ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
中昌國際控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 859)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board ("**Board**") of directors (the "**Directors**") of Zhongchang International Holdings Group Limited (the "**Company**") hereby announces the results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 ("**Reporting Period**" or "**FY2020**"), together with the comparative figures for the year ended 31 December 2019 ("**FY2019**") which are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Revenue	4	**36,990**	44,976
Other income/(loss), net	6	**11,882**	(26,640)
Net loss in fair value of investment properties		**(58,600)**	(25,100)
Staff costs		**(13,901)**	(15,788)
Depreciation of property, plant and equipment		**(1,006)**	(998)
Depreciation of right-of-use assets		**(1,672)**	(1,475)
Impairment loss under expected credit loss model		**(7,628)**	(334,743)
Other operating expenses		**(29,568)**	(30,396)

	Notes	For the year ended 31 December **2020** ***HK$'000***	 2019 *HK$'000* (Restated)
Loss from operations	7	**(63,503)**	(390,164)
Gain on disposal of a subsidiary		**8,431**	–
Share of results of an associate		**–**	(234,418)
Impairment of goodwill		**–**	(349,981)
Finance costs	8	**(120,027)**	(77,433)
Loss before taxation		**(175,099)**	(1,051,996)
Taxation	9	**(5,981)**	(7,515)
Loss for the year		**(181,080)**	(1,059,511)
Other comprehensive income/(loss), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(11,599)**	(9,371)
Other comprehensive income/(loss) for the year, net of tax		**(11,599)**	(9,371)
Total comprehensive loss for the year		**(192,679)**	(1,068,882)
Loss for the year attributable to the owners of the Company		**(181,080)**	(1,059,511)
Total comprehensive loss for the year attributable to the owners of the Company		**(192,679)**	(1,068,882)
LOSS PER SHARE			
– Basic *(in HK cents)*	11	**(16.10)**	(94.18)
– Diluted *(in HK cents)*	11	**(16.10)**	(94.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2020** *HK$'000*	As at 31 December 2019 *HK$'000* (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,127**	2,147
Right-of-use assets		**2,748**	4,384
Investment properties		**1,863,000**	1,921,600
Investment in an associate		**–**	–
Financial assets at fair value through profit or loss		**5,941**	5,581
Deferred tax assets		**–**	–
		1,872,816	1,933,712
Current assets			
Properties for sale		**628,372**	456,354
Trade and other receivables, deposits and prepayments	12	**43,815**	229,242
Amount due from an associate		**–**	–
Derivative financial instruments		**–**	89
Tax recoverables		**3,185**	664
Cash and bank balances		**356,144**	205,947
		1,031,516	892,296
Current liabilities			
Trade and other payables, deposits and accrued expenses	13	**440,807**	171,463
Lease liabilities		**1,747**	1,689
Bank and other borrowings		**1,604,842**	1,590,940
Convertible notes		**–**	9,845
Tax payables		**3,214**	3,284
		2,050,610	1,777,221

	Notes	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000 (Restated)
Net current liabilities		**(1,019,094)**	(884,925)
Total assets less current liabilities		**853,722**	1,048,787
Non-current liabilities			
Other payables and deposits	13	**6,010**	7,494
Lease liabilities		**1,126**	2,841
Deferred tax liabilities		**11,839**	11,026
		18,975	21,361
Net assets		**834,747**	1,027,426
CAPITAL AND RESERVES			
Share capital		**112,502**	112,502
Reserves		**722,245**	914,924
Total equity		**834,747**	1,027,426

Notes:

1. GENERAL

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company acts as an investment holding company and the principal activities of the Group are property leasing and property development.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Ints**") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**").

Going concern

As at 31 December 2020, the Group's total current liabilities exceeded its total current assets by approximately HK$1,019.1 million (2019: HK$885.0 million). The directors of the Company considered that the controlling shareholder has intention to provide unconditional continuing financial support to the Company so as to enable the Company to meet its liabilities as and when they fall due. Accordingly, the directors of the Company believe that the Group has adequate resources to continue its operations in the foreseeable future of not less than 12 months from the end of the reporting period. Therefore, they are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's 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 HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

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

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. PRIOR YEAR ADJUSTMENTS

(i) Restatements in relation to the Group's Dissipation of Funds

It has come to the Company's attention during October 2020 that the contractor of the Group's property project in Zhenjiang requested for settlement of construction costs, even though the Group had prepaid more than RMB170 million for the construction during April and May 2019. Afterwards, there were follow up communication and exchange of records with the contractor and discovered that fund approximately RMB170 million could have been dissipated ("**Dissipated fund matter**"). More details are set out in the Company's announcement dated 16 October 2020.

In response to the Dissipated fund matter and other matter, special committee of the Company's Board (the "**Committee**") has been set up and conducted an investigation (the "**Investigation**") involving, among others, assistance from third party consultant in relation to the Dissipated fund matter.

Based on the findings from the Investigation, the directors of the Company considered it appropriate to write off RMB170 million receivable balance in the Group's consolidated financial statements for the year ended 31 December 2019, which is a prior year adjustment.

(ii) Restatements in relation to the Group's Acquisition of the Entire Equity Interest of High Morality Limited ("High Morality")

Pursuant to an agreement with an entity controlled by the then major shareholder, Sanshenghongye (BVI) Holdings Limited ("**Sansheng BVI**"), the Group completed the purchase of certain parcels of land and developing properties thereon on March 2019 by acquiring the entire equity interest of High Morality, one of the current consolidated entities of the Group. Such transaction was accounted for as asset purchase in the 2019 consolidated financial statements.

This transaction should be accounted as business combination since the target meets the definition of business in HKFRS 3. Accordingly, prior year adjustments are put through as shown in the below table. Due to accounting for such transaction using business combination, borrowings qualified for capitalization into project cost should be different from those using asset purchase approach. In such respect, certain borrowing costs incurred during 2019 should be recognized in profit or loss in such period.

(iii) Restatements in relation to the Provision of Amounts due from entities controlled directly or indirectly by Shanghai Sansheng Hongye Investment (Group) Company Limited* (上海三盛宏業投資(集團)有限責任公司) ("Shanghai Sansheng") including amounts due from Shanghai Sansheng recorded in the books of its associate

On 15 May 2019, a facility agreement (the "**Facility Agreement**") was entered into among Shanghai Sansheng and China Cinda (HK) Asset Management Co., Limited (the "**Security Agent**") in relation to a loan facility of HK$700 million and certain financing documents entered into in relation to the facility agreement (the "**Finance Documents**"), including but not limited to a share mortgage between Sansheng and the Security Agent (the "**Share Mortgage**") in respect of 843,585,747 shares of the Company (the "**Charged Shares**"). Due to the continued occurrence of certain events of default under the Finance Documents, the Security Agent has taken enforcement action on 18 October 2019 in accordance with the terms of the Share Mortgage and the beneficial ownership of all of the Charged Shares.

Directors of the Company considered that Shanghai Sansheng's financial situation has been visibly deteriorated since October 2019, and the recoverability of the receivables due from Sansheng and its related parties was remote since then. Accordingly, it is appropriate to write off all receivables due from Sansheng or its related parties in the Group's consolidated financial statements for the year ended 31 December 2019, which is a prior year adjustment.

(iv) Restatements in relation to the Classification of bank borrowings and other consequential adjustments

Because of the prior year adjustments set out above, the Company's consolidated financial statements for the year ended 31 December 2019 have been re-stated. As a result, certain covenants included in the borrowing agreement signed with one commercial bank should have been breached. Accordingly, certain of the Group's bank borrowings previously classified as non-current shall be subject to immediate settlement upon the request of such bank.

The following tables disclose the adjustments that have been made by the directors of the Group to each of the line items in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2019, and the consolidated statement of financial position as at 31 December 2019.

	As previously reported	Prior year adjustments				Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		i	ii	iii	iv	
Revenue	44,976	–	–	–	–	44,976
Other loss, net	(103)	–	–	(26,537)	–	(26,640)
Net loss in fair value of investment properties	(25,100)	–	–	–	–	(25,100)
Staff costs	(15,788)	–	–	–	–	(15,788)
Depreciation of property, plant and equipment	(998)	–	–	–	–	(998)
Depreciation of right-of-use assets	(1,475)	–	–	–	–	(1,475)
Impairment loss under expected credit loss model	(15,453)	(196,868)	–	(122,422)	–	(334,743)
Other operating expenses	(29,076)	–	(1,320)	–	–	(30,396)
Loss from operations	(43,017)	(196,868)	(1,320)	(148,959)	–	(390,164)
Share of results of an associate	(1,789)	–	–	(232,629)	–	(234,418)
Impairment loss on investment in an associate	(26,121)	–	–	26,121	–	–
Impairment of goodwill	–	–	(349,981)	–	–	(349,981)
Finance costs	(23,450)	–	(53,983)	–	–	(77,433)
Loss before taxation	(94,377)	(196,868)	(405,284)	(355,467)	–	(1,051,996)
Taxation	(410)	–	–	–	(7,105)	(7,515)
Loss for the year	(94,787)	(196,868)	(405,284)	(355,467)	(7,105)	(1,059,511)

	As previously reported		Prior year adjustments			Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		i	ii	iii	iv	
Other comprehensive loss, net of tax						
Items that may be reclassified subsequently to profit or loss:						
Exchange difference on translating foreign operations	(18,227)	3,741	1,644	3,336	135	(9,371)
Other comprehensive loss for the year, net of tax	(18,227)	3,741	1,644	3,336	135	(9,371)
Total comprehensive loss for the year	(113,014)	(193,127)	(403,640)	(352,131)	(6,970)	(1,068,882)
Loss for the year attributable to the owners of the Company	(94,787)	(196,868)	(405,284)	(355,467)	(7,105)	(1,059,511)
Total comprehensive loss for the year attributable to the owners of the Company	(113,014)	(193,127)	(403,640)	(352,131)	(6,970)	(1,068,882)
LOSS PER SHARE						
– Basic (in HK cents)	(8.43)					(94.18)
– Diluted (in HK cents)	(8.43)					(94.18)

	As previously reported		Prior year adjustments			Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		i	ii	iii	iv	
Non-current assets						
Investment properties	1,921,600	–	–	–	–	1,921,600
Property, plant and equipment	2,147	–	–	–	–	2,147
Deferred tax assets	6,970	–	–	–	(6,970)	–
Investments in associates	206,001	–	–	(206,001)	–	–
Financial assets at fair value through profit or loss	31,615	–	–	(26,034)	–	5,581
Right-of-use assets	4,384	–	–	–	–	4,384
	2,172,717	**–**	**–**	**(232,035)**	**(6,970)**	**1,933,712**
Current assets						
Properties for sale	843,117	–	(386,763)	–	–	456,354
Trade and other receivables, deposits and prepayments	472,225	(167,583)	–	(75,400)	–	229,242
Derivative financial instruments	89	–	–	–	–	89
Tax recoverables	664	–	–	–	–	664
Amount due from an associate	44,697	–	–	(44,697)	–	–
Cash and cash equivalents	205,947	–	–	–	–	205,947
	1,566,739	**(167,583)**	**(386,763)**	**(120,097)**	**–**	**892,296**
Current liabilities						
Trade and other payables, deposits and accrued expenses	129,043	25,545	16,875	–	–	171,463
Lease liabilities	1,689	–	–	–	–	1,689
Bank and other borrowings	591,750	–	–	–	999,190	1,590,940
Convertible notes	9,845	–	–	–	–	9,845
Tax payable	3,284	–	–	–	–	3,284
	735,611	**25,545**	**16,875**	**–**	**999,190**	**1,777,221**
Net current assets/(liabilities)	**831,128**	**(193,128)**	**(403,638)**	**(120,097)**	**(999,190)**	**(884,925)**
Total assets less current liabilities	**3,003,845**	**(193,128)**	**(403,638)**	**(352,132)**	**(1,006,160)**	**1,048,787**
Non-current liabilities						
Other payables and deposits	7,494	–	–	–	–	7,494
Lease liabilities	2,841	–	–	–	–	2,841
Bank and other borrowings	999,190	–	–	–	(999,190)	–
Deferred tax liabilities	11,026	–	–	–	–	11,026
	1,020,551	**–**	**–**	**–**	**(999,190)**	**21,361**
Net assets	**1,983,294**	**(193,128)**	**(403,638)**	**(352,132)**	**(6,970)**	**1,027,426**
CAPITAL AND RESERVES						
Share capital	112,502	–	–	–	–	112,502
Reserves	1,870,792	(193,128)	(403,638)	(352,132)	(6,970)	914,924
Total equity	**1,983,294**	**(193,128)**	**(403,638)**	**(352,132)**	**(6,970)**	**1,027,426**

There is no prior year adjustments on the opening consolidated statement of financial position as at 1 January 2019.

4. REVENUE

	2020	2019
	HK$'000	*HK$'000*
Gross rental income from investment properties in Hong Kong	**36,990**	39,179
Property project management services income in the PRC		
Under HKFRS 15 recognised over time	**–**	5,797
	36,990	44,976

5. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(i) Property investment – leasing of investment properties in Hong Kong

(ii) Property development in the PRC

(iii) Project management services– provision of project management services in the PRC, which has been suspended since October 2019

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

Year ended 31 December 2020

	Property investment *HK$'000*	Property development *HK$'000*	Total *HK$'000*
Revenue from other sources			
– Rental income	**36,990**	**–**	**36,990**
Segment revenue	**36,990**	**–**	**36,990**
Segment results	**27,630**	**(19,820)**	**7,810**
Other income, net			**11,882**
Corporate and other unallocated expenses			**(24,595)**
Net loss in fair value of investment properties			**(58,600)**
Gain on disposal of a subsidiary			**8,431**
Finance costs			**(120,027)**
Loss before taxation			**(175,099)**

Year ended 31 December 2019 (Restated)

	Property investment *HK$'000*	Property project management services *HK$'000*	Property development *HK$'000*	Total *HK$'000*
Revenue from other sources				
– Rental income	39,179	–	–	39,179
Revenue from contract with customers				
– Recognised over time	–	5,797	–	5,797
Segment revenue	39,179	5,797	–	44,976
Segment results	32,541	(2,011)	(215,137)	(184,607)
Other loss, net				(26,640)
Corporate and other unallocated expenses				(153,817)
Net loss in fair value of investment properties				(25,100)
Impairment of goodwill				(349,981)
Share of results of an associate				(234,418)
Finance costs				(77,433)
Loss before taxation				(1,051,996)

Segment results represents the profit/(loss) from each segment without allocation of corporate and other unallocated expenses, net other income/(loss), net loss in fair value of investment properties, gain on disposal of a subsidiary, share of results of an associate, impairment of goodwill and finance costs. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years reported.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 31 December 2020

	Property investment *HK$'000*	**Property development** *HK$'000*	**Project property management services** *HK$'000*	**Total** *HK$'000*
Segment assets	**1,884,898**	**695,170**	**–**	**2,580,068**
Unallocated				**324,264**
Consolidated assets				**2,904,332**
Segment liabilities	**25,624**	**983,082**	**–**	**1,008,706**
Unallocated				**1,060,879**
Consolidated liabilities				**2,069,585**

At 31 December 2019 (Restated)

	Property investment *HK$'000*	Property development *HK$'000*	Project property management services *HK$'000*	Total *HK$'000*
Segment assets	1,984,338	702,843	616	2,687,797
Unallocated				138,211
Consolidated assets				2,826,008
Segment liabilities	28,148	661,794	–	689,942
Unallocated				1,108,640
Consolidated liabilities				1,798,582

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in an associate, certain other receivables, deposits and prepayments, financial assets at fair value through profit or loss, amount due from an associate, derivative financial instruments and cash and bank balances.

- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, certain lease liabilities, certain tax payables, convertible notes and its accrued interests, certain deferred tax liabilities and bank and certain other borrowings.

Other segment information

For the year ended 31 December 2020

	Property investment *HK$'000*	**Property development** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Net loss in fair value of investment properties	**(58,600)**	**–**	**–**	**(58,600)**
Fair value loss of derivative financial assets component of convertible notes	**–**	**–**	**(89)**	**(89)**
Addition to non-current assets	**–**	**10**	**11**	**21**
Depreciation of property, plant and equipment	**(940)**	**(17)**	**(49)**	**(1,006)**
Depreciation of right-of-use assets	**–**	**(448)**	**(1,224)**	**(1,672)**
Impairment loss under expected credit loss model	**–**	**(7,628)**	**–**	**(7,628)**

For the year ended 31 December 2019 (Restated)

	Property investment *HK$'000*	Property development *HK$'000*	Property project management services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Net loss in fair value of investment properties	(25,100)	–	–	–	(25,100)
Fair value loss of derivative financial assets component of convertible notes	–	–	–	(639)	(639)
Fair value loss of financial assets at fair value through profit or loss	–	–	–	(28,267)	(28,267)
Addition to non-current assets	200	3	–	4,130	4,333
Depreciation of property, plant and equipment	(924)	(14)	(11)	(49)	(998)
Depreciation of right-of-use assets	–	(378)	(241)	(856)	(1,475)
Impairment loss under expected credit loss model	–	(199,557)	(4,151)	(131,035)	(334,743)

Geographical information

The following tables set out information about the Group's revenue from external customers by geographical locations, based on the location at which the properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	Revenue from external customers	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**36,990**	39,179
The PRC	**–**	5,797
	36,990	44,976

	Non-current assets	
	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**1,866,290**	1,927,089
The PRC	**6,526**	6,623
	1,872,816	1,933,712

Information about major customers

There were no customers individually contributing over 10% of the revenue for the years reported.

6. OTHER INCOME/(LOSS), NET

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Bank interest income	**1,878**	2,110
Fair value loss of derivative financial asset component of convertible notes	**(89)**	(639)
Fair value loss of financial assets at fair value through profit or loss	**–**	(28,267)
Compensation received from tenant	**511**	–
Exchange gain, net	**8,517**	–
Government grants	**447**	–
Sundry income	**618**	156
	11,882	(26,640)

7. LOSS FROM OPERATIONS

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Loss from operations is arrived at after charging/(crediting):		
Directors' emoluments	**2,031**	2,380
Other staff costs		
Salaries and allowances	**10,467**	11,620
Retirement benefit scheme contributions	**134**	146
Social security contributions	**950**	1,333
Other benefits in kind	**319**	309
	11,870	13,408
Total staff costs	**13,901**	15,788
Net exchange loss	**–**	2,241
Auditors' remuneration		
– Audit services	**3,390**	1,500
– Non-audit services	**610**	–
Depreciation of property, plant and equipment	**1,006**	998
Depreciation of right-of-use assets	**1,672**	1,475
Impairment loss under expected credit loss model	**7,628**	334,743
Gross rental income from investment properties	**(36,990)**	(39,179)
Less: Direct operating expenses from investment properties that generated rental income during the year	**4,186**	3,992
	(32,804)	(35,187)

8. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Interest on bank and other borrowings wholly repayable within five years	**126,591**	78,613
Interest on lease liabilities	**185**	190
Effective interest expense on convertible notes	**1,327**	1,269
Total borrowing costs	**128,103**	80,072
Less: Amount capitalised to properties for sale	**(8,076)**	(2,639)
	120,027	77,433

9. TAXATION

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Current tax		
Hong Kong		
– Provision for the year	**2,498**	2,758
– Under provision in prior years	**–**	24
	2,498	2,782
The PRC		
– Enterprise income tax	**2,670**	135
	5,168	2,917
Deferred taxation		
– Credited to the consolidated statement of profit or loss and other comprehensive income	**813**	4,598
	5,981	7,515

The provision for Hong Kong Profits Tax for the Reporting Period is calculated at 16.5% of the estimated assessable profits for the year (2019: 16.5%). The concession of 8.25% tax brand under the two-tiered tax regime introduced by the Hong Kong SAR Government was taken up by an indirect wholly-owned subsidiary incorporated in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 April 2008 onwards.

10. DIVIDENDS

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

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Loss for the purpose of basic loss per share	**(181,080)**	(1,059,511)
Effects of dilutive potential ordinary shares		
Effective interest expenses on convertible notes, net of tax	**–**	–
Fair value losses on the derivative financial asset component of convertible notes	**–**	–
Loss for the purpose of diluted loss per share	**(181,080)**	(1,059,511)

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,125,027**	1,125,027
Effect of dilutive potential ordinary shares:		
– Convertible notes	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,125,027**	1,125,027

For the year ended 31 December 2019, the diluted loss per share is the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share because the effect of which were anti-dilutive.

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Rental receivables *(Note (i))*	**4,547**	1,247
Property project management service receivables *(Note (ii))*	**594**	559
	5,141	1,806
Less: Allowance for credit losses	**(1)**	(1)
	5,140	1,805
Security deposits for financing arrangements *(Note (iii))*	**825**	5,006
Deposits paid for acquisition of a land parcel *(Note (iv))*	**–**	194,010
Other receivables, deposits and prepayments, net of allowance for credit losses	**37,850**	28,421
	43,815	229,242

(i) The amount represents rental receivables for leasing of investment properties.

The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these rental receivables. The rental receivables are payable in advance by tenants.

The ageing analysis of the Group's rental receivables is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**1,319**	559
31 to 60 days	**1,402**	473
61 to 90 days	**95**	214
91 to 180 days	**1,683**	1
181 to 365 days	**48**	–
	4,547	1,247

Rental receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(ii) The project management fee shall be payable within 12 days from end of each quarter. The ageing analysis of the Group's property project management service receivables net of allowance of credit losses presented based on the invoice dates, is as follows:

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
61 to 90 days	**–**	403
91 to 180 days	**–**	155
181 to 365 days	**–**	–
More than 365 days	**593**	–
	593	558

(iii) The amounts are deposited in a financial institution for securing the other borrowings of the Group. Such deposits will be refunded to the Group upon final repayments of the respective other borrowings.

(iv) The amount represents deposit paid to 杭州市規劃和自然資源局臨安分局 (Lin'an Branch of Hangzhou Planning and Natural Resources Bureau*) for acquisition of a parcel of land located at Lin'an District, Hangzhou City, Zhejiang Province, the PRC, at a cash consideration of RMB347,580,000 (equivalent to approximately HK$388,019,000).

13. TRADE AND OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Trade payables *(Note (a))*	**118,895**	62,951
Rental deposits received	**11,096**	11,851
Contract liabilities *(Note (b))*	**148,892**	40,891
Other payables and accrued expenses *(Note (c))*	**167,327**	62,969
	446,210	178,662
Advance rental received	**607**	295
	446,817	178,957
Less: Non-current portion of other payables and deposits	**(6,010)**	(7,494)
	440,807	171,463

Notes:

(a) Ageing analysis of trade payables presented based on the invoice dates, is as follows:

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
0 to 30 days	**68,244**	55,024
31 to 90 days	**1,733**	1,896
91 to 180 days	**3,474**	2,659
181 to 365 days	**13,500**	2,709
More than 365 days	**31,944**	663
	118,895	62,951

(b) Contract liabilities represent proceeds received from pre-sale of properties at the end of the Reporting Period.

(c) The amount included amounts due to related companies of approximately HK$1,129,000 (2019: approximately HK$1,065,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in property investment and leasing in Hong Kong and property development in the PRC.

The year of 2020 was very challenging for the Group and for the wider economy due to the outbreak of the COVID-19 pandemic and the related social distancing measures which took a severe impact across our property leasing business in Hong Kong. Property development business in the PRC also slowed down significantly. China's gross domestic products ("**GDP**") grew by 2.3% over the previous year and China was the only major economy in the world that achieved positive growth despite the impact of the COVID-19.

Other than the impact of the COVID-19 pandemic, the tension between the United States of America ("**U.S.**") and China remains intense. Furthermore, local consumer sentiment has become more cautious, which has put tremendous pressure on the overall retail sales and related property rental performance. This could impact the economic outlook for Hong Kong. The Company must stay alert and be ready to respond to further deterioration in the Group's businesses in Hong Kong and in the People's Republic of China (the "**PRC**").

Property leasing business

During the Reporting Period, the Group recorded rental income from investment properties in Hong Kong of approximately HK$37.0 million (2019: approximately HK$39.2 million). The decrease in rental income was mainly attributed to rental concessions granted to tenants and the decline in the occupancy rate during FY2020 caused by the impact of COVID-19 affecting the property leasing business in Hong Kong.

Hong Kong saw its economic recession deepened in FY2020 as the COVID-19 pandemic seriously disrupted the external trade, consumption, especially tourists' spending, and retail spending in the city. Hong Kong's GDP contracted by approximately 6.1% in FY2020. Retail spending plunged as social distancing measures severely dampened consumption-related activities in Hong Kong. Lockdown measures also put the inbound tourism to a standstill. Visitor arrivals to Hong Kong plummeted by 93.6% to approximately 3.5 million visitors in aggregate for FY2020. For FY2020, retail sales in Hong Kong dropped by 24.3% year-on-year. The Group's overall rental reversion in renewals and new lettings became negative for the year of 2020.

With these challenges, the Group remained focused on further bolstering the resilience of its core business of property leasing in Hong Kong, particularly in Causeway Bay, in order to preserve its long-term competitiveness and ensure sustainable development in this challenging market. The investment properties of the Group are situated in the prime shopping district of Causeway Bay in Hong Kong and the Group has continued to refine the diverse-trade tenants mix.

As at 31 December 2020, the investment property portfolio of the Group achieved an occupancy rate of approximately 90.3% (2019: approximately 93.6%). Jardine Center remained as the Group's core and steady income generators, accounted for approximately 74.9% of the total revenue of the Group during the Reporting Period.

Set out below is a table summarising the valuation of the investment properties portfolio of the Group in Hong Kong at the end of the Reporting Period and revenue contribution of the investment properties portfolio of the Group in Hong Kong during the Reporting Period.

	Valuation of investment properties as at 31 December		**Decrease in fair value of investment properties**	**Revenue for the year ended**		**Increase/ (decrease) in revenue**
	2020	2019		**31 December 2020**	31 December 2019	
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***	*HK$'000*	%
Causeway Bay						
Jardine Center, No.50 Jardine's Bazaar[1]	**1,450,000**	1,480,000	30,000	**27,690**	29,715	(6.8)
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar[2]	**95,000**	102,000	7,000	**2,159**	2,311	(6.6)
First Floor, Nos.38 and 40 Jardine's Bazaar[2]	**14,000**	14,600	600	**491**	468	4.9
Ground Floor including Cockloft, No.41 Jardine's Bazaar[2]	**126,000**	135,000	9,000	**2,834**	2,843	(0.3)
Ground Floor, No.57 Jardine's Bazaar[2]	**128,000**	138,000	10,000	**2,836**	2,848	(0.4)
Mid-Levels						
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road[2]	**50,000**	52,000	2,000	**980**	994	(1.4)
Total	**1,863,000**	1,921,600	58,600	**36,990**	39,179	(5.6)

(1) Ginza-style building

(2) Street-shop

As at 31 December 2020, the investment properties of the Group were revalued at HK$1,863.0 million (2019: HK$1,921.6 million) by an independent professional valuer. During the Reporting Period, the loss in fair value of investment properties of HK$58.6 million (2019: loss in fair value of investment properties of HK$25.1 million) was recognised in consolidated statement of profit or loss and other comprehensive income. The loss in fair value of investment properties was mainly due to the impact of COVID-19 epidemic and economic uncertainties in Hong Kong.

Property development business

Due to severe disruption caused by COVID-19, the timing of sales launch and the construction progress had been distorted with sales and construction activities mostly on hold in the first quarter of 2020. As a result, the pre-sale activities of the properties have been severely affected.

The Zhenjiang project – 南山淺水灣 (Nanshan Qianshuiwan) (“NQS”)*

The Acquisition of High Morality Group

As disclosed in the announcement of the Company dated 9 December 2018 and the circular of the Company dated 10 January 2019 (“**Circular I**”), Agile Scene Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company entered into an agreement (“**SPA I**”) with Sansheng BVI (the “**Vendor**”) to acquire the entire issued capital of High Morality Limited (“**High Morality**”), which indirectly holds three parcels of land located in Zhenjiang City, Jiangsu Province, the PRC, at a consideration of approximately RMB194.9 million (“**Consideration I**”) (the “**Zhenjiang Project**”). The SPA I was approved by the independent shareholders of the Company at a special general meeting held in January 2019. The completion took place on 1 March 2019 (“**Completion I**”) and High Morality became a wholly-owned subsidiary of the Group.

Pursuant to the terms of the SPA I, Sansheng BVI granted a put option to the Purchaser for a consideration of HK$1.00 paid by the Purchaser to the Vendor (the "**Put Option**"). The Put Option entitles the Purchaser to require the Vendor to acquire all the issued share of High Morality immediately before the completion of the Put Option (the "**Put Option Share**") and the outstanding loan (if any) (the "**Put Option Loan**") owed by any of High Morality and its subsidiaries (the "**High Morality Group**") to the Purchaser immediately before the completion of the Put Option. As disclosed in the Circular I, pursuant to the SPA I, in order to determine whether there is any right to exercise the Put Option, the Purchaser shall procure an independent property valuer to assess the market value of Phase II of NQS as at each valuation date (being as at 30 June and 31 December of 2019, 2020 and 2021) (the "**Valuation Date**"). The Put Option will become exercisable if the Adjusted Net Asset Value of High Morality Group as at the relevant Valuation Date is lower than Consideration I, in which case the Purchaser shall, as per the decision of the Board, have one month from the relevant publication date of the Company's interim or annual (as the case may be) results announcement to decide whether or not to exercise the Put Option. "**Adjusted Net Asset Value**" means the net asset value of High Morality Group as shown in the relevant unaudited consolidated management accounts of High Morality Group as at 30 June and 31 December for each financial year between Completion I and 31 August 2022 (the "**Reference Management Accounts**"), which are prepared in accordance with HKFRSs and the same accounting policy in preparation of the audited accounts of High Morality Group and 鎮江天工頤景園房地產有限公司* (Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.* ("**Zhenjiang Tiangong**") for the Acquisition; and (i) adjusted for the valuation surplus (which represents the excess of the market value over the book value of Phase II of NQS) or the valuation deficit (which represents the shortfall between the market value and the book value of Phase II of NQS) (as the case may be) measured as at the relevant Valuation Date, and (ii) added back any uncapitalised finance costs and taxation incurred by High Morality Group after the Completion I to the relevant Valuation Date.

Information of Phase II of NQS

The land is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai, and adjacent to community resources such as academic institutions, municipal offices, ecological parks, shopping malls and a hospital. It is also situated at the high-end residential district in Zhenjiang City and is planned to be developed into a mixed-used residential and commercial development (i.e. Phase II of NQS) with total planned gross floor area ("**GFA**") of approximately 160,000 sq.m., including residential area of approximately 151,700 sq.m., commercial area of approximately 3,900 sq.m. and ancillary area of approximately 2,400 sq.m.. The Group intends to designate all residential and commercial units for sale. Phase II of NQS comprises 22 villas, 13 high rise residential towers and spaces for retail and ancillary facilities such as kindergarten.

The planned development of Phase II of NQS is as follows:

Phase	Residential	Retail	GFA (sq.m.) Car park	Ancillary areas	Total	Estimated/actual commencement date	Estimated completion date	Estimated/actual pre-sale date
Phase 1	61,223	–	–	–	61,223	March 2019	December 2021	August 2019
Phase 2	42,546	–	–	–	42,546	August 2020	September 2022	December 2020
Phase 3	47,895	1,866	2,036	2,400	54,197	November 2020	January 2023	January 2022
Total	151,664	1,866	2,036	2,400	157,966			

The Group obtained the pre-sale permit for phase 1 of the Phase II of NQS in August 2019. As at 31 December 2020, 131 residential units out of total 1,132 units of the Phase II of NQS (31 December 2019: 26 residential units out of total 1,132 units) have been presold and proceeds from presale of properties amounted to approximately RMB125.3 million (equivalent to approximately HK$148.9 million) (2019: approximately RMB36.7 million (equivalent to approximately HK$41.0 million)).

Valuation of Phase II of NQS as at 31 December 2020

As at 31 December 2020, the carrying value of Phase II of NQS was RMB507.4 million (equivalent to approximately HK$602.9 million) (31 December 2019 (restated): RMB387.4 million (equivalent to approximately HK$432.4 million)).

Exercise of Put Option in relation to High Morality Group

As disclosed in the interim results announcement of the Company for the six months ended 30 June 2020 (the "**2020 Interim Results**") dated 24 August 2020, the valuation as at 30 June 2020 of Phase II of NQS was carried out and the Reference Management Accounts of High Morality Group for the same period have been prepared. The unaudited Adjusted Net Asset Value of High Morality Group as at 30 June 2020 amounted to approximately RMB165.1 million, which was below the Consideration I. As such, the Put Option is exercisable by the Purchaser pursuant to its terms.

As disclosed in the announcement of the Company dated 16 September 2020, a Board meeting was convened and held on 16 September 2020 (being within one month from the 2020 Interim Results), at which, the Board resolved to exercise the Put Option. A special general meeting of the Company was held on 5 January 2021 ("**SGM**") and the shareholders of the Company considered and resolved to the exercise of the Put Option. Please refer to the circular of the Company dated 14 December 2020 (the "**Put Option Circular**") and the poll results announcement of the Company dated 5 January 2021 for further details.

As disclosed in the Company's announcement dated 6 January 2021, the Purchaser sent the Put Option notice to the Vendor and 上海三盛房地產(集團)有限責任公司 (Shanghai Sansheng Real Estate (Group) Company Limited*) ("**Sansheng Real Estate**" or the "**Guarantor**") after the SGM informing the Vendor of the exercise of the Put Option as required under the SPA 1, and on 6 January 2021, the Company and the Purchaser received replies from both the Vendor and the Guarantor that, among other things, it was unlikely that the Vendor or the Guarantor would be able to settle the consideration for the acquisition of the Put Option Share and the Put Option Loan by 30 business days (as defined under the Sale and Purchase Agreement, being business days in Hong Kong) from the date of the SGM as required under the SPA 1, which was 18 February 2021.

Furthermore, as disclosed in the Put Option Circular, the Company will (i) take legal action against the Vendor and the Guarantor; and (ii) consider to dispose the High Morality Group by other means, including, but not limited to, disposal by way of public tender if the Company obtains approval for the exercise of the Put Option at the SGM and exercises the Put Option, but the Vendor fails to fulfill its obligations to purchase the Put Option Share and the Put Option Loan. In these circumstances, if the proceeds of disposing the High Morality Group to third parties is lower than the Consideration I, the Company will seek to recover the shortfall from the Vendor and the Guarantor.

The Company will provide further update on the disposal of High Morality Group and/or legal actions taken as and when the Board considers necessary to keep the shareholders of the Company and potential investors informed.

For details, please refer to the Company's announcement dated 16 September 2020, 9 and 23 October 2020, 30 November 2020, 5 January 2021, 6 January 2021 and 19 February 2021, and the Put Option Circular.

Litigation involving Shanghai Yuexin and Zhenjiang Tiangong

As disclosed in the announcement of the Company dated 15 October 2020, Zhenjiang Tiangong received a civil claim on 15 October 2020 taken out by Mr. Chen Lingen (陳林根) and Ms. Chen Xiaohua (陳小華) as the plaintiffs (the "**Plaintiffs**") whereby Shanghai Yuexin and Zhenjiang Tiangong, were named as the first defendant and third defendant, respectively, and Sansheng Real Estate, an independent third party of the Company, as the second defendant in relation to the alleged breach of contract of an equity transfer agreement dated 2 December 2017 alleged to be entered into (the "**Alleged Zhenjiang Tiangong SPA**"), among others, Shanghai Yuexin as purchaser, Zhenjiang Tiangong as the target company, Sansheng Real Estate as a purchaser's guarantor, and the Plaintiffs as the vendors for the sale and purchase of the entire equity interest in Zhenjiang Tiangong (the "**Zhenjiang Tiangong Acquisition**"), the project company for the NQS (the "**Civil Claim**").

In the Civil Claim, the Plaintiffs alleged that the total consideration for the acquisition of the Zhenjiang Tiangong Acquisition amounted to RMB478.7 million, of which, only RMB393,980,593.74 was paid, and the balance of RMB84,719,406.26 was outstanding.

As disclosed in the announcement of the Company dated 20 November 2020, Zhenjiang Tiangong received a copy of an application from the Plaintiffs to the Zhenjiang City Middle People's Court (鎮江市中級人民法院) for the withdrawal of the Civil Claim and revocation of the assets preservation notice by the Plaintiffs for purposes of out of court negotiation (the "**Withdrawal Application**"). As at 20 November 2020 and up to the date of this announcement, the Company has not engaged in any negotiations referred to in the Withdrawal Application with the Plaintiffs.

As disclosed in the announcement of the Company dated 15 January 2021, a special investigation committee of the Board (the "**Special Investigation Committee**") has been established to investigating and reporting on various matters and events leading to and/or otherwise relating to the Civil Claim (including the entry into the Alleged Zhenjiang Tiangong SPA) and the suspected dissipation of the Dissipated Funds (as defined below) by Shanghai Sansheng.

For details, please refer to the Company's announcements dated 15 October 2020, 20 November 2020 and 15 January 2021, and the Put Option Circular. Please also refer to the Company's announcement dated 31 March 2021 for the preliminary findings of the Special Investigation Committee.

Suspected dissipation of funds from the prepayments of construction costs paid to a main contractor by a previous controlling shareholder

As disclosed in the Company's announcement dated 16 October 2020, Shanghai Sansheng, a previous controlling shareholder of the Company, may have dissipated funds from the prepayments of the construction costs made by Zhenjiang Tiangong, to Shanghai Rongzhen Constructions Group Co., Ltd.* (上海榮振建設集團有限公司) (the "**Main Contractor**"), the main contractor for NQS, of a total amount of RMB170.5 million (the "**Dissipated Funds**").

The Main Contractor requested Zhenjiang Tiangong to settle certain construction fees incurred for construction services provided for NQS. From the record of the Company, Zhenjiang Tiangong paid a total of RMB173.0 million as prepayment of construction costs to the Main Contractor (the "**Prepaid Construction Costs**"). Upon clarification requests made by Zhenjiang Tiangong with the Main Contractor, the Main Contractor provided details and supporting documents on the transfers made by the Main Contractor to Shanghai Sansheng from the Prepaid Construction Costs totaling RMB170.5 million.

Based on the information and supporting documents provided by the Main Contractor, pursuant to requests made by Zhenjiang Tiangong and in order to facilitate the funding requirements of Shanghai Sansheng (whereby Shanghai Sansheng allegedly held out to the Main Contractor that Zhenjiang Tiangong was Shanghai Sansheng's subsidiary), the Main Contractor and Shanghai Sansheng have entered into series of agreements between 7 May 2019 and 26 June 2019 (the "**Relevant Time**"), pursuant to which, the Main Contractor has transferred a total of RMB170.5 million during the Relevant Time from the Prepaid Construction Costs to Shanghai Sansheng. Based on the best knowledge, information and belief of the Directors having made all reasonable enquiry, it is uncertain whether the Company can recuperate all or part of the RMB170.5 million transferred to Shanghai Sansheng, if at all.

For details, please refer to the Company's announcement dated 16 October 2020 and the Put Option Circular. Please also refer to the Company's announcement dated 31 March 2021 on the preliminary findings of the Special Investigation Committee.

The Jinhua project

As disclosed in the announcements of the Company dated 4 February 2019, 22 February 2019 and 7 March 2019 and the circular of the Company dated 8 March 2019 ("**Circular II**"), the Purchaser entered into a sale and purchase agreement dated 4 February 2019 (and a supplemental deed dated 7 March 2019 to amend certain terms of the said agreement) ("**SPA II**") with the Vendor and Shanghai Sansheng as the guarantor pursuant to which the Group acquired (i) 49% of the issued share capital of Yitai International (BVI) Holdings Limited ("**Yitai**" and together with its subsidiaries, "**Yitai Group**"), a company which holds 99% indirect equity interest in 金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Ltd.*) ("**Jinhua Mingrui**"), a project company which in turn holds a land in Jinhua City, Zhejiang Province, the PRC; and (ii) a loan in the principal amount of RMB48.51 million owed by a subsidiary of Yitai to Sansheng BVI's related party at an aggregate consideration of approximately RMB255.6 million ("**Consideration II**"). The SPA II was approved by the independent shareholders of the Company at a special general meeting held in March 2019. The completion took place on 2 April 2019 and Yitai has become the Group's associate. The land is being developed into a mixed-use residential and commercial complex in two phases with a total GFA of approximately 337,530 sq.m., including residential area of approximately 195,100 sq.m., commercial area of approximately 50,200 sq.m. and basement (inclusive of car parking spaces) of approximately 88,600 sq.m. (the "**Jinhua Project**"). Development of phase I of the Jinhua Project, which includes 11 residential towers with an aggregate area of 111,500 sq.m., 2 office towers and retail shops of 50,200 sq.m. and 1,200 car parking spaces commenced in April 2018, and were completed by end of 2020. Development of phase II of the Jinhua Project commenced in mid 2018 and were completed by end of 2020.

As at 31 December 2020, all residential units (phase I and phase II of the Jinhua Project combined), 972 car parking spaces out of total 1,874 car parking spaces (phase I and phase II combined of the Jinhua Project), 24 offices and one retail shop (31 December 2019: 1,601 residential units out of total 1,696 residential units, 769 car parking spaces out of total 1,874 car parking spaces and no offices or retail shops) have been presold.

On 19 November 2020 and 7 January 2021, Jinhua Mingrui obtained the 建築工程竣工驗收備案表 (Filing Form for Acceptance and Examination upon Completion of Construction Project* (the "**Filing Form**")) for phase I and phase II of the Jinhua Project respectively issued by 中國地方城市建設局 (Local Urban Construction Bureau of the PRC*). After obtaining the Filing Form, from which the physical possession and the legal title of the completed properties can be transferred to purchasers, revenue is recognised when the control of the property is transferred. As at 31 December 2020, approximately RMB856.3 million from phase I was recognised as revenue (31 December 2019: Nil). Among which, 830 residential units, 23 units of retail shop and 1 unit of office from phase I were transferred to the relevant purchasers. Revenue from phase II will start to be recognised in early January 2021 after obtaining the Filing From of phase II and the units being transferred to the relevant purchaser.

During the Reporting Period, the Group's share of loss of Yitai Group was zero (31 December 2019 (restated): approximately HK$234.4 million). It is because that a prior year adjustment was made with respect to a full provision for impairment loss of other receivable under expected credit loss ("**ECL**") model was made during FY2019. As at 31 December 2020, the carrying amount of the Group's interest in an associate become zero.

Disposal of non-core business asset – a land parcel in Hangzhou City

As disclosed in the announcements of the Company dated 24 June 2019 and 8 July 2019 and the circular of the Company dated 12 July 2019, 杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd.*) ("**Hangzhou Minglun**"), an indirect wholly-owned subsidiary of the Company, has entered into a transfer agreement with 杭州市規劃和自然資源局臨安分局 (Lin'an Branch of Hangzhou Planning and Natural Resources Bureau*) for acquisition of a parcel of land located at Lin'an District, Hangzhou City, Zhejiang Province, the PRC ("**Lin'an Land**"), at a cash consideration of approximately RMB347.6 million. Completion of the acquisition by settling the remaining balance of the consideration for the land of approximately RMB173.8 million shall take place no later than 7 July 2020.

As disclosed in the announcement of the Company dated 7 April 2020, Zhoushan Mingyi Cultural Assets Investments Co., Limited ("**Zhoushan Mingyi**") an indirect wholly-owned subsidiary of the Company, as the seller, Hangzhou Minglun as the target Company and 東投地產集團有限公司 (Dongtou Property Group Co. Ltd.*) ("**Dongtou Property**") as the purchaser entered into conditional sale and purchase agreement dated 7 April 2020 (the "**Minglun Disposal Agreement I**"), pursuant to which Zhoushan Mingyi conditionally agreed to sell and Dongtou Property conditionally agreed to purchase the sale interest, representing the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the right to receive repayment of the entire shareholder's loan of approximately RMB23.9 million owed by Hangzhou Minglun to the Group) (the "**Minglun Sale Interest**"), at the consideration of approximately RMB177.3 million (equivalent to approximately HK$193.2 million).

As disclosed in the announcement of the Company dated 30 June 2020, the Minglun Disposal Agreement I was terminated on 30 June 2020 pursuant to the terms of the Minglun Disposal Agreement I as the conditions precedent under the same agreement was not satisfied by 30 June 2020. As Zhoushan Mingyi, Hangzhou Minglun and Dongtou Property still intend to cooperate and proceed with the transactions relating to Hangzhou Minglun, they, together with 江西東望項目管理有限公司 (Dongwang Project Management Co. Ltd*) ("**Dongwang Project Management**") as the purchaser, entered into the a new conditional sale and purchase agreement on 30 June 2020 in relation to Minglun Sale Interest (the "**Minglun Disposal Agreement II**").

Pursuant to Minglun Disposal Agreement II, Zhoushan Mingyi conditionally agreed to sell and Dongwang Project Management conditionally agreed to purchase the Minglun Sale Interest, at the consideration of approximately RMB180.3 million (equivalent to approximately HK$196.5 million)). The disposal of the entire interest of Hangzhou Minglun was completed in 2020.

Termination of acquisition of a hotel in Zhoushan City

As disclosed in the announcement of the Company dated 8 August 2019 and the circular of the Company dated 29 August 2019, 佛山快彤物業服務有限公司 (Foshan Express Property Service Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, as the purchaser has entered into a sale and purchase agreement (the "**Hotel SPA**") with 舟山三盛酒店管理有限公司 (Zhoushan Sansheng Hotel Management Co., Ltd.*) ("**Zhoushan Sansheng**") as the target and 佛山三盛房地產有限責任公司 (Foshan Sansheng Real Estate Co., Ltd.*) ("**Foshan Sansheng**") as the vendor for the acquisition of the entire equity interest in Zhoushan Sansheng at the consideration of RMB120.0 million (equivalent to approximately HK$134.4 million) in cash (the "**Hotel Acquisition**"). Zhoushan Sansheng holds Pullman Zhoushan Seaview (舟山三盛鉑爾曼大酒店), a hotel located in Zhoushan City, Zhejiang Province, the PRC. The Hotel Acquisition was approved by independent shareholders of the Company at the special general meeting of the Company on 18 September 2019. As at 31 December 2019, an aggregate amount of RMB66.8 million (equivalent to approximately HK$74.6 million) was paid as consideration to Foshan Sansheng.

As disclosed in the announcements of the Company dated 31 December 2019 and 14 January 2020, the charge over the equity interest in Zhoushan Sansheng in favour of 浙江浙銀金融租賃股份有限公司 (Zhejiang Zheyin Finance Lease Co., Ltd.*) ("**Equity Interest Charge**") was not capable of being released and the conditions precedent for completion of the Hotel Acquisition were not fulfilled by long stop date of 31 December 2019. On 31 December 2019, the parties to the Hotel SPA agreed in writing to extend the long stop date to 30 June 2020.

As certain conditions precedent to the completion of the Hotel Acquisition (in particular, the release of the Equity Interest Charge and completion of all corresponding regulatory filing procedures) remained not satisfied upon the close of business of 30 June 2020, as such, on 1 July 2020, the Group notified the Foshan Sansheng in writing to (i) terminate the Hotel SPA on the same date; and (ii) request Foshan Sansheng to return the amount of RMB66.8 million, being the partial purchase price paid by the Group pursuant to the terms of the Hotel SPA, to the Group within 20 days of the notice.

As at 31 December 2020, the Group did not receive any repayment from Foshan Sansheng. Due to the recoverability from Foshan Sansheng was remote, the related deposit was fully written off as at 31 December 2019 which is a prior year adjustment.

OUTLOOK

The economic outlook for the year of 2021 remains uncertain, driven by COVID-19 epidemic effects, the current US-China trade disputes, other domestic political and economic factors. In respect of the property leasing business, most of the investment properties of the Group are situated in the prime shopping district of Causeway Bay. The Group will continue to refine the diverse-trade tenants mix and to develop strong relationships with our tenants. The Group will also evaluate alternatives to rationalise the Group's property development business in the PRC.

Under the impact of ongoing uncertainties, the Group's priorities in operation are to maintain stable growth and to act with prudence. The Group will continue to drive the performance of core businesses at a steady pace, to enhance the financial position of the Group and to lay a defensive and solid foundation for the Group's sustainable growth.

FINANCIAL REVIEW

The comparative figures and prior year's figures presented in the consolidated financial statements for FY2019 have been restated. The details are highlighted in Note 3 in the Notes to the Consolidated Financial Statements.

Revenue

For the year ended 31 December 2020, the revenue of the Group amounted to approximately HK$37.0 million, representing a decrease of approximately 17.8% from approximately HK$45.0 million recorded in the corresponding period of last year. The decrease in revenue was primarily attributable to (i) rental concession granted to tenants during the second quarter of 2020 as a consequence of COVID-19 pandemic and (ii) the absence of property project management services income during the Reporting Period as the relevant services has been suspended since October 2019.

Other income/(loss), net

Other income for the year ended 31 December 2020 were approximately HK$11.9 million, as compared with other loss of approximately HK$26.6 million (restated) for the year ended 31 December 2019. The increase was mainly due to (i) fair value loss of financial assets at fair value through profit or loss in FY2019 of approximately HK$28.3 million (restated) but nil in FY 2020 and (ii) recognition of net exchange gain of approximately HK$8.5 million during the year.

Staff costs

For the year ended 31 December 2020, the Group's staff costs amounted to approximately HK$13.9 million, representing a decrease of 12.0% from approximately HK$15.8 million recorded in the corresponding period of last year.

Other operating expenses

Other operating expense amounted to approximately HK$29.6 million for the year ended 31 December 2020, representing a decrease of 2.6% from approximately HK$30.4 million (restated) recorded in the same period of last year. The composition of other operating expenses by nature mainly classified as follows:

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Investment properties operating cost	**4,186**	3,992
Professional fees	**11,848**	9,157
Marketing and advertising expenses	**5,534**	7,462
General administrative costs	**8,000**	7,544
Exchange loss, net	**–**	2,241
Total	**29,568**	30,396

Investment properties operating cost mainly composed of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. Due to increase in repairs and maintenance work, such expenses were slightly more than that of corresponding period of last year.

Substantial increase in professional fees was mainly due to financial advisory fees incurred for various corporate transactions mandatory unconditional cash offer and substantial increase in audit fees during the Reporting Period.

Marketing and advertising expenses amounted to approximately HK$5.5 million during the period under review, due to the commencement of sales of properties under development of Zhenjiang Project.

Share of results of an associate

The share of net loss of associates for the year ended 31 December 2019 was restated to approximately HK$234.4 million which is restricted to the Group's entire investment in the associate. The carrying amount of the investment is reduced to nil for FY2019. The significant loss shared by the Group in the associate was mainly attributable to a full impairment loss of other receivable under the ECL model was revised during FY2019 in Yitai Group.

Net loss in fair value of investment properties

As at 31 December 2020, the investment properties of the Group were revalued at HK$1,863.0 million (31 December 2019: HK$1,921.6 million) by an independent professional valuer. During the Reporting Period, a fair value loss on investment properties of HK$58.6 million was recognised in the consolidated statement of profit or loss and other comprehensive income, reflecting the impact of the COVID-19 pandemic and economic uncertainties in Hong Kong.

Finance costs

For the Reporting Period, finance costs of the Group amounted to approximately HK$120.0 million, representing an increase of approximately 55.0% from approximately HK$77.4 million (restated) recorded in the corresponding period of last year. The increase in finance costs was mainly due to (i) increased borrowing from Shanghai Aijian to finance the Zhenjiang Project during the Reporting Period; (ii) recognition of penalty interest arising from default of other borrowings, from Shanghai Aijian during the Reporting Period and (iii) certain finance costs cannot be capitalised due to acquisition of NQS in 2019 was regarded as business combination, prior year adjustment was made accordingly.

Impairment losses under the ECL model

The impairment losses for the Reporting Period was approximately HK$7.6 million on certain financial assets. The impairment losses for FY2019 were mainly attributable to (i) a full impairment in respect of the deposit paid for acquisition of Zhoushan Sansheng of approximately RMB65.0 million (restated) (equivalent to approximately HK$72.6 million (restated)); (ii) a full impairment in amount due from an associate of approximately RMB48.5 million (restated) (equivalent to approximately HK$54.2 million (restated)); (iii) an impairment loss on trade receivable of approximately RMB3.6 million (restated) (equivalent to approximately HK$4.1 million (restated)); and (iv) write off of RMB170 million (restated) (equivalent to approximately HK$196.9 million (restated)) receivables in a PRC subsidiary.

Loss for the period attributable to the owners of the Company

Net loss attributable to the owners of the Company for the year ended 31 December 2020 amounted to approximately HK$181.1 million (2019: approximately HK$1,059.5 million (restated)). As a result of the reasons mentioned above, the net loss was primarily due to (i) decrease in fair value of investment properties in Hong Kong of approximately HK$58.6 million; (ii) finance costs of approximately HK$120.0 million incurred during the year; and (iii) impairment loss under ECL model of approximately HK$7.6 million on certain financial assets of the Group.

CONTINUING DISCLOSURES REQUIREMENTS UNDER THE LISTING RULES 13.21 OF CHAPTER 13 OF THE LISTING RULES

Breach of financial covenant of HSB loans

On 20 March 2018, Top Bright Properties Limited ("**Top Bright**"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Hang Seng Bank Limited ("**HSB**") for a term loan facility in the principal amount of HK$570 million. On 15 June 2018, Top Bright entered into a supplemental agreement with HSB for a term loan facility in the principal amount of HK$212 million.

On 15 June 2018, each of Smart Land Properties Limited ("**Smart Land**") and Pioneer Delight Limited ("**Pioneer Delight**"), both being indirect wholly-owned subsidiaries of the Company, entered into an agreement with HSB for a term loan facility in the principal amount of HK$50 million and HK$25 million respectively.

On 5 February 2021, three of the subsidiaries of the Company, namely, Pioneer Delight, Smart Land and Top Bright (the "**Borrowers**", and each a "**Borrower**"), each received a letter from HSB (through its solicitors) (the "**Letter**") noted that the respective Borrower was in breach of the financial covenant whereby the consolidated tangible net worth of the Company (as their respective guarantor) was less than the requisite minimum of HK$2,000,000,000 (the "**Breach**"). As stated in the Letter to the respective Borrower, HSB may waive the Breach if the relevant Borrower could satisfy the conditions precedents and provide HSB with satisfactory evidence as HSB may require within one month from the date of the Letter.

On 18 March 2021, the Borrowers have respectively received replies from HSB (through is solicitors) on their respective requests to waive the Breach. HSB informed the Borrowers that subject to, among other things, the Borrowers (i) satisfying the waiver conditions; and (ii) providing HSB with satisfactory evidence on or before 30 June 2021, HSB is minded to waive the Breach. The Company is in the process of complying with the waiver set forth by HSB.

Please refer to the announcements of the Company dated 5 February 2021 and 18 March 2021 for further details, including the waiver conditions from HSB.

Please also refer to the announcements of the Company dated 12 June 2020 and 29 December 2020 for the waiver of the event of default obtained from HSB in relation to the loan-to-value ratio under the HSB loan facilities.

Demand letters from Shanghai Aijian and renewal of loans

References are made to the announcements of the Company dated 14 February 2020, 13 May 2020, 15 May 2020 and 21 May 2020, and the circular of the Company dated 21 April 2020 relating to the demand letters received from Shanghai Aijian for certain outstanding loan facilities taken out by Shanghai Yuexin and Zhenjiang Tiangong. In summary, the loan facilities were granted by Shanghai Aijian to Shanghai Yuexin and Zhenjiang Tiangong in 2019. Shanghai Yuexin and Zhenjiang Tiangong had drawn down from the loan facilities a total principal amount of RMB469.4 million, of which RMB398.4 million bears interest at a rate of 11% per annum and RMB71.0 million bears interest at a rate of 23% per annum. Interests accrued are payable in arrears on a quarterly basis and the principal amount shall be repayable in full on 13 February 2020.

On 20 May 2020, the Company received notices from Shanghai Aijian notifying Shanghai Yuexin and Zhenjiang Tiangong, respectively, that, among others, the aggregate demanding repayment of the loan facilities (including outstanding principal interest accrued and penalty interest payable). As disclosed in the announcement of the Company dated 27 January 2021, Shanghai Yuexin, Zhenjiang Tiangong, Zhoushan Mingtai and Shanghai Aijian entered into the renewal agreements, pursuant to which Shanghai Aijian agreed to renew the loan facilities such that the final maturity date of the facilities has been extended to 13 February 2022.

Please refer to the above announcements and circular of the Company for further details.

Liquidity and financial resources

The Group's business operations were generally funded by its internal resources and bank and other borrowings. As at 31 December 2020, the Group's outstanding bank and other borrowings amounted to approximately HK$1,604.8 million (2019: approximately HK$1,590.9 million), of which all outstanding secured bank and other borrowings are repayable on demand as of 31 December 2020.

As at 31 December 2020, the Group maintained bank balances and cash of approximately HK$356.1 million. (2019: approximately HK$205.9 million). The increase in cash and bank balances was mainly attributable to the completion of disposal of the entire interest in Hangzhou Minglun during the year.

The Group's gearing ratio as at 31 December 2020, which is calculated on the basis of total liabilities over total assets, was approximately 71.3% (2019 (restated): approximately 63.6%) whilst the current ratio of the Group, which is calculated by dividing current assets over current liabilities as at 31 December 2020, was approximately 0.5 (2019 (restated): approximately 0.5).

As at 31 December 2020, the Group recorded net current liabilities of approximately HK$1,019.1 million (31 December 2019 (restated): approximately HK$884.9 million), The net current liabilities was mainly due to a technical breach of a financial covenant. The Board is of the opinion that, after taking into account the existing available borrowing facilities, the proceeds from disposal of the non-core asset and other internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements.

Capital Structure

As at 31 December 2020, the issued share capital of the Company was 1,125,027,072 shares. During the Reporting Period, there was no movement of the issued share capital of the Company.

As at 31 December 2020, the net assets of the Group amounted to approximately HK$834.7 million, representing a decrease of approximately 18.8% from the net assets of approximately HK$1,027.4 million (restated) as at 31 December 2019. With the total number of 1,125,027,072 ordinary shares in issue as at 31 December 2020, the net assets value per share was approximately HK$0.74 (2019 (restated): approximately HK$0.91).

Treasury Policy

The Group's transactions and its monetary assets and liabilities are principally denominated in HK$ and RMB. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

DIVIDEND

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

CORPORATE GUARANTEE

As at 31 December 2020, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK$1,127.0 million (2019: HK$1,127.0 million), while certain subsidiaries have provided corporate guarantees to a financial institution for securing facilities granted to the Company which amounted to HK$150 million (2019: HK$150 million).

CHARGES ON GROUP ASSETS

As at 31 December 2020, the Group had pledged the following assets:

1. investment properties in Hong Kong with an aggregate carrying amount of HK$1,863.0 million (2019: HK$1,921.6 million) for securing the Group's bank and certain other borrowings;

2. share mortgage of certain subsidiaries for securing their respective bank borrowings;

3. rent assignments in respect of the investment properties held by the Group;

4. properties for sale under development with an aggregate carrying amount of approximately HK$602.9 million (2019 (restated): approximately HK$432.4 million) and the entire equity interest in a subsidiary for securing other borrowings amounted to RMB469.4 million (equivalent to approximately HK$557.7 million) from Shanghai Aijian;

5. properties for sale – completed properties with an aggregate carrying amount of approximately HK$22.5 million (2019: approximately HK$21.1 million) pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties; and

6. entire equity interests in certain subsidiaries for securing the Company's other borrowing which amounted to HK$50.0 million from a financial institution, China Cinda (HK) Asset Management Co., Limited.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent labilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 39 employees (2019: 45 employees). The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save for the disposal of the entire equity interest in Hangzhou Minglun as disclosed in the Company's announcement dated 30 June 2020, there was no other significant investments, material acquisitions or disposals during the Reporting Period.

EVENT AFTER THE REPORTING PERIOD

(a) Update on the exercise of put option in relation to the entire interest of High Morality

Pursuant to the special general meeting held on 5 January 2021, the proposed exercise of Put Option was approved by the independent shareholders of the Company. As required by the Sale and Purchase Agreement, the Purchaser has sent the Put Option notice to the Vendor after the SGM on 5 January 2021 informing the Vendor of the exercise of the Put Option.

On 6 January 2021, the Company and the Purchaser have received replies from both the Vendor and the Guarantor, stating that since the Vendor is a special purpose vehicle set up for the sole purpose of investment holding, and that the Guarantor is undergoing debt reorganisation, it is unlikely that the Vendor or the Guarantor will be able to settle the consideration for the acquisition of the Put Option Share and the Put Option Loan by 30 business days (as defined under the Sale & Purchase Agreement, being business days Hong Kong) from the date of the SGM as required under the Sale and Purchase Agreement, which will be 18 February 2021. The Vendor and the Guarantor stated in their respective letter that the Company and the Purchaser may sell all or part of High Morality, or High Morality Group as the Company and the Purchaser deem fit.

On 19 February 2021, neither the Vendor nor the Guarantor had settled the consideration pursuant to the terms of the Put Option to acquire the Put Option Share and the Put Option Loan.

The Company will (i) take legal action against the Vendor and the Guarantor; and (ii) consider to dispose the High Morality Group by other means, including, but not limited to, disposal by way of public tender. In these circumstances, if the proceeds of disposing the High Morality Group to third parties is lower than the Consideration, the Company will seek to recover the shortfall from the Vendor and the Guarantor.

For details, please refer to the Company's announcements dated 6 January 2021 and 19 February 2021 respectively.

(b) Renewal of loan facilities

On 27 January 2021, Shanghai Yuexin, Zhenjiang Tiangong, Zhoushan Mingtai and Shanghai Aijian entered into the Renewal Agreements, pursuant to which Shanghai Aijian agreed to renew the Facilities such that the final maturity date of the Facilities has been extended to 13 February 2022.

For details, please refer to the Company's announcement dated 27 January 2021.

(c) **Breach of covenant relating to HSB facilities and potential waiver from HSB**

On 5 February 2021, three of the subsidiaries of the Company, namely, Pioneer Delight Limited ("**Pioneer Delight**"), Smart Land Properties Limited ("**Smart Land**") and Top Bright Properties Limited ("**Top Bright**", together with Pioneer Delight and Smart Land, the "**Borrowers**", and each a "**Borrower**"), each received a letter from Hang Seng Bank Limited ("**HSB**") (through its solicitors) (the "**Letter**") noted that the respective Borrower was in breach of the financial covenant whereby the consolidated tangible net worth of the Company (as their respective guarantor) was less than the requisite minimum of HK$2,000,000,000 (the "**Breach**"). As stated in the Letter to the respective Borrower, HSB may waive the Breach if the relevant Borrower could satisfy the conditions precedents (the "**Waiver Conditions**") and provide HSB with satisfactory evidence as HSB may require within one month from the date of the Letter, including:

- Pioneer Delight, Smart Land and/or Top Bright shall make a partial repayment of not less than HK$164.0 million to HSB;

- Pioneer Delight, Smart Land and/or Top Bright shall make payment of legal fee in the amount of HK$30,000 to HSB for, among others, dealing with the Breach;

- Each of the Borrowers, the Company, and other obligors and security providers under the respective Facility Letter and the Facility Agreement shall sign a written acknowledgment of the waiver of the Breach by HSB under the Letter including the Waiver Conditions; and

- Notwithstanding the Breach and the waiver by HSB, the terms of the respective Facility Agreement, the Facility Letter, the finance documents and security documents (including the guarantee and security provided therein) shall remain in full force and effect.

On 18 March 2021, the Borrowers have respectively received replies from HSB (through is solicitors) on their respective requests to waive the Breach. HSB informed the Borrowers that subject to, among other things, the Borrowers (i) satisfying the Waiver Conditions (as amended whereby the payment of legal fees to be paid as stated in the Waiver Conditions disclosed in the Announcement to be increased to HK$45,000); and (ii) providing HSB with satisfactory evidence on or before 30 June 2021, HSB is minded to waive the Breach.

For details, please refer to the Company's announcement dated 5 February 2021 and 18 March 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted a corporate governance code prepared based on the code provisions (the "**Code Provisions**") of the latest code on corporate governance (the "**CG Code**") as set out in Appendix 14 to the Listing Rules from time to time as the guidelines for corporate governance of the Company and has complied with the CG Code throughout the Reporting Period, with the exception of Code Provision A.2.1.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Fan Xuerui ("**Mr. Fan**") served as both the chairman and the chief executive officer between 30 September 2019 and 12 May 2020, which deviates from the Code Provision A.2.1. During the said period, the Board at the time believed with the support of the management, vesting the roles of both chairman and the chief executive officer in Mr. Fan can facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Further, the Board at the time considered that the structure would not impair the balance of power and authority between the Board and the management of the Group. As disclosed in the announcement of the Company dated 13 May 2020, Mr. Fan resigned as the chairman of the Board with effective from 13 May 2020. The Company has complied with Code Provision A.2.1 since then.

DIRECTORS' SECURITIES TRANSACTIONS COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("**Model Code**") as its own code of conduct regarding Directors' securities transactions. Following specific enquiry by the Company, all of the Directors have confirmed that they have fully complied with the Model Code for the Reporting Period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

As disclosed in the announcement of the Company on 8 December 2020, the Board announces that the convertible note has matured on 7 December 2020 (the "**Maturity Date**") and none of the outstanding principal amount of the convertible note of HK$11,000,000 has been converted into new shares to be allotted and issued to the holder(s) of the convertible note by the Company upon exercise of the conversion rights attaching to the convertible note. The Company redeemed the outstanding convertible note at maturity in full at a redemption price of HK$11,924,000, equivalent to 100% of the outstanding principal amount together with all accrued and unpaid interests up to the Maturity Date.

For details, please refer to the Company's announcement dated 8 December 2020.

COMPLETION OF GENERAL OFFER

As disclosed in the offer document issued by Glory Rank Investment Limited (a wholly-owned subsidiary of China Cinda (HK) Asset Management Co. Limited) (the "**Offeror**") dated 29 April 2020, the response document issued by the Company dated 13 May 2020 and the joint announcement issued by the Offeror and the Company dated 27 May 2020, China Cinda (HK) Asset Management Co., Limited made a mandatory unconditional general offer (the "**Offer**") via the Offeror to acquire all the issued shares of the Company (other than those already beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer was closed on 27 May 2020. Immediately after the close of the Offer, the Offeror, its ultimate beneficial owners and parties acting in concert with any of them held an aggregate 955,228,042 issued shares of the Company, representing approximately 84.91% of the total number of issued shares of the Company.

PUBLIC FLOAT REQUIREMENT

As disclosed in "Completion of General Offer" above, upon completion of the Offer, the Offeror, its ultimate beneficial owners and parties acting in concert with it held a total of 84.91% of the issued share capital of the Company.

Rule 8.08(1)(a) of the Listing Rules require that at least 25% of the issuer's total number of issued shares must at all times be held by the public (the "**Public Float Requirement**"). As such, the Company was not in compliance with the Public Float Requirement upon completion of the Offer.

As disclosed in the announcement of the Company dated 16 June 2020, the Company was granted a temporary waiver from strict compliance with the Public Float Requirement by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 June 2020 for the period from 27 May 2020 to 30 September 2020.

As disclosed in the announcement of the Company dated 30 September 2020, the temporary waiver has expired on 30 September 2020. An application has been made to the Stock Exchange for an extension of waiver and the Company has been granted an extension of the waiver from strict compliance with the Public Float Requirement from 1 October 2020 to 31 December 2020.

As disclosed in the announcement of the Company dated 23 December 2020, the Company has been informed by the Offeror that the Offeror has disposed of 111,642,295 shares of the Company, representing approximately 9.93% of the total issued shares of the Company (the "**Disposal**") to an independent third party. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, an independent third party is not a core connected person (as defined under the Listing Rules) of the Company, and are member of the public (within the meaning of Rule 8.24 of the Listing Rules). Immediately after the completion of the Disposal, 281,441,325 shares of the Company, representing approximately 25.02% of the total issued shares of the Company, is being held by the public. Accordingly, the Company's public float was restored in compliance with the Public Float Requirement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises two independent non-executive Directors, namely, Mr. Yip Tai Him (chairman of the Audit Committee) and Mr. Wong Wai Leung, and one non-executive Director, Dr. Huang Qiang. The Audit Committee has reviewed and discussed with management the accounting standards and practices adopted by the Group, risk and internal controls and financial reporting matters and has reviewed the consolidated financial statements for the year ended 31 December 2020 as set out in this announcement.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Company at www.zhongchangintl.hk and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The annual report will be despatched to the shareholders of the Company and will be available on the above websites in due course.

APPRECIATION

Finally, I would like to take this opportunity to thank the Group's shareholders and business partners for their support and encouragement to the Group during the past year. I would also like to thank our Directors and all staff member of the Group for their hard work and contribution to the Group.

By order of the Board
Zhongchang International Holdings Group Limited
Chen Zhiwei
Chairman and Executive director

Hong Kong, 31 March 2021

As at the date of this announcement, the Board comprises Mr. Chen Zhiwei (Chairman), Ms. Ku Ka Lee, Mr. Tang Lunfei and Ms. Huang Limei as executive directors; Dr. Huang Qiang and Mr. Wong Chi Keung, Kenjie as non-executive directors; and Mr. Liew Fui Kiang, Mr. Wong Wai Leung and Mr. Yip Tai Him as independent non-executive directors.

* *For identification purpose only*