchased during the year and cancelled in January 2021.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

30. SHARE CAPITAL *(continued)*

Share-based Payments

Share Option Scheme by the Company

On 29 June 2018, the Company offered to grant share options (the "2018 Share Options") to certain eligible persons (collectively, the "2018 Options Grantees"), to subscribe for a total of 107,320,000 shares of the Company, subject to acceptance of the 2018 Options Grantees, under the share option scheme adopted by the Company on 11 June 2018. Out of the 107,320,000 2018 Share Options granted, a total of 2,000,000 were granted to directors of the Company. The exercise price is HK$25.85 per share.

One-third of the 2018 Share Options granted will vest on each of 29 June 2020, 29 June 2021 and 29 June 2022. The closing price of 2018 Share Options on the date of grant was HK$25.85 per share.

On 24 November 2020, the Company offered to grant share options (the "2020 Share Options") to certain eligible persons (collectively, the "2020 Options Grantees"), to subscribe for a total of 285,840,000 shares of the Company, subject to acceptance of the 2020 Options Grantees, under the share option scheme adopted by the Company on 11 June 2018. Out of the 285,840,000 2020 Share Options granted, a total of 6,300,000 were granted to directors of the Company. The exercise price is HK$18.724 per share.

One-third of the 2020 Share Options granted will vest on each of 24 November 2022, 24 November 2023 and 24 November 2024. The closing price of 2020 Share Options on the date of grant was HK$17.96 per share.

The fair values of the 2018 Share Options on 29 June 2018 and the 2020 Share Options on 24 November 2020 determined using the Binomial Options Pricing Model were HK$6.36 and HK$2.64 per share, respectively. The significant inputs adopted in the model include:

Risk-free rate	2018 Share Options: 2.12% with reference to the market yield rates of the Hong Kong Government Bond (maturing 21 June 2021 and 6 December 2021) as of 29 June 2018 2020 Share Options: 0.34% with reference to the market yield rates of the Hong Kong Government Bond (maturing 20 August 2025 and 27 August 2027) as of 24 November 2020
Historical volatility	31.91% and 31.89% calculated based on the historical price with a period equals to the life of the 2018 and 2020 Share Options, respectively
Cap of the share-based payments	40% of the respective Grantees' remuneration for the 2018 Share Options
Dividend yield	3.09% and 5.68% based on the average dividend yield in the past six years for the 2018 and 2020 Share Options, respectively
Expected option life	6 years for both 2018 and 2020 Share Options

The Binomial Options Pricing Model for both share options requires inputs of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

30. SHARE CAPITAL *(continued)*

Share-based Payments *(continued)*

Share Option Scheme by the Company *(continued)*

Set out below are summaries of options granted under the plans:

	2020 Average exercise price per share	2020 Number of share options '000	2019 Average exercise price per share	2019 Number of share options '000
At 1 January	**HK$25.85**	**102,310**	HK$25.85	105,040
Granted during the year	**HK$18.724**	**285,840**	Nil	–
Forfeited during the year	**HK$25.77**	**(9,290)**	HK$25.85	(2,730)
At 31 December	**HK$20.47**	**378,860**	HK$25.85	102,310

No options were exercised and expired during the year.

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

Grant Date	Expiry date	Exercise price per share	Number of share options '000	Weighted average remaining contractual life of options outstanding at end of the year
29 June 2018	**28 June 2024**	**HK$25.85**	**93,120**	**3.5 years**
24 November 2020	**23 November 2026**	**HK$18.724**	**285,740**	**5.9 years**
			378,860	

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

30. SHARE CAPITAL *(continued)*

Share-based Payments *(continued)*

A-shares Restricted Stock Incentive Plan by Group's Holding Entities

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) (the "Incentive Plan") of CSCECL, an intermediate holding company of the Company, 10,200,000 incentive shares were granted to certain employees of the Company (the "Employees", including two directors and certain members of senior management) on 29 December 2016 (the "Grant Date") with an exercise price of RMB4.866 per share, subject to a lock-up period of the two-year service from the Grant Date (the "Lock-up Period"). During the Lock-up Period, the incentive shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the incentive shares are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date. Subject to CSCECL's achievement of performance conditions and individuals' key performance indicators, the restriction over the incentive shares will be removed, or otherwise, CSCECL has constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or individuals' key performance indicators are not achieved.

The fair value of the incentive shares on the Grant Date determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs adopted in the model include:

Closing price on the Grant Date	RMB9.16 per share
Exercise price	RMB4.866 per share
Average volatility	44%
Average dividend yield	3.32%
Average annual risk-free interest rate	2.84%

The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

Pursuant to the bonus issue of CSCECL on the basis of 4 new shares for 10 existing shares during 2018, there was an increase in the number of ordinary shares of CSCECL. As the fair value of the incentive shares on the Grant Date remained as RMB2.21 per share, the number of incentive shares granted on the Grant Date and the exercise price per share were adjusted to 14,280,000 shares and RMB3.476 per share, respectively.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

30. SHARE CAPITAL *(continued)*

Share-based Payments *(continued)*

A-shares Restricted Stock Incentive Plan by Group's Holding Entities *(continued)*

Set out below is the summary of incentive shares granted to the Employees under the Incentive Plan:

	2020 Number of incentive shares '000	2019 Number of incentive shares '000
At 1 January	**8,820**	13,314
Adjustment upon intra-group transfer of employees during the year	**(420)**	(84)
Share repurchased during the year	**(34)**	–
Exercised during the year	**(4,166)**	(4,410)
At 31 December	**4,200**	8,820

No incentive shares were granted during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

31. BANK AND OTHER BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank and other borrowings		
— secured	**4,499,097**	1,433,622
— unsecured	**132,310,157**	120,833,885
	136,809,254	122,267,507

	2020 RMB'000	2019 RMB'000
The bank and other borrowings are repayable as follows:		
Within one year	**27,501,259**	23,217,153
More than one year, but not exceeding two years	**35,658,906**	27,982,130
More than two years, but not exceeding five years	**68,876,949**	66,886,730
After five years	**4,772,140**	4,181,494
Total bank and other borrowings	**136,809,254**	122,267,507
Less: Amounts classified as current liabilities	**(27,501,259)**	(23,217,153)
Amounts classified as non-current liabilities	**109,307,995**	99,050,354

Borrowings of the Group with a carrying amount of RMB81,475,265,000 (2019: RMB67,923,424,000) bear interest at rates ranging from 3.50% to 7.00% (2019: 4.17% to 7.00%) per annum and are denominated in RMB. Borrowings of the Group amounting to RMB1,784,216,000 (2019: RMB1,808,940,000), which are denominated in GBP, are based on the London Interbank Offered Rate plus a specified margin per annum. The remaining borrowings of the Group amounting to RMB53,549,773,000 (2019: RMB52,535,143,000), which are denominated in HK$, are based on the HIBOR plus a specified margin per annum.

The Group's weighted average borrowing cost excluding the effect of capitalisation of exchange losses of nil (2019: RMB788,865,000) is 3.8% (2019: 4.2%) per annum. The borrowings amounting to RMB7,051,086,000 (2019: RMB9,696,900,000) and RMB129,758,168,000 (2019: RMB112,570,607,000) are carried at fixed interest rates and variable interest rates respectively.

At 31 December 2020, secured bank and other borrowings of the Group were pledged by certain assets as set out in note 39.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

32. NOTES PAYABLE

At 31 December 2020 and 2019, the Group has the following notes issued with similar terms and conditions and different features:

Issue date	Principal amount (in million)	Issue price	Fixed interest rate per annum	Maturity date	Fair value at 31 December 2020(vi) RMB'000	Carrying amount at 31 December 2020 RMB'000	2019 RMB'000
10 November 2010	US$1,000(i) (approximately RMB6,859)	100%	5.50%(iv)	10 November 2020	–	–	6,852,194
15 November 2012	US$700(i) (approximately RMB4,801)	99.665%	3.95%(iv)	15 November 2022	**4,792,165**	**4,567,138**	4,782,920
15 November 2012	US$300(i) (approximately RMB2,058)	99.792%	5.35%(iv)	15 November 2042	**2,472,787**	**1,945,023**	2,039,079
29 October 2013	US$500(i) (approximately RMB3,431)	99.595%	5.375%(iv)	29 October 2023	**3,623,364**	**3,262,063**	3,417,250
29 October 2013	US$500(i) (approximately RMB3,431)	99.510%	6.375%(iv)	29 October 2043	**4,672,847**	**3,243,391**	3,400,378
8 May 2014	US$450(i) (approximately RMB3,087)	99.554%	5.95%(iv)	8 May 2024	**3,353,455**	**2,932,714**	3,072,048
8 May 2014	US$250(i) (approximately RMB1,715)	103.080%	5.95%(iv)	8 May 2024	**1,863,031**	**1,652,313**	1,737,195
11 June 2014	US$500(i) (approximately RMB3,430)	99.445%	6.45%(iv)	11 June 2034	**4,493,822**	**3,243,269**	3,399,483
19 November 2015	RMB3,404	100%	4.20%(v)	19 November 2021	**3,432,358**	**3,403,716**	3,403,716
19 November 2015	RMB1,000(iii)	100%	3.85%(v)	19 November 2022	–	–	1,000,000
9 December 2015	RMB1,015	100%	4.80%(v)	9 December 2020	–	–	1,008,923
15 January 2016	RMB400	100%	4.40%(v)	15 January 2021	**401,160**	**400,000**	397,605
23 August 2016	RMB6,000(iii)	100%	3.10%(v)	23 August 2026	**5,995,212**	**6,000,000**	6,000,000
5 February 2018	RMB3,000	100%	5.60%(v)	6 February 2021	**3,008,667**	**3,000,000**	3,000,000
26 April 2018	US$750(i) (approximately RMB5,177)	99.844%	4.25%(iv)	26 April 2023	**5,218,233**	**4,925,702**	5,160,044
26 April 2018	US$750(i) (approximately RMB5,177)	99.646%	4.75%(iv)	26 April 2028	**5,620,696**	**4,911,261**	5,146,776
22 October 2018	RMB3,500(ii)	100%	4.00%(v)	22 October 2024	**3,521,088**	**3,500,000**	3,500,000
24 January 2019	RMB2,000(ii)	100%	3.47%(v)	23 January 2025	**2,005,418**	**2,000,000**	2,000,000
24 January 2019	RMB1,500(iii)	100%	3.75%(v)	23 January 2026	**1,506,999**	**1,500,000**	1,500,000
15 July 2019	HK$2,000(i) (approximately RMB1,770)	100%	2.90%(v)	15 January 2025	**1,761,377**	**1,683,055**	1,763,625
15 July 2019	US$450(i) (approximately RMB3,102)	99.849%	3.45%(iv)	15 July 2029	**3,129,703**	**2,957,910**	3,100,454
27 November 2019	US$294(i) (approximately RMB2,027)	99.173%	3.05%(iv)	27 November 2029	**1,988,605**	**1,923,645**	2,015,228
2 March 2020	US$300(i) (approximately RMB2,077)	99.570%	2.375%(iv)	2 March 2025	**2,016,370**	**1,959,242**	–
2 March 2020	US$500(i) (approximately RMB3,462)	99.247%	2.75%(iv)	2 March 2030	**3,293,155**	**3,253,932**	–
2 March 2020	US$200(i) (approximately RMB1,385)	99.857%	3.125%(iv)	2 March 2035	**1,326,174**	**1,308,673**	–
28 April 2020	RMB3,701(ii)(vii)	100%	2.50%(iv)	28 April 2038	**3,666,633**	**3,698,040**	–
14 August 2020	RMB2,000(ii)	100%	3.20%(v)	14 August 2026	**1,984,502**	**2,000,000**	–
17 August 2020	RMB3,001(vii)	100%	3.90%(iv)	17 August 2038	**2,974,620**	**3,000,100**	–
9 November 2020	RMB2,400	100%	3.40%(v)	9 November 2023	**2,390,278**	**2,400,000**	–
10 December 2020	RMB1,500	100%	3.60%(v)	14 December 2023	**1,496,922**	**1,500,000**	–
					82,009,641	**76,171,187**	67,696,918
			Less: Amounts classified as current liabilities			**(16,303,716)**	(8,861,117)
			Amounts classified as non-current liabilities			**59,867,471**	58,835,801

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

32. NOTES PAYABLE *(continued)*

Notes:

(i) The notes payable are unconditionally and irrevocably guaranteed by the Company. They shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which include, inter alia, the negative pledge given by the Company and the related subsidiaries.

(ii) The notes payable are with terms for adjustment of the interest rate and sell back option at the end of the third year from issue date.

(iii) The notes payable are with terms for adjustment of the interest rate and sell back option at the end of the fifth year from issue date.

(iv) Payable semi-annually

(v) Payable annually

(vi) The fair values of the notes payable at 31 December 2020 were determined based on the closing market prices of the notes payable and are within Level 1 of the fair value hierarchy.

(vii) Representing commercial mortgage-backed securities guaranteed by a subsidiary of the Company, and secured by certain investment properties and rental receivables of those investment properties

33. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years:

Deferred tax liabilities/(assets)

	Accelerated tax depreciation RMB'000	Revaluation of properties RMB'000	Fair value adjustment on properties RMB'000	Undistributed earnings of PRC subsidiaries and joint ventures RMB'000	Other taxable temporary differences RMB'000	Unrealised profit RMB'000	Unused tax loss RMB'000	Provision for LAT RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
At 1 January 2019	45,053	10,465,314	1,777,885	150,516	1,091,727	(147,293)	(366,721)	(4,443,871)	(136,923)	8,435,687
(Credited)/charged to profit or loss	(19,209)	2,473,867	(27,840)	(34,495)	311,666	3,049	(1,188,584)	(892,384)	(40,938)	585,132
Disposal of investment properties	–	(67,299)	–	–	–	–	–	–	–	(67,299)
Exchange realignment	–	–	(91,415)	–	–	–	–	–	–	(91,415)
At 31 December 2019 and 1 January 2020	**25,844**	**12,871,882**	**1,658,630**	**116,021**	**1,403,393**	**(144,244)**	**(1,555,305)**	**(5,336,255)**	**(177,861)**	**8,862,105**
Charged/(credited) to profit or loss	**2,619**	**2,309,784**	**(79,478)**	**–**	**240,520**	**(24,359)**	**476,250**	**(89,959)**	**(1,437)**	**2,833,940**
Acquisition of subsidiaries	**–**	**–**	**898,433**	**37,622**	**–**	**–**	**–**	**(125,221)**	**–**	**810,834**
Exchange realignment	**(1,333)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,333)**
At 31 December 2020	**27,130**	**15,181,666**	**2,477,585**	**153,643**	**1,643,913**	**(168,603)**	**(1,079,055)**	**(5,551,435)**	**(179,298)**	**12,505,546**

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

33. DEFERRED TAX *(continued)*

Deferred tax liabilities/(assets) *(continued)*

The following is an analysis of the deferred tax balances for financial reporting purpose:

	2020 RMB'000	2019 RMB'000
Net deferred tax assets	(7,693,664)	(7,324,745)
Net deferred tax liabilities	20,199,210	16,186,850
	12,505,546	8,862,105

Under the CIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB9,042,192,000 (2019: RMB7,821,211,000) has not been provided for in the consolidated financial statements as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses of RMB4,317,862,000 (2019: RMB4,205,298,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of RMB803,299,000 (2019: RMB631,164,000) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

34. GOODWILL

	2020 RMB'000	2019 RMB'000
Carrying amounts	56,395	56,395

The amount represented goodwill arising from acquisition of the entire equity interest in Hua Yi Designing Consultants Limited ("Hua Yi"). Hua Yi and its subsidiary are principally engaged in the provision of construction and building design consultancy services. For the purpose of impairment testing, the attributable amount of goodwill, having indefinite useful lives, has been allocated to the other operations category in the reportable segment.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

35. LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment		
Leasehold land and buildings	**1,368,372**	1,386,278
Prepaid lease payments for land	**468,752**	479,903
Other right-of-use assets	**670,807**	201,189
	2,507,931	2,067,370
Lease Liabilities		
Current	**263,030**	72,040
Non-current	**428,798**	136,267
	691,828	208,307

Additions to right-of-use assets during the year ended 31 December 2020 were RMB722,097,000.

(ii) Amounts recognised in the consolidated income statement

The following amounts relating to leases were recognised in the consolidated income statement:

	2020 RMB'000	2019 RMB'000
Depreciation of right-of-use assets (included in administrative expenses)	**259,138**	111,605
Interest expense (included in finance costs)	**26,061**	10,086
	285,199	121,691

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

35. LEASES *(continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Lease agreements are typically made for fixed periods of 1 year to 30 years.

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

Further information about the leasing activities and future minimum lease receivables are disclosed in notes 16, 17 and 36, respectively.

36. OPERATING LEASE ARRANGEMENTS

The Group as Lessor

At the end of the reporting period, completed investment properties and other properties with carrying amounts of RMB96,100,089,000 (2019: RMB83,867,656,000) and RMB671,676,000 (2019: RMB678,477,000), respectively, were let out under operating leases.

Property rental income earned during the year was RMB4,052,088,000 (2019: RMB3,749,542,000), of which RMB3,941,238,000 (2019: RMB3,716,008,000) was derived from the letting of investment properties. All of the properties leased out have committed tenants for one to twenty years without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receivables:

	2020 **RMB'000**	2019 RMB'000
Within one year	**3,518,640**	3,169,582
Between one and two years	**2,683,618**	2,328,428
Between two and three years	**1,847,730**	1,584,009
Between three and four years	**1,032,779**	1,059,674
Between four and five years	**675,283**	782,647
Later than five years	**1,666,405**	1,247,818
	11,424,455	10,172,158

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

37. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments not provided for in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Capital expenditure in respect of investment properties:		
Contracted but not provided for	**4,171,160**	3,906,853

38. FINANCIAL GUARANTEES

At the end of the reporting period, the financial guarantees were as follows:

(a) Guarantees given by the Group to banks in respect of credit facilities granted to:

	2020 RMB'000	2019 RMB'000
Associates		
— Maximum	**1,496,948**	1,382,244
— Utilised	**1,496,948**	1,382,244
Joint ventures		
— Maximum	**685,233**	509,150
— Utilised	**685,233**	509,150

(b) At 31 December 2020, the Group had counter indemnities amounting to RMB703,812,000 (2019: RMB474,143,000) for guarantees issued in respect of certain construction contracts undertaken by the Group.

(c) At 31 December 2020, the Group provided guarantees amounting to RMB69,527,465,000 (2019: RMB55,181,500,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

The directors of the Company considered that the fair values of financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of short maturity periods and low applicable default rates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

39. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Company's subsidiaries have been pledged to secure the bank borrowings and notes payable of the Company's subsidiaries. The carrying values of the pledged assets at 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Investment properties	**16,942,002**	2,444,810
Stock of properties	**9,307,582**	12,384,085
	26,249,584	14,828,895

40. RELATED PARTY TRANSACTIONS

(a) In addition to those balances and transactions disclosed elsewhere in the consolidated financial statements, the following material related party transactions have been entered into by the Group during the year:

Nature of transaction	*Notes*	2020 RMB'000	2019 RMB'000
Fellow subsidiaries			
Property development project construction fee#	*(a)*	**8,206,943**	7,606,973
Rental and utility income#	*(b)*	**72,170**	68,079
Insurance fee	*(c)*	**104**	157
Heating pipes connection service fee	*(a)*	**28,161**	43,195
Building design consultancy income	*(c)*	**17,575**	3,535
Property management fee#	*(c)*	**546,366**	546,847
Engineering service fee#	*(c)*	**81,345**	56,396
Interest expenses	*(g)*	**23,721**	–
Interest income	*(h)*	**21,867**	–
Sales of properties#	*(f)*	**173,532**	345,554
Associates			
Interest income	*(d)*	**136,665**	52,267
Royalty income	*(e)*	**178,000**	174,200
Lease payments	*(b)*	**140,626**	14,671
Building design consultancy income	*(c)*	**6,695**	–
Building materials procurement service income	*(c)*	**7,258**	–
Joint ventures			
Interest income	*(d)*	**296,080**	143,910

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

40. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(a) Property development project construction fee and heating pipes connection service fee are charged in accordance with respective contracts. The amounts represent aggregate transaction amounts during the year in relation to contracts signed in current and prior years.

(b) Rental and utility income, and lease payments are charged in accordance with respective tenancy agreements.

(c) Insurance fee, building design consultancy income, property management fee, engineering service fee and building materials procurement service income are charged in accordance with respective contracts.

(d) Interest income is charged at interest rates as specified in notes 20 and 24 on the outstanding amounts.

(e) Royalty income is charged at annual fee as specified in the contracts.

(f) The Group entered into various sale and purchase agreements with certain subsidiaries of China Overseas Property Holdings Limited, a fellow subsidiary of the Company, for the disposal of car parking spaces and office units in the PRC.

(g) Interest expenses were paid to China State Construction Finance Limited for borrowing with carrying amount of RMB643,690,000 as at 31 December 2020.

(h) Interest income is charged at interest rates as specified in note 25 on the deposits placed in China State Construction Finance Limited.

 # These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**36,927**	38,082
Bonus	**108,132**	109,582
Provident fund contribution	**3,033**	3,199
	148,092	150,863

40. RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions with Other State-Controlled Entities in the PRC

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled Entities"). The directors of the Company consider that those State-controlled Entities are independent third parties so far as the Group's businesses with them are concerned.

In connection with their property development activities, the Group awarded certain construction and other work contracts to entities, which, to the best knowledge of management, are State-controlled Entities.

The Group has also entered into various transactions with the PRC government departments or agencies which include the acquisition of land mainly through tendering to those government departments or agencies.

Other than those disclosed in section (a) above and the acquisition of land from the government departments or agencies, the directors of the Company consider that the other transactions with those State-controlled Entities are not material to the Group.

In addition, in the normal course of business, the Group has maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are State-controlled Entities. In view of the nature of those transactions, the directors of the Company are of the opinion that quantitative information on the extent of transactions between the Group and the government-related entities would not be meaningful.

The Group is active in the sale and leasing of properties and other services in various provinces in the PRC. The directors of the Company are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with State-controlled Entities. However, the directors of the Company are of the opinion that other than those disclosed in section (a) above, the transactions with State-controlled Entities are not material to the Group's operations.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in the consolidated statement of financial position and notes 20, 24, 25, 28 and 29.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		2020 RMB'000	2019 RMB'000
Non-current Assets			
Property, plant and equipment		**37,733**	67,538
Investments in subsidiaries		**1,717,598**	1,388,032
		1,755,331	1,455,570
Current Assets			
Stock of properties		**961**	1,008
Other receivables		**3,146**	3,818
Deposits and prepayments		**13,317**	14,823
Amounts due from subsidiaries		**165,324,534**	156,233,813
Amounts due from associates		**971**	–
Amounts due from joint ventures		**821,202**	–
Bank balances and cash		**3,994,179**	2,881,837
		170,158,310	159,135,299
Current Liabilities			
Other payables		**48,625**	182,599
Other deposits		**148**	152
Amounts due to subsidiaries		**31,396,169**	23,417,563
Lease liabilities — due within one year		**15,243**	26,231
Tax liabilities		**3,687**	3,867
Other financial liabilities		**190,482**	117,974
		31,654,354	23,748,386
Net Current Assets		**138,503,956**	135,386,913
Total Assets Less Current Liabilities		**140,259,287**	136,842,483
Capital and Reserves			
Share capital		**74,033,624**	74,033,624
Reserves	*Note (a)*	**10,375,475**	8,021,254
Total Equity		**84,409,099**	82,054,878
Non-current Liabilities			
Bank borrowings — due after one year		**55,547,858**	54,532,043
Lease liabilities — due after one year		**20,790**	36,067
Other financial liabilities		**281,540**	219,495
		55,850,188	54,787,605
		140,259,287	136,842,483

The statement of financial position of the Company was approved by the Board of Directors on 29 March 2021 and were signed on its behalf by:

Luo Liang *Executive Director*	**Guo Guanghui** *Executive Director*

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

(a) Reserves of the Company

	Other reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	105,258	7,432,753	7,538,011
Profit and total comprehensive income for the year	–	9,334,775	9,334,775
2018 final dividend paid	–	(4,771,426)	(4,771,426)
2019 interim dividend paid	–	(4,294,283)	(4,294,283)
Equity settled share-based transactions *(Note 30)*	214,177	–	214,177
At 31 December 2019 and 1 January 2020	**319,435**	**7,701,819**	**8,021,254**
Profit and total comprehensive income for the year	**–**	**12,354,437**	**12,354,437**
2019 final dividend	**–**	**(5,651,542)**	**(5,651,542)**
2020 interim dividend	**–**	**(4,314,747)**	**(4,314,747)**
Equity settled share-based transactions *(Note 30)*	**17,594**	**–**	**17,594**
Buy-back of shares *(Note 30)*	**–**	**(51,521)**	**(51,521)**
At 31 December 2020	**337,029**	**10,038,446**	**10,375,475**

The Company's reserve available for distribution to shareholders at 31 December 2020 represents the retained profits of RMB10,038,446,000 (2019: RMB7,701,819,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following are the particulars of the principal subsidiaries at 31 December 2020 which, in the opinion of the directors of the Company, principally affect the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Asia Metro Investment Limited	1 ordinary share HK$1	–	80	Property development
Asia Power Development Limited	1 ordinary share HK$1	–	100	Property development
Carmelite Riverside London S.a.r.l.(iv)	15,000 shares of GBP1 each	–	100	Property investment
China Overseas Finance (Cayman) II Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) III Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) V Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) VI Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) VII Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance Cayman VIII Limited (iii)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Property Limited	100 ordinary shares HK$1,000	100	–	Investment holding, property consultancy and real estate agency
China Overseas (Zhong Guo) Limited	5,000,000 ordinary shares HK$50,000,000	–	100	Investment holding
Chung Hoi Finance Limited	500,000 ordinary shares HK$5,000,000	100	–	Loan financing, investment holding and security investments
Goldwell Development Limited	100 ordinary shares HK$100	–	100	Property development and investment
Great Fortune Property Limited (v)	48,100,000 shares of GBP1 each	–	100	Property investment
Longcross Limited	30,370,000 ordinary shares HK$30,370,000 404,552,883 non-voting deferred shares HK$404,552,883	–	100	Property investment

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Macfull Limited	1,250 ordinary shares HK$1	–	80	Property development
One Finsbury Circus London Prop Co S.a.r.l. (iv)	12,024 shares of GBP1 each	–	100	Property investment
One South Place London Limited (v)	2 Shares of GBP 1 each	100	–	Property investment
上海中海海昆房地產有限公司 (ii)	RMB10,000,000	–	100	Property development
上海中海海煦房地產有限公司 (ii)	RMB10,000,000	–	100	Property development
上海海升環盛房地產開發有限公司 (iii)	RMB10,000,000	–	70	Property development
上海金海伊上房地產開發有限公司 (iii)	RMB10,000,000	–	100	Property development
上海中建投資有限公司 (ii)	RMB450,000,000	–	51	Property investment
上海寰宇匯商業管理有限公司 (ii)	US$196,000,000	–	100	Property investment
上海中海海華房地產有限公司 (ii)	RMB10,000,000	–	98	Property development
上海中海廣逸房地產開發有限公司 (iii)	RMB10,000,000	–	100	Property development
上海海匯房地產開發有限公司 (ii)	RMB10,000,000	–	70	Property development
上海老西門新苑置業有限公司 (ii)	RMB2,500,000,000	–	100	Property development
大連鼎泰嘉益房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
大連中信海港投資有限公司 (iii)	RMB250,000,000	–	80	Property development
大連鼎泰錦城房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
大連匯港置業有限公司 (iii)	RMB50,000,000	–	80	Property development
大連中海鼎業房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
大連鼎鑫嘉業房地產開發有限公司 (ii)	RMB30,000,000	–	100	Property development
大連鼎泰港隆房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
大連鼎泰海通房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
西安中海東誠置業有限公司 (ii)	RMB50,000,000	–	100	Property development
西安中海譽高置業有限公司 (ii)	RMB10,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
西安中海長興房地產有限公司 (ii)	RMB100,000,000	–	100	Property development
西安鼎盛東越置業有限公司 (ii)	RMB10,000,000	–	50	Property development
蘇州竹輝興業有限公司 (i)	USD20,000,000	–	100	Property development
中海發展(蘇州)有限公司 (ii)	USD500,000,000	–	100	Property development
中海地產(蘇州)有限公司 (ii)	RMB20,000,000	–	100	Property development
蘇州中海海隆房地產有限公司 (ii)	RMB200,000,000	–	100	Property development
寧波中海海棠房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
寧波中海海源房地產有限公司 (ii)	RMB20,000,000	–	100	Property development
佛山市順德中海嘉森房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
佛山市順德中海嘉業房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
佛山市順德嘉潤房地產開發有限公司 (ii)	RMB1,000,000,000	–	100	Property development
佛山中海盛和房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
杭州中海宏鯤房地產有限公司 (ii)	RMB500,000,000	–	100	Property development
杭州中海襄晟房地產有限公司 (ii)	RMB30,000,000	–	100	Property development
杭州中海海創房地產有限公司 (ii)	RMB30,000,000	–	100	Property development
杭州中海啟暉房地產有限公司 (ii)	RMB30,000,000	–	100	Property development
長沙潤洋置業有限公司 (ii)	RMB30,000,000	–	100	Property development
長沙中海融城房地產開發有限公司 (ii)	RMB30,000,000	–	100	Property development
長沙潤湘置業開發有限公司 (ii)	RMB30,000,000	–	100	Property development
長沙潤湖置業開發有限公司 (ii)	RMB30,000,000	–	100	Property development
長春海華房地產開發有限公司 (i)	USD49,800,000	–	100	Property development
長春海勝房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
長春海瀛房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
重慶中工建設有限公司 (ii)	RMB380,000,000	–	100	Property development

Notes to the Financial Statements (continued)
For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
重慶中海海能房地產開發有限公司 (iii)	RMB20,000,000	–	100	Property development
重慶嘉江房地產開發有限公司 (i)	USD250,000,000	–	60	Property development
重慶海躍置業有限公司 (iii)	RMB2,395,400,000	–	100	Property development
重慶信悦置業有限公司 (iii)	RMB20,000,000	–	100	Property development
珠海市海悦房地產開發有限公司 (iii)	RMB20,000,000	–	100	Property development
珠海市中海海晟房地產開發有限公司 (iii)	RMB10,000,000	–	100	Property development
武漢中海鼎盛房地產有限公司 (iii)	RMB20,000,000	–	100	Property development
武漢中海鼎榮房地產有限公司 (iii)	RMB20,000,000	–	100	Property development
武漢中海海耀房地產有限公司 (iii)	RMB500,000,000	–	80	Property development
中海企業發展集團有限公司 (i)	RMB20,000,000,000	–	100	Property development and investment, and investment holding
中海海嘉(威海)地產有限公司 (iii)	RMB550,000,000	–	100	Property development
中海深圳房地產開發有限公司 (iii)	RMB50,000,000	–	100	Property development
深圳市中海凱驪酒店管理有限公司 (iii)	RMB150,000,000	–	100	Hotel management
深圳市中海啟明房地產開發有限公司 (iii)	RMB10,000,000	–	100	Property development
深圳市中海啟宏房地產開發有限公司 (iii)	RMB10,000,000	–	100	Property development
深圳市中海啟華房地產開發有限公司 (iii)	RMB1,000,000,000	–	80	Property development
深圳市雲龍城投資發展有限公司 (iii)	RMB190,000,000	–	80	Property development
香港華藝設計顧問(深圳)有限公司 (i)	RMB100,000,000	–	100	Design consultancy services
廈門中海地產有限公司 (iii)	RMB20,000,000	–	100	Property development
廈門中海嘉業地產有限公司 (iii)	RMB10,000,000	–	100	Property development
廈門中海海怡地產有限公司 (iii)	RMB10,000,000	–	100	Property development
昆明海豪房地產開發有限公司 (iii)	RMB1,500,000,000	–	60	Property development
昆明海祥房地產開發有限公司 (iii)	RMB100,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
昆明海嘉房地產開發有限公司 (ii)	RMB1,500,000,000	–	60	Property development
廣州中海海志房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
廣州中海盛安房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
廣州中海盛榮房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
廣州中海海懿房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
濟南中海城房地產開發有限公司 (ii)	RMB30,000,000	–	100	Property development
濟南中海華山商業地產有限公司 (ii)	RMB500,000,000	–	100	Property development
哈爾濱中海地產有限公司 (ii)	RMB20,000,000	–	100	Property development
哈爾濱中海龍祥房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
哈爾濱中海龍譽房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
太原中海仲興房地產開發有限公司 (ii)	RMB50,000,000	–	100	Property development
太原中海景昌房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
太原中海凱源房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
石家莊中海房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
石家莊中海盈安房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中信房地產有限公司 (ii)	RMB50,000,000	–	100	Property development
北京中信新城房地產有限公司 (ii)	RMB500,000,000	–	80	Property development
北京國泰飯店有限公司 (ii)	RMB96,536,700	–	100	Hotel and serviced apartment operation
北京古城興業置業有限公司 (ii)	RMB50,000,000	–	70	Property development
北京世紀順龍房地產開發有限公司 (ii)	RMB30,000,000	–	51	Property development
北京安泰興業置業有限公司 (ii)	RMB10,000,000	–	100	Property development and investment
北京中海宏業房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京鑫安興業房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
北京中海興達房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京金安興業房地產開發有限公司 (ii)	RMB100,000,000	–	80	Property development
北京中開盈泰房地產開發有限公司 (ii)	RMB1,900,000,000	–	80	Property development
北京中海亦莊智慧置業有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中海盈順房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中海廣場商業發展有限公司 (ii)	RMB30,000,000	–	100	Property investment
北京奧城四季商業發展有限公司 (ii)	RMB830,000,000	–	100	Property investment
北京中海新城置業有限公司 (ii)	RMB100,000,000	–	100	Property development
北京中海盈達房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中海鑫海房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
北京中海華藝城市規劃設計有限公司 (ii)	RMB1,000,000	–	100	Design consultancy services
青島市聯明地產有限公司 (ii)	RMB30,000,000	–	100	Property development
青島海捷置業有限公司 (ii)	RMB1,936,000,000	–	100	Property development
成都信勤置業有限公司 (ii)	RMB20,000,000	–	100	Property development
中海佳隆成都房地產開發有限公司 (ii)	RMB50,000,000	–	100	Property development
中海嘉卓(成都)房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
東莞市嘉錦房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
東莞市中海嘉鑫房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
東莞市中海嘉樺房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
福州海翔地產有限公司 (ii)	RMB10,000,000	–	100	Property development
福州海富地產有限公司 (ii)	RMB10,000,000	–	100	Property development
南京海融房地產開發有限公司 (ii)	RMB10,000,000	–	100	Property development
南京海方房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development
瀋陽中海海嘉房地產開發有限公司 (ii)	RMB20,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
瀋陽市中海海盛房地產開發有限公司[ii]	RMB20,000,000	–	100	Property development
瀋陽中海福華房地產開發有限公司[ii]	RMB20,000,000	–	100	Property development
瀋陽中海海悦房地產開發有限公司[ii]	RMB20,000,000	–	100	Property development
中海地產(無錫)有限公司[ii]	RMB5,042,000,000	–	100	Property development
鄭州海如房地產開發有限公司[ii]	RMB20,000,000	–	100	Property development
鄭州海盈房地產開發有限公司[ii]	RMB20,000,000	–	100	Property development
鄭州海嘉房地產開發有限公司[ii]	RMB20,000,000	–	100	Property development
鄭州海旭房地產開發有限公司[ii]	RMB500,000,000	–	80	Property development
天津中海海順地產有限公司[ii]	RMB30,000,000	–	100	Property development
天津中海海豪地產有限公司[ii]	RMB30,000,000	–	100	Property development
天津中海海朝地產有限公司[ii]	RMB30,000,000	–	100	Property development
天津中海天嘉湖房地產開發有限公司[ii]	RMB600,000,000	–	100	Property development
中海保利達地產(天津)有限公司[ii]	US$49,500,000	–	51	Property development
海創佳業(煙台)地產有限公司[i]	RMB1,610,500,000	–	100	Property development
新疆中海地產有限公司[ii]	RMB100,000,000	–	60	Property development
烏魯木齊海新展房地產有限公司[ii]	RMB20,000,000	–	100	Property development
貴陽中海房地產有限公司[ii]	RMB20,000,000	–	100	Property development
萬寧仁和發展有限公司[ii]	US$206,200,000	–	99.9	Property development and hotel operation
南昌中海豪庭置業發展有限公司[ii]	RMB2,000,000,000	–	100	Property development
海口中海興業房地產開發有限公司[ii]	RMB10,000,000	–	100	Property development
肇慶中海嘉興房地產開發有限公司[ii]	RMB20,000,000	–	100	Property development
中山市金運宏房地產開發有限公司[ii]	RMB5,000,000	–	100	Property development
江蘇潤榮房地產有限公司[ii]	RMB30,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Notes:

(i) Foreign investment enterprise registered in the PRC
(ii) Limited liability company registered in the PRC
(iii) Incorporated in the Cayman Islands and operating in Hong Kong
(iv) Incorporated and operating in Luxembourg
(v) Incorporated and operating in Jersey

None of the subsidiaries had any debt securities in issue at the end of the year except for notes payable (note 32) issued by China Overseas Finance (Cayman) III Limited (US$1,000,000,000), China Overseas Finance (Cayman) V Limited (US$1,000,000,000), China Overseas Finance (Cayman) VI Limited (US$1,200,000,000), China Overseas Finance (Cayman) VII Limited (US$1,500,000,000), China Overseas Finance (Cayman) VIII Limited (HK$2,000,000,000 and US$1,744,000,000), 中海企業發展集團有限公司 (RMB25,303,716,000), 北京中海廣場商業發展有限公司 (RMB6,702,000,000) and 中信房地產集團有限公司 (RMB400,000,000).

Five Year Financial Summary

For the year ended 31 December 2020

(A) CONSOLIDATED RESULTS

	For the year ended 31 December				
	2016 RMB'000 (Restated)	2017 RMB'000 (Restated)	2018 RMB'000 (Restated)	2019 RMB'000	**2020 RMB'000**
Revenue	138,637,906	142,798,668	144,027,289	163,650,953	**185,789,528**
Operating profit	48,929,983	54,071,963	59,414,910	62,344,200	**65,231,389**
Share of profits and losses of					
Associates	402,796	1,001,140	1,854,405	2,254,638	**2,639,918**
Joint ventures	655,526	665,942	1,020,061	1,112,179	**2,216,133**
Finance costs	(1,737,283)	(1,198,448)	(1,331,912)	(759,297)	**(883,890)**
Profit before tax	48,251,022	54,540,597	60,957,464	64,951,720	**69,203,550**
Income tax expenses	(15,810,816)	(18,298,378)	(21,727,807)	(22,204,315)	**(21,494,912)**
Profit for the year	32,440,206	36,242,219	39,229,657	42,747,405	**47,708,638**
Attributable to:					
Owners of the Company	31,282,439	35,059,478	37,716,257	41,618,313	**43,903,954**
Non-controlling interests	1,157,767	1,182,741	1,513,400	1,129,092	**3,804,684**
	32,440,206	36,242,219	39,229,657	42,747,405	**47,708,638**

Notes:

(i) For the year ended 31 December 2019, the Group had changed its presentation currency from Hong Kong dollars to Renminbi. Accordingly, the consolidated results for the years ended 31 December 2016, 2017 and 2018 had been restated to conform with the current year's presentation.

(ii) In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, the Group adopted modified retrospective approach and respective adjustments were recognised at 1 January 2018 with the difference recognised in opening restated balance of equity. The consolidated results for the years ended 31 December 2016 and 2017 were not restated accordingly.

(iii) The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for previous years, as permitted under the specific transition provisions in the standard. Accordingly, the consolidated results for the years ended 31 December 2016, 2017 and 2018 were not restated.

Five Year Financial Summary (continued)

For the year ended 31 December 2020

(B) CONSOLIDATED NET ASSETS

	At 31December				
	2016 RMB'000 (Restated)	2017 RMB'000 (Restated)	2018 RMB'000 (Restated)	2019 RMB'000	**2020** **RMB'000**
Non-current assets					
Investment properties	59,914,211	80,823,233	97,516,027	114,020,656	**140,879,089**
Property, plant and equipment	3,470,651	3,235,005	3,204,320	4,019,414	**5,010,803**
Prepaid lease payments for land	507,111	477,922	464,632	–	**–**
Interests in associates	4,922,273	6,832,846	11,404,846	12,430,239	**14,543,727**
Interests in joint ventures	9,399,976	10,296,208	11,915,982	23,876,179	**18,770,162**
Investments in syndicated property project companies	21,621	20,096	–	–	**–**
Available-for-sale investments	132,685	96,149	–	–	**–**
Amounts due from associates	2,436,266	7,444,927	4,309,058	1,103,456	**–**
Amounts due from joint ventures	1,837,809	5,471,919	4,004,362	–	**–**
Other receivables	–	376,089	339,170	433,142	**450,353**
Goodwill	56,395	56,395	56,395	56,395	**56,395**
Deferred tax assets	3,364,745	4,069,062	5,146,843	7,324,745	**7,693,664**
	86,063,743	119,199,851	138,361,635	163,264,226	**187,404,193**
Current assets	424,097,582	416,486,120	495,586,101	560,631,561	**636,253,178**
Total assets	510,161,325	535,685,971	633,947,736	723,895,787	**823,657,371**
Non-current liabilities					
Bank and other borrowings — due after one year	(55,163,690)	(74,912,576)	(87,840,629)	(99,050,354)	**(109,307,995)**
Notes payable — due after one year	(64,082,395)	(47,773,575)	(56,408,350)	(58,835,801)	**(59,867,471)**
Amounts due to non-controlling shareholders	(776,856)	(3,153,835)	(1,759,365)	(2,293,675)	**(1,542,377)**
Lease liabilities — due after one year	–	–	–	(136,267)	**(428,798)**
Deferred tax liabilities	(8,802,529)	(11,374,609)	(13,582,530)	(16,186,850)	**(20,199,210)**
	(128,825,470)	(137,214,595)	(159,590,874)	(176,502,947)	**(191,345,851)**
Current liabilities	(178,246,795)	(171,430,330)	(217,745,008)	(258,248,215)	**(303,962,200)**
Total liabilities	(307,072,265)	(308,644,925)	(377,335,882)	(434,751,162)	**(495,308,051)**
Net assets	203,089,060	227,041,046	256,611,854	289,144,625	**328,349,320**
Equity attributable to Owners of the Company	198,467,859	220,526,257	247,762,454	280,603,692	**314,146,531**
Non-controlling interests	4,621,201	6,514,789	8,849,400	8,540,933	**14,202,789**
	203,089,060	227,041,046	256,611,854	289,144,625	**328,349,320**

Notes:

(i) For the year ended 31 December 2019, the Group had changed its presentation currency from Hong Kong dollars to Renminbi. Accordingly, the consolidated net assets at 31 December 2016, 2017 and 2018 had been restated to conform with the current year's presentation.

(ii) In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, the Group adopted modified retrospective approach and respective adjustments were recognised at 1 January 2018 with the difference recognised in opening restated balance of equity. The consolidated net assets at 31 December 2016 and 2017 were not restated accordingly.

(iii) The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for previous years, as permitted under the specific transition provisions in the standard. Accordingly, the consolidated net assets at 31 December 2016, 2017 and 2018 were not restated.

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