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## ZHONGTIAN INTERNATIONAL LIMITED

### 中天國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02379)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Zhongtian International Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) (“**2020 Financial Results**”) together with comparative figures for the preceding financial year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	5(a)	48,592	67,873
Cost of renovation services rendered		—	(25,776)
Cost of property sold		(8,610)	(10,855)
Other revenue, income and other net gains	6	40,155	42,179
Gain on land expropriation	11(b)	—	48,777
Fair value loss on investment properties	11	(216,650)	(38,079)
Other operating costs		(106)	(1,314)
Reversal of impairment loss on prepayment for construction costs		—	2,000
Impairment loss on trade receivables	15(b)	(19,749)	—
Impairment loss on loan and other receivables	12(c)	(130,000)	—
Administrative expenses		(18,907)	(16,245)
<b>(Loss)/profit from operations</b>		<b>(305,275)</b>	<b>68,560</b>
Finance costs	7(a)	(54,369)	(51,431)
<b>(Loss)/profit before taxation</b>	7	<b>(359,644)</b>	<b>17,129</b>
Income tax credit	8	122,019	47,296
<b>(Loss)/profit for the year attributable to owners of the Company</b>		<b>(237,625)</b>	<b>64,425</b>
<b>Other comprehensive income for the year</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of foreign operations		2,192	(777)
<b>Total other comprehensive income for the year</b>		<b>2,192</b>	<b>(777)</b>
<b>Total comprehensive (loss)/income for the year</b>			
Attributable to owners of the Company		(235,433)	63,648
<b>(Loss)/earnings (expressed in RMB cents)</b>			
Basic and diluted	9	(57.9)	15.7

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>			
Investment properties	11	38,800	549,060
Property, plant and equipment		492	814
Loan and other receivables	12	309,000	484,128
		348,292	1,034,002
<b>Current assets</b>			
Properties held for sale	11(d)	288,300	—
Loan and other receivables	12	234,225	142,990
Prepayment for construction costs	13	149,450	140,850
Land under development into properties for sale	14	148,673	147,503
Trade and other receivables	15	896	50,353
Cash and cash equivalents		5,588	10,987
		827,132	492,683
<b>Current liabilities</b>			
Trade and other payables	16	113,546	92,962
Amount due to former directors		825	876
Amount due to ultimate controlling party of the Company		26,456	22,448
Tax payable		14,528	10,126
Bank and other borrowings	17	773,000	290,300
		928,355	416,712
<b>Net current (liabilities)/assets</b>		<b>(101,223)</b>	<b>75,971</b>
<b>Total assets less current liabilities</b>		<b>247,069</b>	<b>1,109,973</b>
<b>Non-current liabilities</b>			
Bank and other borrowings	17	12,500	513,550
Deferred tax liabilities		64,837	191,258
		77,337	704,808
<b>Net assets</b>		<b>169,732</b>	<b>405,165</b>
<b>Capital and reserves</b>			
Share capital	18	3,667	3,667
Reserves		166,065	401,498
<b>Total equity</b>		<b>169,732</b>	<b>405,165</b>
<b>Total assets</b>		<b>1,175,424</b>	<b>1,526,685</b>

Notes:

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 December 2003 under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 22 September 2004. The addresses of the registered office and principal of business of the Company are disclosed in the corporate information to the annual report.

The principal business activities of the Group are property development, property leasing and investment, and provision of renovation services and financial services in the People’s Republic of China (the “**PRC**”).

## 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## 3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “**Group**”).

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). These financial statements are presented in RMB, rounded to the nearest thousand, except for per share data.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at the fair value as explained in the accounting policies set out below:

— investment properties

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The Group incurred a net loss of approximately RMB237,625,000 for the year ended 31 December 2020, and at of that date, the Group had net current liabilities of approximately RMB101,223,000. Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Board is of the opinion that the Group can meet its financial obligations as and when they fall due in the next twelve months, after taking into consideration of the following arrangements:

- (1) The Group is under serious negotiations with the trust scheme for which the Group owed borrowing amounting to RMB600 million together with the accrued interest payable of approximately RMB31,464,000, which has become repayable on demand at 31 December 2020, for the extension its repayment, partly or wholly, to a period not less than 12 months after the end of the reporting period; and
- (2) The Group is under serious negotiations with financial institutions for new and/or renewal of bank credit facilities for financing the working capital needs of the Group; and
- (3) The Group is also evaluating the possibilities of disposing of part or all of its properties held for sale, if necessary, in the foreseeable future so as to obtain additional cash flow to settle its debts as and when they fall due.

After having taken into account of the Group's projected cash flows, current financial resources and in light of the above arrangements to be implemented, the Board is of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the end of the reporting period of these consolidated financial statements. Accordingly, the Board is of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to make provision for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

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 current and future periods.

#### **4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

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

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

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

## 5. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

Revenue represents the rental income from investment properties, revenue from sale of a property, revenue from provision of financial services and renovation services. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Gross rental income from investment properties	29,588	18,360
Revenue from sale of a property	11,700	11,676
Revenue from provision of financial services	7,304	7,214
Revenue from provision of renovation services	—	30,623
	<u>48,592</u>	<u>67,873</u>

### (b) Segment information

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment, the Group has identified the following three (2019: three) reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property segment: this segment includes property development, investment and leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently, all of the Group's investment properties are located in the PRC.
- Financial service segment: provision of services in connection with financing and procurement arrangements in the PRC, details of which are disclosed in Note 12.
- Renovation service segment: provision of services in connection with arranging renovation projects in the PRC.

#### (i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocation of resources between segments, the Group's CODM monitors the results, assets and liabilities of each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segment and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “segment operating results”. Segment operating profit/loss includes the operating profit/loss generated by the segment without allocation of central administration costs. Taxation charge is not allocated to reportable segment.

Information regarding the Group’s reportable segments as provided to the Group’s CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

**For the year ended 31 December 2020**

	<b>Property RMB'000</b>	<b>Financial service RMB'000</b>	<b>Renovation service RMB'000</b>	<b>Total RMB'000</b>
Reportable segment revenue from external customers	41,288	7,304	—	48,592
Reportable segment results	(225,194)	(122,293)	(6,688)	(354,175)
Interest income	36	41,164	—	41,200
Cost of property sold	(8,610)	—	—	(8,610)
Depreciation and amortisation	(253)	—	—	(253)
Finance costs	(13,608)	(40,761)	—	(54,369)
Change in fair value of investment properties	(216,650)	—	—	(216,650)
Impairment loss on trade receivables	(13,061)	—	(6,688)	(19,749)
Impairment loss on loan and other receivables	—	(130,000)	—	(130,000)
Reportable segment assets	626,961	543,225	—	1,170,186
Reportable segment liabilities	340,203	635,523	—	975,726

**For the year ended 31 December 2019**

	<b>Property RMB'000</b>	<b>Financial service RMB'000</b>	<b>Renovation service RMB'000</b>	<b>Total RMB'000</b>
Reportable segment revenue from external customers	30,036	7,214	30,623	67,873
Reportable segment results	7,719	8,147	4,847	20,713
Interest income	237	41,136	—	41,373
Gain on land expropriation	48,777	—	—	48,777
Cost of renovation services rendered	—	—	(25,766)	(25,766)
Cost of property sold	(10,855)	—	—	(10,855)
Depreciation and amortisation	254	—	—	254
Finance costs	(11,228)	(40,203)	—	(51,431)
Change in fair value of investment properties	(38,079)	—	—	(38,079)
Reportable segment assets	855,579	627,119	33,379	1,516,077
Reportable segment liabilities	(461,894)	(604,195)	(29,744)	(1,095,833)

(ii) **Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:**

	2020 RMB'000	2019 RMB'000
<b>Revenue</b>		
Total reportable segment revenue	48,592	67,873
Elimination of inter-segment revenue	—	—
Consolidated revenue	<u>48,592</u>	<u>67,873</u>
<b>(Loss)/profit</b>		
Reportable segment results	(354,175)	20,713
Unallocated other corporate expenses	(5,469)	(3,584)
Consolidated (loss)/profit before taxation	<u>(359,644)</u>	<u>17,129</u>
<b>Assets</b>		
Total reportable segment assets	1,170,186	1,516,077
Unallocated cash and cash equivalents	5,000	10,236
Other unallocated corporate assets	238	372
Consolidated assets	<u>1,175,424</u>	<u>1,526,685</u>
<b>Liabilities</b>		
Total reportable segment liabilities	975,726	1,095,833
Unallocated income tax payable	1,100	1,100
Unallocated corporate liabilities	28,866	24,587
Consolidated liabilities	<u>1,005,692</u>	<u>1,121,520</u>

(iii) **Geographical information**

In determining the Group's geographical information, revenues and operating results are attributed to the geographical location based on the location of the customers, and assets are attributed to the geographical location based on the location of the assets. As the Group's major operations and markets including location of the non-current assets are all located in the PRC, no further geographical information is provided.

(iv) **Information from major customers**

Revenue from external customers contributing 10% or more of the total revenue from the Group is as follows:

	2020 RMB'000	2019 RMB'000
Customer A — renovation service segment	— <sup>#</sup>	30,623
Customer B — property segment	16,796	16,796
Customer C — property segment	11,700	11,676
Customer D — financial service segment	7,304	7,214

<sup>#</sup> Customer A did not contribute 10% or more of the total revenue for the year ended 31 December 2020.

## 6. OTHER REVENUE, INCOME AND OTHER NET GAINS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income from loan receivable (note below)	40,761	40,203
Interest income from bank deposits	36	237
Imputed interest on income receivable from provision of financial service	403	933
	<hr/>	<hr/>
Interest income on financial assets measured at amortised cost	41,200	41,373
Exchange (loss)/gain, net	(1,070)	467
Sundry income	25	339
	<hr/>	<hr/>
	<b>40,155</b>	<b>42,179</b>
	<hr/> <hr/>	<hr/> <hr/>

*Note:* The interest income is the same as the interest accrued on the back-to-back loan arrangement as further detailed in Note 12.

## 7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting) the following:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>(a) Finance costs</b>		
Interest on bank and other borrowings (note below)	54,369	51,431
	<hr/> <hr/>	<hr/> <hr/>
<b>(b) Staff costs (including directors' remuneration)</b>		
Salaries, wages and other benefits	3,590	3,227
Contributions to defined contribution retirement plans	183	385
	<hr/>	<hr/>
	<b>3,773</b>	<b>3,612</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>(c) Other items</b>		
Auditor's remuneration		
— audit services	703	709
Depreciation of property, plant and equipment	322	324
Gross rental income from investment properties less direct outgoings of RMB68,000 (2019: RMB201,000)	(29,529)	(18,159)
	<hr/> <hr/>	<hr/> <hr/>

*Note:* Included in the interest of bank and other borrowings was RMB40,761,000 (2019: RMB40,503,000) accrued on the back-to-back loan agreement as further disclosed in Note 12.



**8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax — PRC Enterprise Income Tax		
— provision for current year	4,402	3,557
Deferred taxation:		
— origination and reversal of temporary differences	<u>(126,421)</u>	<u>(50,853)</u>
Income tax credit	<u><u>(122,019)</u></u>	<u><u>(47,296)</u></u>

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2019: 25%).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2020 and 2019, as the Group did not have assessable profits subject to Hong Kong Profits Tax during the two years.

**9. (LOSS)/EARNINGS PER SHARE**

**(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of RMB237,625,000 (2019: profit of RMB64,425,000) and the weighted average number of 410,209,122 ordinary shares (2019: 410,209,122 ordinary shares) in issue during the year, calculated as follows:

**(i) (Loss)/profit for the year attributable to owners of the Company**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(Loss)/profit for the year	<u><u>(237,625)</u></u>	<u><u>64,425</u></u>

**(ii) Weighted average number of ordinary shares of the Company**

	2020	2019
Weighted average number of ordinary shares	<u><u>410,209,122</u></u>	<u><u>410,209,122</u></u>

**(b) Diluted (loss)/earnings per share**

For the years ended 31 December 2020 and 2019, diluted (loss)/earnings per share are same as basic (loss)/earnings per share because the Company had no dilutive potential ordinary shares outstanding.

## 10. DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

## 11. INVESTMENT PROPERTIES

	Completed properties <i>RMB'000</i>	Land held as investment property under development <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	567,040	220,000	787,040
Addition	31,869	85	31,954
Land expropriation (note (b))	—	(88,000)	(88,000)
(Loss)/gain from fair value change	(38,994)	915	(38,079)
Transferred to property held for sale	(10,855)	—	(10,855)
Transferred to land under development into properties for sale (note (b))	—	(133,000)	(133,000)
At 31 December 2019 and 1 January 2020	549,060	—	549,060
Addition	3,300	—	3,300
Loss from fair value change (note (c))	(216,650)	—	(216,650)
Transferred to properties held for sale (note (d))	(296,910)	—	(296,910)
At 31 December 2020	<u>38,800</u>	<u>—</u>	<u>38,800</u>

Notes:

(a) The analysis of carrying amounts of investment properties is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
In Qingdao, the PRC		
— Commercial	<u>38,800</u>	<u>549,060</u>

All the investment properties of the Group are held for rental purposes and/or capital appreciation in future.

- (b) The land previously held as investment property under development was situated in Qingdao, the PRC and held under a medium term lease of 40 years. As at 31 December 2018, it was the intention of the Group to develop the above land held as investment property under development into a commercial complex for rental purposes and/or capital appreciation.

On 20 May 2019, the People's Government of Qingdao City (High-tech Zone) officially approved the Agreement on Recovering the Land Use Right of State-owned Construction Land (Qing Gao Tu Chu Shou Zi [2019] No. 8) made between Qingdao Municipal State-owned Land Resources and Housing Management Bureau (High-tech Zone) and the Group for the purpose of expropriating the land use right of 36,311 square meters state-owned construction land in the land parcel of 91,165 square meters located at No. 877 Huihai Road held by the Group into land reserve of the local government. The land expropriating compensation in aggregate amounted to RMB136,777,000 was paid by the Committee of Hetao Sub-district Office on Land Requisition and Reconstruction for supporting projects at the area adjacent to the Hongdao Station (河套街道辦事處紅島站周邊配套工程徵地拆遷建設工作指揮部) (the "Committee"), resulting in a gain on land expropriation of RMB48,777,000 for the year ended 31 December 2019. The remaining land use right of the state-owned construction land of 54,854 square meters still belongs to the Group.

The land held as investment property under development was revalued on 20 May 2019 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, being an independent firm of valuers, who has amongst its staff, fellow members of chartered surveyors with qualification and recent experience in the location and category of similar properties being valued. The fair value of land held as investment property under development is revalued by reference to recent transaction prices of similar land, based on the direct comparison approach.

To capitalise on the benefits of the change in the revised government town planning for the district where the Group's remaining land is situated, the Group has changed its overall plan for developing its remaining land into residential and commercial properties intended for sale which, within its normal operating cycle, has been reclassified as land under development into properties for sale (Note 14) under current assets since 20 May 2019.

- (c) All of the Group's investment properties were revalued on 31 December 2020 and 2019 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, being an independent firm of valuers, who has amongst its staff, fellow members of chartered surveyors with qualification and recent experience in the location and category of similar properties being valued. The fair values of completed properties were arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties, where appropriate, by reference to market evidence of transaction prices for the similar properties in the same locations and conditions. The completed properties were leased to third parties and a related party under operating leases.

The change in fair value with a loss of RMB216,650,000 (2019: RMB38,079,000) is recognised in profit or loss for the year ended 31 December 2020. The investment properties have pledged to banks, an other financial institution and a trust scheme for bank and other borrowings of the Group, as further detailed in Note 17.

- (d) Certain investment properties of the Group amounting to RMB296,910,000 were reclassified to properties held for sale during the year ended 31 December 2020, including a property amounting to RMB8,610,000 sold during the year, and properties amounting to RMB288,300,000, based on the above professional valuation, for which the Board has resolved on 31 December 2020 to realise within 12 months after the end of the reporting period.

(e) **Fair value measurements of investment properties**

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

	<b>Fair value measurements as at 31 December 2020 categorised into</b>			
	<b>Fair value as at 31 December 2020 RMB'000</b>	<b>Level 1 RMB'000</b>	<b>Level 2 RMB'000</b>	<b>Level 3 RMB'000</b>
	<b>Recurring fair value measurement</b>			
Investment properties:				
Commercial — PRC	<b>38,800</b>	<b>—</b>	<b>—</b>	<b>38,800</b>

	<b>Fair value measurements as at 31 December 2019 categorised into</b>			
	<b>Fair value as at 31 December 2019 RMB'000</b>	<b>Level 1 RMB'000</b>	<b>Level 2 RMB'000</b>	<b>Level 3 RMB'000</b>
	<b>Recurring fair value measurement</b>			
Investment properties:				
Commercial — PRC	<b>549,060</b>	<b>—</b>	<b>—</b>	<b>549,060</b>

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The senior management of the Group had discussions with the valuers on the valuation assumptions and valuation results when the valuations for the Group's investment properties were performed at the respective reporting dates.

## 12. LOAN AND OTHER RECEIVABLES

	Loan and other receivables				
	Loan receivable (current)	Loan receivable (non-current)	Income receivable from provision of financial services	Loan interest receivables	Total <i>(note (a))</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>2020</b>					
Gross amount	240,000	360,000	30,280	42,945	673,225
Allowance for expected credit losses <i>(note (c))</i>	(54,000)	(51,000)	(10,000)	(15,000)	(130,000)
	<u>186,000</u>	<u>309,000</u>	<u>20,280</u>	<u>27,945</u>	<u>543,225</u>
Represented by:					
Current portion	186,000	—	20,280	27,945	234,225
Non-current portion	—	309,000	—	—	309,000
	<u>186,000</u>	<u>309,000</u>	<u>20,280</u>	<u>27,945</u>	<u>543,225</u>
<b>2019</b>					
Gross amount	120,000	480,000	21,534	5,584	627,118
Allowance for expected credit losses <i>(note (b))</i>	—	—	—	—	—
	<u>120,000</u>	<u>480,000</u>	<u>21,534</u>	<u>5,584</u>	<u>627,118</u>
Represented by:					
Current portion	120,000	—	17,406	5,584	142,990
Non-current portion	—	480,000	4,128	—	484,128
	<u>120,000</u>	<u>480,000</u>	<u>21,534</u>	<u>5,584</u>	<u>627,118</u>

*Notes:*

- (a) On 17 July 2017, Qingdao Zhongtian Enterprises Development Co., Ltd (“Qingdao Zhongtian”), an indirect wholly-owned subsidiary of the Company, entered into a construction and procurement agreement (the “Construction and Procurement Agreement”) with a third party natural gas operator (the “Gas Operator”) which holds a concession right for the construction of natural gas pipeline networks and for distribution of natural gas in the designated areas in Qingdao, the PRC (the “Natural Gas Project”), and another third party supplier of materials and equipment (the “Supplier”) for construction of the Natural Gas Project of the Gas Operator, for a term of 10 years. In accordance with the commercial substance of the arrangements under the Construction and Procurement Agreement, as clarified by a supplemental agreement dated 26 March 2018 (“Supplemental Agreement”) made between Qingdao Zhongtian and the Gas Operator, during the year ended 31 December 2017, Qingdao Zhongtian provided the financial services to the Gas Operator and obtained a loan of RMB600,000,000 (the “Project Loan”) from an independent third party trust scheme (Note 17), which was then transferred, at the instructions of the Gas Operator, to the Supplier as advanced payments made by the Gas Operator for the purchase costs of materials and equipment acquired and/or to be acquired from the Supplier, in connection with the construction of the Natural Gas Project of the Gas Operator. The Project Loan was obtained by Qingdao Zhongtian from the trust scheme on a back-to-back basis for the Gas Operator. Out of the proceeds of the Project Loan of RMB600,000,000 obtained from the trust scheme, the Gas Operator (as one of the beneficiaries of the trust scheme) contributed RMB120,000,000, representing 20% of the Project Loan, to the trust scheme. The Gas Operator has provided an unlimited corporate guarantee in favour of the trust scheme for the repayments of the principals of the entire Project Loan and the interest accruing at the applicable effective rate of 6.49% per annum on the Project Loan, which shall be the obligations of the Gas Operator for repaying to the trust scheme. The Gas Operator shall repay Qingdao Zhongtian for the entire Project Loan, at each instalment of RMB120,000,000, RMB120,000,000 and RMB360,000,000 on 31 May 2020, 31 May 2021 and 31 May 2022, respectively. The interests accrued thereon shall be repaid on a quarterly basis. The principals of Project Loan receivable from the Gas Operator, together with the interest accrued thereon and service charge as detailed below, are secured by the collateral of the business and its relevant assets of the Natural Gas Project of the Gas Operator, based on a pledge agreement entered into between the Gas Operator and Qingdao Zhongtian on 18 June 2018.

In consideration of the services rendered by Qingdao Zhongtian, the Gas Operator shall pay Qingdao Zhongtian a fee, as financial service income, which is recognised on a daily basis at RMB24,658 (inclusive of value-added tax) per day and straight-line basis over the contract term period of 10 years. During the year ended 31 December 2020, financial service income of RMB9,025,000, net of value-added tax of RMB1,038,000 (2019: RMB1,104,000) and discounting effect of RMB683,000 (2019: RMB682,000), amounting to RMB7,304,000 (2019: RMB7,214,000) was recognised and credited to the profit or loss for the year.

In 2020, the credit risk of Gas Operator was deemed to have increased significantly since the Gas Operator failed to repay the first installment of RMB120,000,000 on time. Therefore, the Company has made a lifetime expected credit loss provision for all related debts at 31 December 2020.

- (b) The Group assessed the recoverability of the long-term loan and interest receivables, together with the service income receivable, totalled approximately RMB673,225,000 (2019: RMB627,118,000), taking into account forward looking information available, other factors specific to the Gas Operator and the financial abilities of the Gas Operator based on the its latest unaudited management accounts at 31 December 2020 made available to the Group, and the fair value less cost of disposal of the business and its relevant assets of the Gas Operator identified as a cash-generating unit, by reference to a valuation performed by CHFT Advisory And Appraisal Limited, an independent professional valuer with qualifications and experiences in valuing similar assets.

- (c) Based on the assessment, provision for lifetime ECLs amounting to RMB130,000,000 (2019: Nil) was made on these financial assets as at 31 December 2020, details of which are as follows:

	lifetime ECL provision on				Total RMB'000
	Loan receivable (current) RMB'000	Loan receivable (non-current) RMB'000	Loan interest receivables RMB'000	Income receivable from provision of financial services RMB'000	
At 1 January 2019, 31 December 2019 and 1 January 2020	—	—	—	—	—
Impairment loss on loan and other receivables	54,000	51,000	15,000	10,000	130,000
At 31 December 2020	<u>54,000</u>	<u>51,000</u>	<u>15,000</u>	<u>10,000</u>	<u>130,000</u>

### 13. PREPAYMENT FOR CONSTRUCTION COSTS

	2020 RMB'000	2019 RMB'000
Prepayment for construction costs ( <i>note</i> )	<u>149,450</u>	<u>140,850</u>

*Note:*

The Group entered into construction contract with a main contractor, which is an independent third party, for the construction of the land (Note 14) into residential units and commercial properties intended for sale. In accordance with the terms of the construction contract, the Group had made prepayments of approximately RMB149,450,000 (2019: RMB140,850,000) to the main contractor.

### 14. LAND UNDER DEVELOPMENT INTO PROPERTIES FOR SALE

Land under development into properties for sale represents land previously classified as investment properties, which was reclassified as land under development into properties for sale since 20 May 2019 as the Group has changed its overall business plan for developing the land into residential and commercial properties intended for sale within its normal operating cycle, plus additional costs incurred for the development of the land.

**15. TRADE AND OTHER RECEIVABLES**

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables	<b>21,619</b>	51,554
Less: Allowance for expected credit losses ( <i>note (b)</i> )	<b>(21,360)</b>	(1,611)
Trade receivables, net ( <i>note (a)</i> )	<b>259</b>	49,943
Other receivables	<b>513</b>	247
Trade and other receivables classified as financial assets at amortised cost	<b>772</b>	50,190
Prepayments	<b>124</b>	163
	<b>896</b>	50,353
	<b>896</b>	50,353

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.



Notes:

**(a) Ageing analysis**

At the end of the reporting period, the ageing analysis of trade receivables (including lease receivables), based on date of revenue recognition, and net of doubtful debts, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–30 days	37	35,994
31–60 days	37	2,615
61–90 days	37	2,615
91–180 days	148	7,846
181–365 days	—	873
	<u>259</u>	<u>49,943</u>

**(b) Impairment of trade receivables**

Impairment loss in respect of trade receivables (including lease receivables) are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

***Movements in the allowance for expected credit losses***

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	1,611	1,611
Provision of impairment loss	<u>19,749</u>	—
At 31 December	<u>21,360</u>	<u>1,611</u>

At the end of each reporting period, an impairment analysis is performed to measure ECLs on an individual basis if the receivable is significant, or collective basis. The calculation of ECLs reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting period end about the past events, current conditions and forecasts of future economic conditions.

As at 31 December 2020, trade receivables of the Group overdue over six months amounting to RMB21,360,000 (2019: RMB1,611,000) were collectively determined to be credit impaired.

## 16. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	3,884	30,575
Other payables and accruals	27,483	18,837
Loan interest payables ( <i>note</i> )	31,464	1,173
	<hr/>	<hr/>
Financial liabilities at amortised cost	62,831	50,585
	<hr/>	<hr/>
Receipts in advance	2,944	540
	<hr/>	<hr/>
Other tax payables		
— value-added tax and property tax payables	37,742	31,552
— land appreciation tax payables	7,516	8,013
— others	2,513	2,272
	<hr/>	<hr/>
	47,771	41,837
	<hr/>	<hr/>
	113,546	92,962
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

Included in loan interest payable is an amount of RMB31,464,000 (2019: RMB1,173,000) payable to a trust scheme (as defined in Note 17) at the end of the reporting period.

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

**(a) Ageing analysis**

At the end of the reporting period, the ageing analysis of trade payables, based on the invoice date (or date of recognition, if earlier), is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0-30 days	—	28,095
Over 1 year	3,884	2,480
	<hr/>	<hr/>
	3,884	30,575
	<hr/> <hr/>	<hr/> <hr/>

## 17. BANK AND OTHER BORROWINGS

As at 31 December 2020, the Group had bank and other borrowing as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Secured bank borrowings	185,500	203,850
Secured borrowing from a trust scheme	600,000	600,000
	<u>785,500</u>	<u>803,850</u>

At 31 December 2020, interest-bearing bank and other borrowings were due for repayment as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Carrying amounts repayable:		
Within 1 year	773,000	290,300
After 1 year but within 2 years	12,500	134,300
After 2 years but within 5 years	—	377,900
After 5 years	—	1,350
	<u>785,500</u>	<u>803,850</u>
Less: Current portion	<u>(773,000)</u>	<u>(290,300)</u>
Non-current portion	<u>12,500</u>	<u>513,550</u>

As at 31 December 2020, bank and other borrowings were interest bearing at 4.75% to 8.00% per annum (2019: 4.35% to 8.00% per annum).

A bank borrowing of RMB10,000,000 (2019: RMB10,350,000) has been secured by the investment properties of the Group (Note 11). Bank borrowings of RMB175,500,000 (2019: RMB193,500,000) have been secured by certain properties held for sale of the Group (Note 11(d)) and guaranteed by Mr. Chen Jun, the director and ultimate controlling party of the Company.

Borrowings amounting to RMB600,000,000 (2019: RMB600,000,000) payable to the trust scheme, have been secured by land under development into properties for sale, entire equity interest of Qingdao Zhongtian and personal guarantees provided by Mr. Chen Jun and Ms. Su Haiqing, being the directors of the Company. As part of the arrangements for the other borrowing of RMB600,000,000 obtained from the trust scheme to which the Gas Operator (as one of the beneficiaries of the trust scheme) contributed RMB120,000,000 which is subordinated to the remaining scheme fund of RMB480,000,000 contributed by the other independent third party beneficiary of the trust scheme, the Gas Operator has also provided an unlimited guarantee in favour of the trust scheme for the repayments of the borrowing of RMB600,000,000 (2019: RMB600,000,000) and the interests thereon at the effective applicable rate of 6.49% per annum, payable by Qingdao Zhongtian, as referred to Note 12. The principals of the borrowing from the trust scheme will be repaid by Qingdao Zhongtian by the following instalments:

- RMB120,000,000 on 28 June 2020 (extended to 1 December 2020 during 2020);
- RMB120,000,000 on 28 June 2021; and
- RMB360,000,000 on 28 June 2022

which shall be repaid by the Gas Operator to Qingdao Zhongtian, as referred to Note 12.

The Group was in default on the repayment of the first instalment of loan principal relating to borrowing from the trust scheme with carrying amount of RMB120 million on 1 December 2020, which the trustee was entitled to request for the immediate repayment of full amounts owed. Therefore, the borrowing is classified as current liabilities.

At the end of the reporting period and up to the announcement date, the Group are under serious negotiations with the trust scheme from which the Group owed borrowing amounting to RMB600 million, together with the accrued interests, which has become immediately repayable on demand, for the extension its repayment to a period not less than 12 months after the end of the reporting period and in discussion with financial institutions on additional new bank credit facilities.

In the opinions of the directors of the Company, neither the Company, the Group, any of directors of the Company nor the top management of the Group has any beneficial interests in and relationship with all the fund contributors and beneficiaries of the trust scheme, including the Gas Operator.

## 18. SHARE CAPITAL

	2020		2019	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>

	2020		2019	
	No. of shares '000	Amount RMB'000	No. of shares '000	Amount RMB'000
Issued:				
Ordinary shares of HK\$0.01 each At 1 January and 31 December	<u>410,209</u>	<u>3,667</u>	<u>410,209</u>	<u>3,667</u>

## 19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The auditor will express an unqualified opinion in the independent auditor's report, but will draw attention by adding material uncertainty related to going concern paragraph as follows:

### **Opinion**

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 issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material uncertainty related to going concern**

We draw attention to Note 2(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB237,625,000 for the year ended 31 December 2020, and as of that date, the Group had net current liabilities of approximately RMB101,223,000. These events or conditions, along with other matters as set forth in Note 2(b) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

During the Year, the Group was principally engaged in three business segments, namely financial service, property and the renovation service.

#### Financial Service

On 17 July 2017, Qingdao Zhongtian Enterprise Development Co., Ltd. (“Qingdao Zhongtian”), an indirect wholly-owned subsidiary of the Company, entered into a construction and procurement agreement with the Gas Operator and the Supplier. Pursuant to the aforesaid agreement, as clarified by a supplemental agreement between Qingdao Zhongtian and the Gas Operator on 26 March 2018, Qingdao Zhongtian was appointed by the Gas Operator to provide financing services, for a period of 10 years, and to obtain a loan facility of RMB600,000,000 from a designated trust scheme for the purpose of financing the purchase consideration of materials and equipments, to be supplied by the Supplier, for construction of the Natural Gas Project of the Gas Operator located in Qingdao, the PRC. Under the aforesaid agreements, the Gas Operator (as a third party to the aforesaid agreements) shall bear all the obligations for the repayment of the loan principal, together with the interests accruing thereon, through Qingdao Zhongtian, to the trust scheme on 31 May 2020, 31 May 2021 and 31 May 2022, with each principal payment repaid being RMB120,000,000, RMB120,000,000 and RMB360,000,000, respectively, and the interests accrued on a quarterly basis. The Gas Operator was unable to make first instalment of loan principal repayments relating to loan borrowed from the trust scheme with carrying amount of RMB120 million during the year, which the trustee was entitled to request for the immediate repayment of full amounts owed. The credit risks of the amounts receivable from the Gas Operator have increased significantly due to default in repayment to the Group, provision of lifetime expected credit losses of RMB130,000,000 has been provided during the Year. This business segment is expected to contribute a stable long-term revenue to the Group.

#### Property

As at 31 December 2020, the details of the investment properties, properties held for sale and land under development into properties for sale of the Group are as follows:

##### **(a) Investment Properties and completed Properties held for Sale**

- (i) All the commercial and office units in the composite building located at Laoshan District, Qingdao City, the PRC, were leased out under a lease agreement dated 18 May 2019, for the period between 1 June 2019 and 31 May 2021. An underground storage with gross floor area of 14.82 sq.m. has not been rented out. 243 underground car parking spaces in the composite building have been rented out on an hourly basis to tenants and visitors to the composite building.

The lease agreement was terminated on 31 July 2020, and new tenancy agreements were signed with 9 tenants, including 8 independent third parties and 1 connected entity, for the period between 1 August 2020 and 31 July 2022. On 31 December 2020, the Board has resolved to realise these properties within 12 months after the end of reporting period, and accordingly, the properties were reclassified as held for sale.

- (ii) Most of the units in the storey in a commercial building located at the Shinan District, Qingdao City, the PRC have been leased out. Lease agreements have been entered into with the tenants by the Group with an initial period ranging from 2 to 10 years.

**(b) Land under Development**

The land of the Group which is under development is situated within the Chengyang District in Qingdao City, the PRC (the “Land”). On 20 May 2019, the People’s Government of Qingdao City (High-tech Zone) officially approved the entering into of the Agreement on Recovering the Land Use Right of State-owned Construction Land (Qing Gao Tu Chu Shou Zi [2019] No. 8) between Qingdao Municipal State-owned Land Resources and Housing Management Bureau (High-tech Zone) and the Group for the purpose of recovering the land use right of 36,311 square meters state-owned construction land in the land parcel of 91,165 square meters located at No. 877 Huihai Road held by the Group into reserve. The land expropriating compensation in aggregate amounted to RMB136,777,000 was paid by the Committee of Hetao Sub-district Office on Land Requisition and Reconstruction for supporting projects at the area adjacent to the Hongdao Station (河套街道辦事處紅島站周邊配套工程徵地拆遷建設工作指揮部) (the “Committee”). The remaining land use right of the state-owned construction land of 54,854 square meters still belongs to the Group.

On 31 July 2020, the Group and Shuifa Minsheng Industry Investment Group Co., Ltd. (“Shuifa Minsheng”) entered into a strategic cooperation framework agreement (“Framework Agreement”) in relation to the cooperation in property development projects. Pursuant to the Framework Agreement, the Group and Shuifa Minsheng intend to cooperate in, among other things, development of industrial towns and other property development projects. An industrial town typically hosts a cluster of enterprises with selected common industry themes, together with supporting facilities such as logistics, residential and commercial properties, creating a fully integrated working and living community for its residents. Up to the date of this announcement, no formal agreement has been made with Shuifa Minsheng.

During the year ended 31 December 2020, the process of the development was suspended as a result of the changes in the development plan of local government on the district area where the land is located.

Due to the change of the competent authority in regulating the development of the Land, the review of the application for the development of the Land has been delayed. According to the official notification issued by the local government dated 28 July 2020, the local government confirmed that the application was suspended due to the change and the review of the application shall resume after completion of the change.

After completion of the change in September 2020, the application has been resumed.

Currently, the real estate development project will be continuing to be developed. Pursuant to the regulatory detailed planning, the use of the Land has been changed from commercial land to commercial and residential mixed land. As disclosed in the announcement of the Company dated 29 March 2021, Chengyang Planning Branch of Qingdao Natural Resources and Planning Bureau (青島市自然資源和規劃局城陽規劃分局) has approved our construction plan on the Project and published the same for public consultation during the period from 13 March 2021 to 19 March 2021. It is expected that the planning permit will be granted to the Group on or around 30 April 2021. The Company is still in the process of registering the alteration of the land certificate and applying for the construction permit which are expected to be granted at the same date.

At the end of the reporting period and up to the date of this announcement, the Group is in the progress of registering the alteration of land certificate, applying for the construction permit and obtaining the planning permit.

The development plan of the Land is as follows:

	<i>(in sq.m.)</i>
Total land area	54,854
Total gross floor area	181,400
Total building area above ground	132,400
— Commercial properties	19,980
— A hotel	6,500
— Residential properties	105,920
Total underground building area	49,000
Car parking spaces	1,584 units

The management of the Group expects that the planning permit will be granted on or around 30 April 2021, the construction will start in the foreseeable future and the period of the construction to be approximately one year.

### **Renovation Service**

There is no revenue from renovation services for the reporting period as the clients decided to postpone their renovation projects due to COVID-19 outbreak. The Company plans to carry on more intellectual upgrade renovation services to hotels and commercial buildings in the near future.



## **FINANCIAL REVIEW**

### **Turnover**

The Group's total turnover for the Year was approximately RMB48,592,000, representing a decrease of approximately 28% from approximately RMB67,873,000 for the year in 2019. This was mainly attributable to nil income from provision of renovation service in the renovation service segment in the Year versus 2019.

### **Other Income and Other Net Gains**

The Group's other income and other net gains for the Year were approximately RMB40,155,000 (2019: RMB42,179,000), representing a decrease of approximately 5% as compared to the year in 2019. This was mainly attributable to the increase in exchange loss.

### **Fair Value Loss on Investment Properties**

During the Year, the Group recorded a fair value loss on investment properties of approximately RMB216,650,000 (2019: RMB38,079,000), representing an increase of approximately 469% as compared to 2019. The fair value of overall properties in Qingdao continued to decline, and the overall office rent levels of surrounding property buildings decreased as a result of the overall business level in Qingdao is declining and the office vacancy rate of Qingdao is significantly higher due to the outbreak of Covid-19 and a series of anti-epidemic measures implemented by the Qingdao authorities, such as regional or provincial lockdowns and mandatory quarantine. In order to maintain the existing source of customers and attract more tenants, the management resolved to adjust the rent level in 2021 to bring it in line with the market.

### **Impairment loss on loan and other receivables**

During the Year, the Group recorded an impairment loss on loan and other receivables of approximately RMB130,000,000 (2019: Nil) as the credit risks of the loan and other receivables increased significantly, details of which are referred to the Financial Service segment under overview section above.

### **Administrative Expenses**

The Group's administrative expenses for the Year were approximately RMB18,907,000 (2019: RMB16,245,000), representing an increase of approximately 16% over the corresponding year ended 31 December 2019. This was mainly attributable to the increase in extra expenses related to rental matters during the Year.

## **Finance Costs**

The Group's finance costs for the Year were approximately RMB54,369,000 (2019: RMB51,431,000), representing an increase of approximately 6% as compared to the year of 2019. This was mainly attributable to the increase in average borrowing rate of bank and other borrowings during the Year.

## **Net (Loss)/Profit**

During the Year, the Group recorded a net loss of approximately RMB237,625,000 representing a turnaround from the net profit of approximately RMB64,245,000 for the year in 2019. The turnaround was mainly attributable to the increase in fair value loss on investment properties and impairment loss on loan and other receivable in the Year as compared to 2019.

## **BUSINESS REVIEW**

### **Analysis by Business Segment**

During the Year, the Group's principal source of income was derived from the property segment, which accounted for approximately 85.0% of the total turnover of the Group. The financial service segments contributed the remaining 15.0%.

During the Year, all of the Group's income were derived from the Shandong Province, the PRC, which had accounted for 100% of the Group's total turnover.

## **FUTURE OUTLOOK**

Commercial properties of the Group have commenced to generate stable and growing rental revenue and have become a major source of income for the Group.

In recent years, China has been vigorously supporting the development of the energy industry, and China has become the world's largest producer of clean energy. The Chinese government highly values the development of clean energy with the amount invested ranking first in the world for many years and the installed capacity of hydropower, wind power and photovoltaic power generation steadily ranking first in the world, making remarkable achievements. The "14th Five-Year Plan" clearly states that achieving clean and low-carbon development is both an urgent need for current development and an inevitable requirement for the future. China's clean energy industry is expected to usher in a golden period in the future. Under this situation, the Group has accelerated its deployment in the clean energy industry in the new financing service segment, and has been well positioned to leverage its own advantages and respond to development needs to capture market share.

After the outbreak of the novel coronavirus (“COVID-19”), the China has adopted a series of prevention and control measures, including the regional traffic control and delayed resumption of factory production, etc. This has undoubtedly led to temporary negative impact to the economic activities. Given the resilience and potentials of China's economy in the long run, it is believed that long-term stable growth would remain unchanged.

The management of the Board of Directors believes that the Huihai Road project has reached a very mature state with a promising prospect, which will greatly improve the current cash flow of the Company. The Huihai Road project is located in the planned business district around the Hongdao station of the high-speed rail and is close to Metro Line 8, with convenient transportation, abundant supporting facilities and 2.5 km away from the Rehabilitation University under construction, which attracts a large number of talents. Due to the convenient transportation, it attracts a large number of enterprises to settle here, and the project will certainly become a popular project in the Hongdao area. In light of the bright future of the housing price in Qingdao, the Board of Directors believes that the investment in this land plot will bring considerable benefits to the future development of the Company.

## **DEBTS**

As at 31 December 2020, the Group had secured bank and other borrowings of approximately RMB785,500,000 (2019: RMB803,850,000). Details of the secured bank and other borrowings and set out in to Note 17 to the consolidated financial statements.

Save as disclosed above, the Group had no debt securities that were issued, outstanding, approved or otherwise created but unissued, or term loans or other borrowings or debts of borrowing nature, including bank overdrafts, acceptance liabilities or acceptance credits, obligations under financing lease and mortgages.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group's capital requirement represents mainly working capital in relation to the costs of business expansion and property investment. The Group principally finances its operation and investment from operating income, internal resources and bank borrowings.

As at 31 December 2020, the Group had cash and bank balances of approximately RMB5,588,000 (2019: RMB10,987,000) nearly all of which were denominated held in Renminbi. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was approximately 462.8% (2019: 198.4%).

During the Year, the Group did not employ any material financial instrument for hedging purposes.

## FOREIGN EXCHANGE

Since the Group mainly operates in the PRC, most of the revenue and transactions arising from its operations were settled in Renminbi and the Group's assets and liabilities are primarily denominated in Renminbi, the Directors believed that the Group would have sufficient foreign exchange to meet its foreign exchange requirements. The Group had not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and had not adopted any currency hedging policy or other hedging instruments during the Year.

## MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal of subsidiaries and associated companies by the Group during the Year.

## CHARGE ON ASSET AND CONTINGENT LIABILITIES

As at 31 December 2020, the investment properties and properties held for sale totalling approximately RMB327,100,000 (2019: RMB549,060,000) and land under development into properties for sale of approximately RMB148,673,000 (2019: RMB147,503,000) were pledged for bank and other borrowings of the Group.

Save as disclosed above, the Group had no other material charges on assets and contingent liabilities as at 31 December 2020 (2019: Nil).

## COMMITMENTS

Commitments outstanding at 31 December 2020 and 2019 are as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Authorised but not contracted for	—	—
Contracted but not provided for (note (a))	<u>40,390</u>	<u>52,190</u>

*Note:*

- (a) As at 31 December 2020, contracted but not provided for commitments included amounts of RMB28,253,000 (2019: RMB36,753,000) and RMB12,137,000 (2019: RMB15,437,000) relating to land under development into properties intended for sale and properties held for sale (2019: investment properties), respectively.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2020, the Group had 25 employees (2019: 17 employees). Most of the Group's employees are based in the head office of the Group in Qingdao City of Shandong Province in the PRC.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from social insurance and in-house training programmes, discretionary bonuses may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the Year was approximately RMB3,773,000 (2019: RMB3,612,000).

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

The COVID-19 outbreak since the end of 2019 has brought about additional uncertainties to the Group's operating environment and may have impact on the Group's operations and financial position. However, the actual impacts could not be estimated as the situation continues to evolve. The Group has been closely monitoring the impact from the COVID-19 epidemic on the Group's businesses and has commenced to put in place various measures.

As of the date of approval of the consolidated financial statements, the directors of the Company consider that there is no material uncertainty as a result of COVID-19 outbreak that may cast a doubt on the Group's ability to carry on its business as a going concern in the next twelve months.

Save as disclosed above, there has been no other material event affecting the Group since the end of reporting period.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES**

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

## **FINAL DIVIDEND**

The Directors did not recommend payment of any final dividend for the Year (2019: Nil).

## **CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Year.

## **CORPORATE GOVERNANCE**

The corporate governance practices of the Group are based on the principles and the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules. The Company has complied with all the code provisions as set out in the Code during the Year except for the following deviations:

Code Provision A.6.7 of the Code provides that independent non-executive Directors and other non-executive Directors should attend general meetings. Code Provision E.1.2 of the Code also provides that the chairman of the Board should attend the annual general meeting. Further, it provides that the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders’ approval. In addition, the chairman of the Board should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting.

Ms. Chen Chak Kwan, Mr. Cui Haitao and Mr. Liu Jin Lu, each being an independent non-executive Director were unable to attend the annual general meeting of the Company held on 30 June 2020, respectively, due to other business commitments or unexpected engagements. Mr. Chen Jun, (an executive Director) took the chair at the aforesaid annual general meeting and he was of sufficient calibre and knowledge for answering questions at the annual general meeting.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. From 20 December 2019, Mr. Chen Jun had been the Chairman and Chief Executive Officer of the Company. He provided leadership to the Board and is responsible for the management of the Group’s business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with three of them being independent non-executive Directors.

The Board will continue to monitor and review the Company’s corporate governance practices to ensure compliance with the Code.

## **AUDIT COMMITTEE**

The audit committee of the Company currently comprises three independent non-executive Directors, namely Mr. Cui Haitao (Chairman), Ms. Chan Chak Kwan and Mr. Liu Jin Lu. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this announcement and the annual results of the Company for the Year.

## REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITOR

The figures in this preliminary announcement of the Group's results for the Year have been agreed by the Company's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on this preliminary announcement.

## PUBLICATION

This annual results announcement of the Company is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.irasia.com/listco/hk/zhongtian>), respectively. The 2020 annual report will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Zhongtian International Limited**  
**Chen Jun**  
*Chairman*

Qingdao City, Shandong Province, the PRC, 31 March 2021

As at the date of this announcement, the Board comprises:

<i>Executive Directors:</i>	Mr. Chen Jun ( <i>Chairman</i> ) Ms. Su Haiqing
<i>Independent non-executive Directors:</i>	Mr. Cui Haitao Ms. Chan Chak Kwan Mr. Liu Jin Lu