XIWANG PROPERTY HOLDINGS COMPANY LIMITED

西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2088)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors of Xiwang Property Holdings Company Limited (the "**Company**") hereby announces the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020. This announcement, containing the full text of the 2020 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to the information to accompany preliminary announcement of the annual results. The Group's final results for the year ended 31 December 2020 have been reviewed by the audit committee of the Company. This announcement is also published on the Company's website and the designated website of the Stock Exchange. The annual report for the year ended 31 December 2020 will be despatched to the shareholders and available on the above websites in due course.

By Order of the Board of
Xiwang Property Holdings Company Limited
WANG Di
Chairman

Hong Kong, 29 March 2021

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

Executive Directors
Mr. WANG Jin Tao
Mr. WANG Wei Min

Non-executive Directors:
Mr. WANG Di
Mr. WANG Yong
Mr. SUN Xinhu

Independent non-executive Directors:
Mr. WONG Kai Ming
Mr. WANG An
Mr. WANG Zhen

* *For identification purpose only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Jin Tao *(Chief Executive Officer)*
Mr. WANG Wei Min

Non-Executive Directors

Mr. WANG Di *(Chairman)*
Mr. WANG Yong *(Deputy Chairman)*
Mr. SUN Xinhu

Independent Non-Executive Directors

Mr. WONG Kai Ming
Mr. WANG An
Mr. WANG Zhen

COMMITTEES

Audit Committee

Mr. WONG Kai Ming *(Chairman)*
Mr. WANG An
Mr. WANG Zhen

Remuneration Committee

Mr. WANG An *(Chairman)*
Mr. WONG Kai Ming
Mr. SUN Xinhu

Nomination Committee

Mr. WONG Kai Ming *(Chairman)*
Mr. SUN Xinhu
Mr. WANG Zhen

COMPANY SECRETARY

Mr. YU Chi Kit

AUTHORISED REPRESENTATIVES

Mr. WANG Yong
Mr. YU Chi Kit
Mr. SUN Xinhu
(alternate to Mr. WANG Yong and Mr. YU Chi Kit)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Xiwang Industrial Area
Zouping
Shandong Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2110, 21/F Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
China Construction Bank
The Bank of East Asia, Limited
Wing Lung Bank

AUDITORS

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTOR RELATIONS AND CORPORATE COMMUNICATION

Mr. WANG Jianxiang
Tel : (86) 543 461 9688
Email : ir@xiwangproperty.com

COMPANY WEBSITE

www.xiwangproperty.com

CHAIRMAN'S STATEMENT

I would like to take this opportunity to thank our shareholders, business partners, customers, the board ("**Board**") of directors ("**Directors**") of the Company and our staff for their contribution in the past year.

Regulation and control of real estate policy was facing a more complicated macro-economic environment. While continuing to deepen the regulation and control on the demand side, local governments were more concerned on the strengthening of market supervision, determined to curb the real estate speculation and protect the reasonable living demand. On the supply side, the local governments were focused on the housing supply structural adjustment, vigorously developing indemnificatory housing including rental markets and co-ownership housing, so as to increase the effective demand and supply ratio. On the issue of land, the provision and sales continued to rise, while the enthusiasm has dropped significantly. With the surprising arising of bought-ins and the prudent attitude in the acquisition of land, the land investment enthusiasm dropped. The number of bought-ins has increased significantly, with the ratio of bought-ins to the total land provision reaching a peak. The loan capital for the real estate demand and supply side was tightened gradually and many land sale restriction policies were implemented frequently. Competing for self-sustainment, competing for building allocation and property price restriction have become the basic requirement for major cities in land provision. Some land parcels with many conditions attached as well as non-premium land parcels were bought-in. On the issue of price, the price index was generally stable, and the price increase in third-tier cities has decreased significantly. The cumulative effect of regulation and control of policy and self-adjustment of market after growth has made its influence. On the issue of demand and supply, with the growth in demand and the stability in transaction, the short-term inventory level became more reasonable. Total lump sum prices and medium prices of different property types in different tier cities were on an upward trend, but the upward trend of prices of different property types in representative cities were under control. The regulation, control and reform on the supply side in first-tier cities was gradually showing its effects. The inelastic demand and small and medium products transaction ratio were constantly increasing. The inelastic demand for housing improvement from people in the second and third tier cities remained the same, the combination of sale restriction and loan restriction changed the market expectation. The purchasing power for large-sized products decreased, and the investment demand significantly dropped. With the continuous deepening of the city-specific regulation and control of real estate market, it is expected that the Shandong Province real estate market will operate more smoothly. In view of the progress of urbanization and improvement of living standard of people in Shandong, our strategy will pay particular attention on developing properties of higher class.

Real estate market in the People's Republic of China (the "**PRC**") remained challenging. The real estate market has gradually shaken off the impact of the epidemic. However, the epidemic will, to a certain extent, also suppress the demand for housing. To diversify revenue sources in the challenging global economic environment, the Group had commenced the construction material trading business in PRC in December 2020. It is expected that the construction material trading business will broaden the revenue base for the Group and create shareholder value.

WANG Di
Chairman

29 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The Group was established in 2001 with headquarters located in Zouping, Shandong Province of the PRC. Xiwang Property Holdings Company Limited (the "**Company**", together with its subsidiaries collectively referred to as the "**Group**") was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in December 2005. The Group is principally engaged in property development and trading of construction materials in the PRC.

LANTING PROJECT

Lanting Project is located at the junction between the south of Heban 3rd Road and the west of Liquan 1st Road in Zouping, Shandong Province, which is a newly developed area in Zouping closed to the government headquarters. Lanting Project is a comprehensive residential development which is developed in two phases, known as North Zone and South Zone. There are 11 blocks of 6 to 14-storey residential buildings providing around 390 residential units.

MEIJUN PROJECT

Meijun Project is located at the east of Daixi 3rd Road South of Chengnan New District in Zouping, Shandong Province, a newly developed area in Zouping and the government headquarters, hospital and schools are nearby. The Meijun Project is a residential development divided into 3 phases. Phase One, completed in December 2008, comprises 4 blocks of 5-storey residential buildings providing around 110 residential units. Phase Two comprises 19 blocks of 5 to 18-storey residential buildings providing around 700 residential units and was completed in December 2013. Phase Three is in the planning stage.

QINGHE PROJECT

Qinghe Project is located at Kaihe Village, Handian Town of Zouping, Shandong Province. The project comprises a parcel of land with a site area of approximately 131,258 square metres for the construction of residential units. Home settlements were completed and the Group is in the course of obtaining the State-owned Land Use Certificates.

Real estate market in the PRC remained challenging. The real estate market has gradually shaken off the impact of the epidemic. However, the epidemic will, to a certain extent, also suppress the demand for housing. To diversify revenue sources in the challenging global economic environment, the Group had commenced the construction material trading business in the PRC in December 2020. It is expected that the construction material trading business will broaden the revenue base for the Group and create shareholder value.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

The Group's sources of revenue for the year ended 31 December 2020 includes sales of developed properties and trading of construction materials in the PRC. Geographically, Shandong Province remains as the Group's main market. All revenues of the Group during the Year were derived from Shandong Province. To diversify revenue sources in the challenging global economic environment, the Group had commenced the construction material trading business in the PRC in December 2020. It is expected that the construction material trading business will broaden the revenue base for the Group and create shareholder value.

II. Financial Review

Operating results

1. Revenue

The Group's revenue amounted to RMB25,228,000 in 2020 (2019: RMB111,702,000). The revenue from the sales of properties amounted to RMB14,389,000 in 2020 (2019: RMB111,720,000) mainly due to the property project in Qingdao was fully sold in 2019 Revenue from trading of construction materials business amounted to RMB10,839,000 in 2020 (2019: Nil).

2. Cost of sales

The Group's cost of sales amounted to RMB34,030,000 in 2020 (2019: RMB146,746,000) mainly due to the property project in Qingdao was fully sold in 2019.

3. Other income

Other income amounted to RMB4,908,000 in 2020 (2019: RMB3,305,000). Other income mainly represented rental income of RMB1,855,000 (2019: RMB2,299,000), interest income from a related party of RMB2,556,000 (2019: RMB997,000), bank interest income of RMB3,000 (2019: RMB4,000), gain on disposals of property, plant and equipment of RMB340,000 (2019: Nil) and other miscellaneous income of RMB154,000 (2019: RMB5,000).

4 Administrative expenses

Administrative expenses include general administrative fees, legal and professional fees, salaries of management and administrative staff. The amount decreased from RMB13,464,000 in 2019 to RMB7,022,000 in 2020 which was mainly due to various cost saving policies adopted by the Group.

5. Income tax credit

Income tax credit decreased from RMB13,572,000 in 2019 to RMB167,000 in 2020 mainly due to the utilisation of deferred income tax liabilities from fair value adjustment arising from acquisition of subsidiary in 2019.

Financial position

Liquidity and capital resources

As at 31 December 2020, the Group's cash and cash equivalents amounted to RMB144,368,000 (2019: RMB143,833,000). The Group primarily utilized the cash flow from operations, cash inflow from investing activities and cash on hand to finance operational requirements during the Year.

As at 31 December 2020, the gearing ratio, which is total debt divided by total equity, was 2.3% (2019: 1.9%). As at 31 December 2020, the Group had no bank and other borrowings (31 December 2019: Nil).

Significant investments held, significant acquisitions and disposals of subsidiaries and future plans for significant investments or capital asset acquisitions

During the Year, the Group had no significant investments and neither it had entered into any significant acquisitions and disposals of subsidiaries nor had made future plans for significant investments or capital asset acquisitions.

Pledge of assets

As at 31 December 2020, none of the property, plant and equipment of the Group was pledged to secure bank and other borrowings (31 December 2019: Nil).

Pledge of shares by controlling shareholders

The controlling shareholder of the Company had notified the board of directors of the Company (the "**Board**") on 28 September 2017 that it had entered into share charge agreements with an independent third party pursuant to which it had charged all of its shareholding in ordinary shares and convertible preference shares of the Company in favour of such independent third party as security for notes issued by its subsidiary to such independent third party in the aggregate principal amount of HK$200 million. For further details of this transaction, please refer to the announcement of the Company dated 28 September 2017.

Capital commitments

As at 31 December 2020, the Group's capital commitment amounted to RMB1,377,000 (31 December 2019: RMB1,497,000), which was mainly expenditures for property developments.

Foreign exchange risk

The Group primarily operates in the PRC with RMB as its functional currency. During the Year, majority of the Group's assets, liabilities, incomes, payments and cash balances were denominated in RMB. Therefore, the Directors believed that the risk exposure of the Group to fluctuation of foreign exchange rate was not significant as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

Human resources

As at 31 December 2020, the Group employed approximately 19 staff (31 December 2019: 29). Staff-related costs (including Directors' remuneration) incurred during the Year was RMB2,535,000 (2019: RMB3,508,000). The Group reviews regularly the remuneration packages of the Directors and employees with respect to their experience and responsibilities to the Group's business. The Group has established a remuneration committee to determine and review the terms of remuneration packages, bonuses and other compensation payables to the Directors and senior management.

Contingent liabilities/advance to an entity

The Group did not have any contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

III. Business Outlook

The property market as a whole remained stable and continued to move towards an integrated approach involving land, finance, market management and housing protection, in line with the city-specific policies. The Central Political Bureau of the Communist Party of China (CPC) meeting made it clear that it "insists on the positioning of the property as a place to live, not for speculation, and promotes the steady and healthy development of the property market". The real estate symposium hosted by the State Council also emphasized the keynote of the next phase of regulation: "Stabilizing land prices, stabilizing housing prices and stabilizing expectations". Cities such as Shenzhen, Hangzhou and Nanjing, which performed relatively well in the first half of this year, have also rolled out tighter real estate control policies. According to statistics from the 40 cities, in the first seven months of the year, 12 cities (Xiamen, Hangzhou, Dongguan, Chengdu, Ningbo and Qingdao) recorded year-on-year increases in the volume of new residential property transactions, while the rest of the cities recorded year-on-year decreases. In the second half of the year, it is foreseen that the policy will not be relaxed, and stable and healthy development will remain the main keynote, which does not rule out that some cities with hot property market performance will upgrade their regulatory polices to make the market cool down reasonably. Since May, the real estate market has gradually shaken off the impact of the epidemic and moved onto the right track, but the drop in income of people engaged in the more affected industries such as foreign trade, tourism and services will, to a certain extent, also suppress the demand for housing. In Zouping, Shandong Province, where the Group's principal operations are located, prices of some high-end residential properties were reduced slightly in the first half of the year and remained stable overall, leaving more room for demand for new and improved housing, limited land supply and fewer new housing developments, and commercial housing prices are expected to remain at the current level with narrow fluctuations.

Real estate market in the PRC remained challenging. The real estate market has gradually shaken off the impact of the epidemic. However, the epidemic will, to a certain extent, also suppress the demand for housing. To diversify revenue sources in the challenging global economic environment, the Group had commenced the construction material trading business in the PRC in December 2020. It is expected that the construction material trading business will broaden the revenue base for the Group and create shareholder value.

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Jin Tao (王金濤)
Chief Executive Officer

Mr. WANG Jin Tao, aged 37, is executive Director and the chief executive officer of the Company since 26 October 2015. He possess more than 10 years of management experience. He graduated from the professional course in business administration of The Open University of China（中央廣播電視大學）in January 2011 and worked as the deputy department head of the security department of the Xiwang Group, ultimate holding company of the Company between July 2005 to May 2006. He became the administrative deputy general manager of Xiwang Foodstuffs Company Limited（西王食品股份有限公司）(a company listed on the Main Board of the Shenzhen Stock Exchange under stock code 000639 in February 2010 and is effectively held as to 52.32% by the Xiwang Group) (“**Xiwang Foodstuffs**”) from May 2006 to December 2006. He was appointed as the procuring deputy general manager of the Xiwang Foodstuffs from December 2006 to October 2008, the executive deputy general manager of Shandong Xiwang Biotechnology Company Limited*（山東西王生化科技有限公司）(“**Xiwang Biotechnology**”) from October 2008 to August 2009, the production deputy general manager of Shandong Xiwang Sugar Company Limited*（山東西王糖業有限公司）from August 2009 to December 2009, the executive deputy general manager of the Xiwang Group First Industrial Park*（西王集團第一工業園）from December 2009 to November 2010, the factory manager of the Fourth Starch Plant of Xiwang Biotechnology（山東西王生化科技有限公司澱粉四廠）from May 2011 to August 2012, and the general manager of the Zouping Xiwang Power Co. Ltd*（鄒平西王動力有限公司）from August 2012 to May 2015. Since June 2015, he has been the general manager of Shangdong Xiwang Property Company Limited*（山東西王置業有限公司）(“**Shangdong Xiwang Property**”), a wholly-owned subsidiary of the Company.

Mr. WANG Wei Min (王偉民)

Mr. WANG Wei Min, aged 51, is executive Director of the Company since 26 October 2015. He joined the Group in September 1992 and has more than 22 years of experience in engineering management. He graduated from the professional course in microcomputer of the Zouping Professional College*（鄒平成人中等專業學校）of Shandong Province in July 1992 and worked in the Zouping Xiwang Oil Cotton Factory*（鄒平西王油棉廠）from September 1989 to September 1992. He joined the Shandong Xiwang Property as the department head of the engineering department from September 1992 to October 2001 and became the general manager of Xiwang Real Estate Development Company Limited*（西王房地產開發有限公司）, a subsidiary of Shangdong Xiwang Property from October 2001 to February 2008. Since February 2008, he has been the deputy general manager of Shangdong Xiwang Property.

BOARD OF DIRECTORS

Non-executive Directors

Mr. WANG Di (王棣)
Chairman

Mr. WANG Di, aged 38, is non-executive Director and the chairman of the Company. He was appointed as an executive Director in November 2010 and the deputy chairman of the Company in July 2012. He was the head of branding of the Group from 2006 to June 2013. Mr. WANG has been re-designated as non-executive Director and the chairman of the Company from 15 July 2013. Mr. WANG attended the bachelor's degree course of Information Conflict from the Electronic Engineering Institute of the Chinese People's Liberation Army (中國人民解放軍電子工程學院) from 2001 to 2005. He joined Xiwang Group Company Limited* (西王集團有限公司) ("**Xiwang Group**") in August 2005 and the Group in January 2006. He was in charge of the international trading business of the Group from 2005 to June 2013 and has been in charge of international trading business of Xiwang Group for more than eight years. Mr. WANG has also served as a director of each of Xiwang Hong Kong Limited (a wholly-owned subsidiary of Xiwang Group) ("**Xiwang Hong Kong**") since April 2006, Xiwang Holdings Limited (a company held as to 95% by Xiwang Hong Kong) ("**Xiwang Holdings**") since November 2015 and Xiwang Investment Company Limited (being a wholly-owned subsidiary of Xiwang Holdings and the holding company of the Company) since November 2015. Mr. WANG has been granted with various awards and honours, including outstanding worker for enterprise education and training of Shandong Province in 2006, labour model of Binzhou City of Shangdong Province of the PRC, labour model of Shandong Province and outstanding entrepreneur in food industry of Shandong Province. Mr. WANG is a director of Xiwang Foodstuffs, and the chairman and non-executive director of Xiwang Special Steel Company Limited ("**Xiwang Special Steel**") (a company listed on the Main Board of the Stock Exchange under stock code 1266 in February 2012 and is effectively held as to approximately 56.77% by Xiwang Holdings as at 31 December 2020). Mr. WANG Di is the son of Mr. WANG Yong, who is a non-executive Director and the deputy chairman of the Company.

Mr. WANG Yong (王勇)
Deputy Chairman

Mr. WANG Yong, aged 71, is non-executive Director and the deputy chairman of the Company. He is one of the founders of the Group. Mr. WANG was appointed as executive Director and the Chairman of the Company in March 2005 and has been re-designated as non-executive Director and the deputy chairman of the Company from 15 July 2013. Mr. WANG was the legal representative of Zouping Xiwang Social Benefits Oil and Cotton Factory* (鄒平西王社會福利油棉廠) from 1986 to 1992 and of Zouping Xiwang Industrial Head Company* (鄒平西王實業總公司) from 1993 to 1996. He was the managing director of Xiwang Group from 1996 to 2001. Mr. WANG has been the chairman of the board of directors of Xiwang Group since 2001. Mr. WANG has been assessed by Professional Position Evaluation Committee of Binzhou Non-Public Ownership Organisations* (濱州市非公有制經濟組織專業技術職務評審委員會) as a senior economist. He was awarded as the National Labour Role Model (全國勞動模範) by the State Council in 2000 and was appointed as the vice president of the third council of China Fermentation Industry Association* (中國發酵工業協會) in 2004.

Mr. WANG was awarded with several prizes and titles, including the National Advanced Worker in Quality Management of Township Enterprise (全國鄉鎮企業質量管理先進工作者) awarded by the Ministry of Agriculture of China (中國農業部) in 2000, the Fourth National Township Entrepreneur Award (第四屆全國鄉鎮企業家) and National Advanced Worker in Technological Progress of Township Enterprise of the Eighth Five-year Plan (「八五」全國鄉鎮企業科技進步先進工作者) awarded by the Ministry of Agriculture of the PRC in 2001. Mr. WANG Yong received secondary education in the PRC. Mr. WANG Yong is father of Mr. WANG Di, who is a non-executive Director and the chairman of the Company.

Mr. SUN Xinhu (孫新虎)

Mr. SUN Xinhu, aged 47, is a non-executive Director and the head of the Business Development Department of the Group. Mr. SUN joined the Group since 2003. He had over 4 years of experience in an international fast food chain in China. Mr. SUN graduated with a bachelor's degree in food science from Shandong Polytechnic University (山東輕工業學院) in July 1997, and a master's degree in food science from Southern Yangtze University (江南大學) in July 2004. Mr. SUN has been a director of Xiwang Foodstuffs since 2010 and the vice chairman of the board of Xiwang Foodstuffs since June 2014. Mr SUN was the secretary of the board of Xiwang Foodstuffs from 2010 to October 2013. Mr. SUN has been a non-executive director of Xiwang Special Steel since 2011 and was re-designated as an executive director in April 2015. Mr. SUN has been serving as vice general manager since he joined Xiwang Group in March 2003 and has served as a director of Xiwang Group since January 2013. Mr. SUN was appointed as an executive Director in December 2008 and re-designated as a non-executive Director on 5 July 2012. Mr. SUN is a member of the nomination committee ("**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company.

BOARD OF DIRECTORS

Independent non-executive Directors

Mr. WONG Kai Ming (黃啟明)

Mr. WONG Kai Ming, aged 67, is an independent non-executive Director. Mr. WONG has over 30 years of experience in accounting and finance and is presently the sole director of EMKT CPA Limited, Certified Public Accountant and the sole proprietor of Wong Kai Ming, Certified Public Accountant. Mr. WONG has obtained a higher diploma in accountancy and a bachelor of arts in accountancy degree from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in 1980 and 1996 respectively. He is a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. WONG was appointed as an independent non-executive Director in November 2005. Mr. WONG is the chairman of the audit committee of the Company (the "**Audit Committee**") and the Nomination Committee, and also a member of the Remuneration Committee.

Mr. WANG An (王安)

Mr. WANG An, aged 75, is an independent non-executive Director. Mr. WANG has extensive experience in agriculture and knowledge in economics. He graduated from Beizhen Agricultural Professional College of Shandong Province* (山東省北鎮農業專科學校) in 1968. In 1971, he graduated from the Professional Course in Economic Statistics from the Party School of Liaoning Province* (遼寧省黨校函授經濟統計專業班) and was promoted to Senior Professor. During the period from 1968 to 1998, Mr. WANG worked at Agricultural Bureau and Forestry Bureau of Zouping (鄒平農業局及林業局) and was the secretary and deputy director of the Government Office and Director of Bureau of the Legislative Affairs (法制局), Director of the Government Office, and communist party member of the Government Office of Zouping, Shandong Province, of the PRC. Before retirement in 2007, he was the secretary of the Party's Committee at the Luzhong Professional School in Shandong Province, of the PRC* (山東省魯中職業學院). Mr. WANG was appointed as an independent non-executive Director on 1 April 2013. Mr. WANG is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. WANG Zhen (王鎮)

Mr. WANG Zhen, aged 36, is an independent non-executive Director, Mr. WANG, has over 6 years of experience in the legal field. He graduated with a bachelor degree from Weifang University* (濰坊學院) in 2009. After obtaining his professional legal qualifications in the PRC in 2009, Mr. WANG has served as a professional lawyer of Shandong Lizhi Law Office* (山東勵志律師事務所) from 2010 till present. Mr. WANG was appointed as an independent non-executive Director on 23 March 2016. Mr. WANG is a member of the Audit Committee and the Nomination Committee.

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Company is committed to maintain good corporate governance practices and procedures. The Company has adopted the principles of good governance and code provisions contained in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. Save as disclosed herein, the Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code throughout the Year. The Board is committed to uphold the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximize the interests of the shareholders.

The Board is responsible for performing the duties on corporate governance function as set out below:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance and legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the Year, the Board has reviewed the Company's corporate governance practices and the duties performed by the committees of the Board. Detailed discussion of the major corporate governance practices adopted and observed by the Company during the Year or where applicable, up to the date of this report is set out below.

A. Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the Year and up to the date of this report.

CORPORATE GOVERNANCE REPORT

B. Board of Directors

(i) Board composition

The Board currently comprises a combination of two executive Directors, three non-executive Directors and three independent non-executive Directors. During the Year and up to the date of this annual report, the Board consisted of the following Directors:

Executive Directors:
Mr. WANG Jin Tao *(Chief Executive Officer)*
Mr. WANG Wei Min

Non-executive Directors:
Mr. WANG Di *(Chairman)*
Mr. WANG Yong *(Deputy Chairman)*
Mr. SUN Xinhu

Independent non-executive Directors:
Mr. WONG Kai Ming
Mr. WANG An
Mr. WANG Zhen

During the Year, the Board at all times met the requirements under Rules 3.10 and 3.10 (A) of the Listing Rules that, at least one-third of members of the Board being independent non-executive directors, with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

(ii) Appointment and re-elections of directors

All the non-executive Directors and all independent non-executive Directors have entered into letters of appointment with the company with a specific term of 3 years. In accordance with the Bye-laws of the Company, the Board is authorized to appoint any person as a director of the Company either to fill a casual vacancy on the Board or, subject to authorization by the members in general meeting, as an additional member of the Board. According to the Bye-laws of the Company, new appointments to the Board are subject to re-election by shareholders at the next following annual general meeting. Moreover, one-third of the Directors of the Board (or, the number nearest to but not less than one-third if the number of directors is not a multiple of three) shall retire from office by rotation and is eligible for re-election by shareholders at the annual general meeting. A retiring Director shall continue to act as a Director throughout the meeting at which he retires. The Board should ensure that every Director shall be subject to retirement at least once every three years. In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company as a whole. One of the independent non-executive Directors, Mr. WONG Kai Ming, has over 30 years of experience in the accounting and finance fields and is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. Non-executive Directors are appointed for a term of three years. The Company has received the annual written confirmations from each of Mr. WONG Kai Ming, Mr. WANG An and Mr. WANG Zhen in respect of their independence respectively pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Board considers that all independent non-executive Directors are independent.

(iii) Responsibilities, accountabilities and contributions of the Board

The Board, with the assistance from the senior management, forms the core management team of the Company. The Board takes the overall responsibility for management of the Company, formulating the business strategies and development plan of the Company, decision making on important issues, including but not limited to substantial mergers and acquisitions and disposals, Directors' appointments and significant operational and financial matters, and review and approval of annual and interim results of the Company. The senior management are responsible for supervising and executing the Board policies and strategies including the provision of monthly updates of the Group's performance, position and prospects to the Board, to enable the Board and each of the Directors to deliver and discharge their duties under the Listing Rules. Daily management, administration and operation of the Company are delegated to the management team of the Company. The Directors have timely and full access to all relevant information of the Company. The company secretary of the Company (the "**Company Secretary**") provides advice and services to the Directors to ensure the Directors follow all the Company's Board procedures and all applicable rules and regulations. Company Secretary notifies the Directors of rule amendments and updates in respect of corporate governance practices, to assist the Directors of the Company to fulfill their responsibilities.

(iv) Financial reporting

The Directors acknowledge their responsibility for preparing the financial statements for the Year, which give a true and fair view of the state of affairs of the Group, and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The financial statements of the Company and the Group for the Year were prepared on a going concern basis. The Audit Committee reviewed and recommended the Board to adopt the audited accounts for the Year. The Board is not aware of any material uncertainties relating to the events or condition that may undermine the Company's ability to continue as a going concern. The statements of the external auditors of the Company with regard to their reporting responsibilities on the financial statements of the Company are set out in the Independent Auditors' Report on pages 44 to 49.

CORPORATE GOVERNANCE REPORT

(v) Relationship among members of the Board

Mr. WANG Di, the chairman and a non-executive Director, is the son of Mr. WANG Yong, the deputy chairman and a non-executive Director. Saved as disclosed, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between any of the Directors or chief executive officer of the Company. Each of Mr. WANG Di, and Mr. SUN Xinhu, among others, have entered into a voting agreement in respect of their shares held in Xiwang Holdings dated 27 September 2011 and as supplemented by a supplemental voting agreement dated 7 February 2012. Under these agreements, each of the shareholders of Xiwang Holdings shall only vote, when in the capacity of a shareholder of Xiwang Holdings, in accordance with the instruction of Mr. WANG Yong at any shareholders meeting of Xiwang Holdings.

(vi) Continuous professional development of directors

Induction seminars of comprehensive guidance on directors' duties and liabilities are provided by the Company's legal advisors to Directors once they joined the Board. Senior management of the Company provides briefings to all Directors for updates of their knowledge and skills of the industry of the Company. Company Secretary provides updates or amendments of the Listing Rules of the Stock Exchange and other statutory regulations for Directors' fulfillment of their responsibilities and duties in the Company. During the Year, the Company provided the Directors with written materials for the updates of corporate governance practices, especially the sections related to the disclosure of inside information and disclosure responsibilities. All Directors have confirmed they have studied the materials provided by the Company.

	Studying written materials for the updates of corporate governance practices
WANG Jin Tao	✓
WANG Wei Min	✓
WANG Di	✓
WANG Yong	✓
SUN Xinhu	✓
WONG Kai Ming	✓
WANG An	✓
WANG Zhen	✓

C. Chairman and Chief Executive Officer

Mr. WANG Di is the chairman of the Company who is principally responsible for formulation of plans and policies of the Group. The chairman also chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings. The chief executive officer of the Company is Mr. WANG Jin Tao who is responsible for the supervision for the execution of the plans and policies determined by the Board.

D. Board Committees

The Board has three board committees, namely Audit Committee, Remuneration Committee and Nomination Committee. Independent non-executive Directors are majority of members of these committees appointed by the Board. Written terms of reference of these committees based on the CG Code have been approved and adopted by the Board. Sufficient resources are provided to the Board committees for their discharge of their duties. They are able to seek independent professional advice, at the Company's expenses, upon reasonable request and under appropriate circumstances.

(i) Audit Committee

In accordance with the written terms of reference of the Audit Committee, all members of the Audit Committee should be non-executive Directors with majority of them being independent non-executive Directors. At least one of them shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. Former partner of the Company's existing external auditors from time to time may not act as a member of the Audit Committee for a period of at least two years from the date of the person ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is later. At present, the members of Audit Committee comprised Mr. WONG Kai Ming (chairman), Mr. WANG An and Mr. WANG Zhen. The primary responsibilities of the Audit Committee are to monitor the integrity of the Group's financial statements and reports and to review significant financial reporting judgements contained therein, to review the Company's financial controls, risk management and internal control system, to make recommendations to the Board for the improvement of the Group's risk management and internal control procedures and system and to make recommendations to the Board for the appointment and removal of external auditors. The terms of reference of the Audit Committee are available on the Company's website and the website of the Stock Exchange. Two meetings were held by the Audit Committee during the Year. During the Year, the Audit Committee reviewed the Company's risk management and internal control systems, the effectiveness of its internal audit function and financial reporting system. The Audit Committee reviewed and recommended the Board to adopt the audited accounts and final results announcement for the year ended 31 December 2019 and the unaudited accounts and interim results announcement for the six months ended 30 June 2020. The Audit Committee reviewed and made recommendation to the Board for the re-appointment of external auditor.

CORPORATE GOVERNANCE REPORT

(ii) Remuneration Committee

In accordance with the written terms of reference of the Remuneration Committee, majority of members of the Remuneration Committee should be independent non-executive Directors, with the chairman must be an independent non-executive Director. The terms of reference of the Remuneration Committee are available on the Company's website and the website of the Stock Exchange. At present, the members of Remuneration Committee comprised Mr. WANG An (chairman), Mr. WONG Kai Ming and Mr. SUN Xinhu. The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the policy and structure of the Company for all Directors and senior management remuneration, to review and recommend to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments. One meeting was held by the Remuneration Committee during the Year. During the Year, Remuneration Committee has reviewed remuneration of Directors.

(iii) Nomination Committee

In accordance with the written terms of reference of the Nomination Committee, majority of members of the Nomination Committee should be independent non-executive Directors, with the chairman must be an independent non-executive Director. The terms of reference of the Nomination Committee are available on the Company's website and the website of the Stock Exchange. At present, the members of the Nomination Committee comprised Mr. WONG Kai Ming (chairman), Mr. WANG Zhen and Mr. SUN Xinhu. The primary responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become Board members and to select or make recommendations to the Board on the selection of individuals nominated for directorship, and to assess the independence of the independent non-executive Directors. Pursuant to the nomination policy, the Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election or re-election as Directors at general meetings or appoint as Directors to fill casual vacancies. The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled. The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate: (i) Reputation for integrity (ii) Accomplishment and experience in the property industry (iii) Commitment in respect of available time and relevant interest (iv) Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, qualifications, professional experience, skills, knowledge, independence and length of service. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate, in accordance with the requirements and subject to any restrictions in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Retiring Directors are eligible for nomination by the Nomination Committee and recommendation by the Board to stand for re-election at a general meeting. The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also identify candidates pursuant to the criteria set out above and put forward candidates who are not nominated by Board members. The Nomination Committee may use any process it deems appropriate to evaluate the candidates pursuant to the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration, approval and appointment. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to the shareholders. In case of election or re-election at a general meeting, until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting. In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders. A shareholder can serve a notice to the Company Secretary within the lodgement period of its intention to propose a resolution to elect certain person(s) as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular. A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting. Unless required by law or any regulatory authority, under no circumstances shall a member of the Nomination Committee or a staff member of disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to shareholders is issued. Following the issue of the circular, the Nomination Committee or Company Secretary or other staff member approved by the Nomination Committee may answer enquiries from the regulatory authorities or the public but

CORPORATE GOVERNANCE REPORT

confidential information regarding nominations and candidates should not be disclosed. The Board adopted a board diversity policy (the "**Board Diversity Policy**") which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board, the summary of which is as follows: the Board has set objectives (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is responsible for monitoring the implementation of the Board Diversity Policy and review the same as appropriate. In designing the Board's composition, board diversity has been considered and the Board should have a balance of skills, experience and knowledge in the industry and diversity of perspectives appropriate to the Company's business. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee having reviewed the Board's composition, nominated Mr. WANG Di, Mr. WANG Yong and Mr. WANG An to the Board for it to recommend to the Shareholders for re-election at the annual general meeting of the Company held on 12 June 2020. The nomination were made in accordance with the nomination policy of he Company, having took into account the diversity aspects (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity, as set out under the Board Diversity Policy. One meeting was held by the Nomination Committee during the Year. The Nomination Committee performed annual review of the structure of the Board and recommended the nomination of Directors for re-election at the annual general meeting of the Company held on 12 June 2020.

(iv) Attendance record of the Board, and Board committee meetings and general meetings

The details of Directors' attendance of the Board and board committee meetings as well as general meetings held during the Year are set out in the following table:

	No. of meetings attended/no. of meetings held				
	Board Meeting	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**General Meeting**
Executive Directors:					
WANG Jin Tao *(Chief Executive Officer)*	4/4	N/A	N/A	N/A	1/1
WANG Wei Min	4/4	N/A	N/A	N/A	1/1
Non-executive Directors:					
WANG Di *(Chairman)*	4/4	N/A	N/A	N/A	1/1
WANG Yong *(Deputy Chairman)*	4/4	N/A	N/A	N/A	1/1
SUN Xinhu	4/4	N/A	1/1	1/1	1/1
Independent Non-executive Directors:					
WONG Kai Ming	4/4	3/3	1/1	1/1	1/1
WANG An	4/4	3/3	1/1	N/A	1/1
WANG Zhen	4/4	3/3	N/A	1/1	1/1

CORPORATE GOVERNANCE REPORT

E. Auditors' Remuneration

A breakdown of the remuneration of the Group's external auditor, HLB Hodgson Impey Cheng Limited, for the year ended 31 December 2020 is as follows:

	(RMB'000)
HLB Hodgson Impey Cheng Limited	
Annual audit services	565
Non-audit services*	26

* Being professional fees for services rendered in connection of review of continuing connected transactions for the year ended 31 December 2020.

F. Internal Control

Risk Management and Internal Control

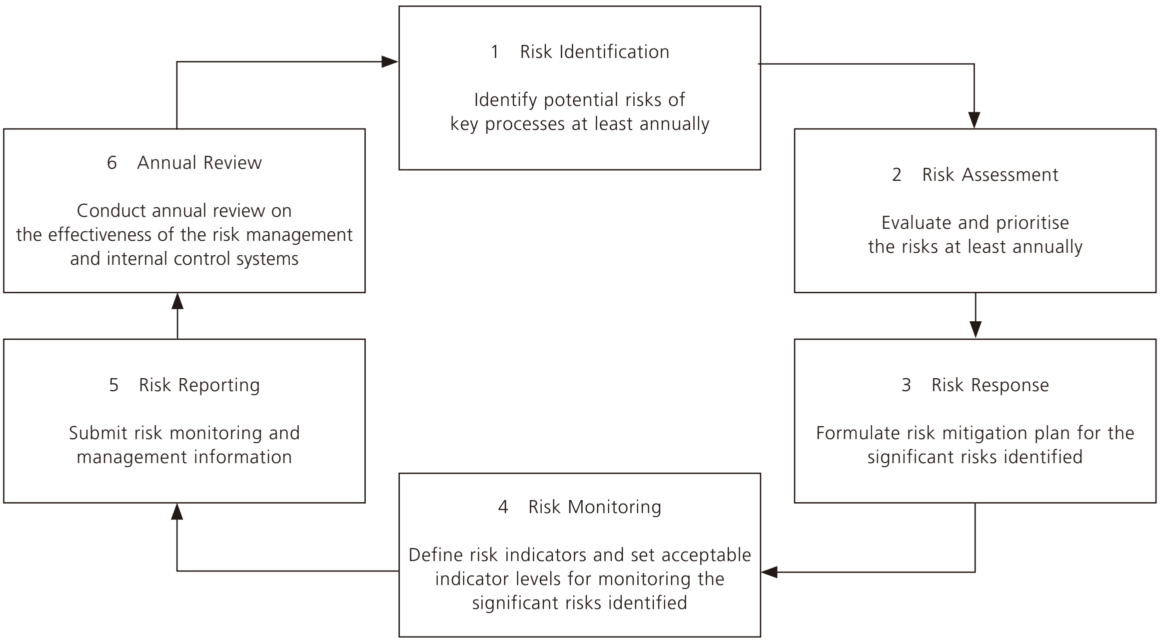
Maintaining sound risk management and internal control systems is pivotal to the fulfillment of the Group's business objectives and its long-term sustainable growth. The Board acknowledges its overall responsibility for evaluating and determining the nature and extent of the risks the Group is willing to take in achieving the Group's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems to safeguard shareholders' investment and the Group's assets. To this end, the Board continuously reviews and makes improvements in its risk management and internal control framework. During the Year, the Group has set up its own internal audit department which conducted a comprehensive review of the Group's risk management system, resulting in an enhanced enterprise risk management ("**ERM**") framework through a robust and inclusive system that manages risks at all levels of the organisation. During the Year, the Board, through the Audit Committee, also reviewed the effectiveness of the Group's risk management and internal control systems, covering operational, financial and compliance controls of the Group.

Risk Management Framework

The Group's risk management system is aligned with the internal control framework of international body consisting of the five elements, namely, the control environment, risk assessment, control activities, information and communication, and monitoring. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives of the Group and can provide reasonable, but not absolute assurance against material misstatement or loss. The systems consist of two essential features, the risk governance structure and the risk management process.

Risk Governance Structure – The Group's risk governance structure is based on the "3 lines of defence" model, which comprises day-to-day operational management and control, risk and compliance oversight, and independent assurance. The ERM policy formalised by the Group clearly defines roles and responsibilities of each of the multiple layers of the structure, including the Board, the Audit Committee, senior management, department heads, operational level and internal audit.

Risk Management Process – The Group's ERM approach is a structured mechanism and a continuous process of identifying, evaluating, prioritising, managing and monitoring the risks that the Group faces. The key process of the Group's ERM is illustrated below:



The ERM adopted by the Group is embedded in our strategy development, business planning and day-to-day operations. The Group adopts a control and risk self-assessment methodology and continuously assesses and manages its risk profile on a regular basis. Risks that are relevant to the Group's business are identified, assessed and ranked according to their likelihood, financial consequence and reputational impact on the Group. The ERM system uses risk indicators and red flags to monitor the priority risks identified. Risk owners are required to submit risk alerts with risk mitigation plan promptly and regular risk reports are presented to the senior management and Audit Committee for ongoing review and monitoring. The key risks identified, managed and monitored during the Year include sale and taxation process. Action plans were formulated and implemented during the Year to address the areas of concern effectively.

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The Group's internal audit department conducts risk management and internal control reviews covering operational, financial and compliance controls of the Group. The Group's internal audit function reports directly to the Audit Committee. It carries out independent reviews of key business processes and controls in accordance with its annual audit plan approved by the Audit Committee. The head of internal audit has regular meetings with the Audit Committee to report the key findings and recommendations for improvement of audit issues. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or results of operations of the Group and considered the risk management and internal control systems to be effective and adequate.

G. Inside Information

The Company takes seriously of its obligations under the Part XIVA of the Securities and Futures Ordinance ("**SFO**") and the Listing Rules with respect to procedures and internal controls for the handling and dissemination of inside information. The Group has a disclosure policy which sets out guidelines and procedures to the Directors and officers of the Group to ensure inside information of the Group is to be disseminated to the public in equal and timely manner (the "**Disclosure Policy**"). Under the Disclosure Policy, the Company's disclosure team comprising executive Director and members of senior management have the overall delegated authority to decide whether the information reported is inside information and require disclosure and refer the subject matter to the Board for decision. Measures are in place to preserve the confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain it confidential. In communicating with external parties, only designated officers are authorised to respond to enquiries in allocated areas of issues. Briefing session is held regularly for officers to facilitate their understanding and compliance with the policy.

H. Company Secretary

The Company Secretary provides advice and services to the Board to ensure that the Board follows all the Company's Board procedures and all applicable rules and regulations. The Company Secretary notifies the Board of rule amendments and updates in respect of corporate governance practices, to assist the Directors in fulfilling their responsibilities. The Company Secretary, Mr. YU Chi Kit has confirmed that he has sufficient relevant professional training during the Year as required under Rule 3.29 of the Listing Rules.

I. Directors' and Officers' Liability Insurance

The Company has taken out liability insurance to indemnify its Directors and senior management for their liabilities arising from the performance of their duties. The insurance coverage is reviewed by the Company on an annual basis. No claim has been made against the Directors and senior management of the Company during the Year.

J. Shareholders' Rights and Investor Relations

Under the Companies Act of Bermuda (the "**Companies Act**") and the Bye-laws of the Company, dividends may be paid out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts. However, no dividend shall exceed the amount recommended by the Board of the Company. The Company does not have any predetermined dividend payout ratio. Declaration and recommendation of payment of dividends of the Company is subject to the approval of the Board of the Company, depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Board of the Company may consider relevant from time to time. Shareholders will be entitled to receive dividends apportioned and paid pro rata according to the amounts paid up on the shares. Any future declaration, recommendation and payment of dividends of the Company may or may not reflect or follow the historical declarations and payments of dividends and will be at the absolute discretion of the Board of the Company. The Company's shareholders' communication policy is to maintain transparency and provide timely information of the Group's material developments to shareholders and investors. General meetings of the Company are formal channels for communication between shareholders and the Board. The chairmen of the Board and the Board committees are invited to attend the general meetings to have direct communication with the shareholders. External auditor of the Company should also attend annual general meetings to answer shareholders' enquiries. Under the Company's bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office at Clarendon House, 2 Church Street, Hamilton, HM11 Bermuda and its principal place of business in Hong Kong at Unit 2110, 21/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary, to require a special general meeting ("**SGM**") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. The written requisition must state the purpose(s) of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders. If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested. The notice period to be given to all the registered shareholders for consideration of the proposal raised by the shareholder(s) concerned at a SGM varies according to the nature of the proposal, as follows: (i) at least twenty-one (21) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and (ii) at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company. Shareholders who have enquiries about the above procedures or have enquiries to put to the Board or have suggestions on the Company's business may write to the Company Secretary at Unit 2110, 21/F, Harbour Centre, 25 Harbour

CORPORATE GOVERNANCE REPORT

Road, Wanchai, Hong Kong. The Board and senior management of the Company will seriously consider shareholders' enquiries and address them accordingly and in compliance with the Listing Rules. During the Year, no shareholders' written enquiry was received. The investor relations and corporate communication department of the Company in Hong Kong maintains regular communication and dialogue with shareholders, investors and analysts. It can be accessed during normal business hour by phone (Telephone: 3188 4518) or email (ir@xiwangproperty.com). Shareholders and investors can also visit the Company's website at www.xiwangproperty.com and the Stock Exchange's website for the Company's announcements, circulars, financial information, corporate governance practices, annual reports, interim reports and other corporate information and updates of business development and operations. During the year, there have been no changes to the Company's constitutional documents.

K. Business Model and Strategy

The Group generates revenue from selling properties in the PRC. The Group will maintain flexible strategies in business development and prudent risk and capital management in order to achieve sustainable long term profitability and asset growth which in turns will maximize the shareholders' interest. The Group aims in maintaining its gearing at reasonable level and good banking relationships which enables the Group to obtain the funding for business needs and investments when opportunities arise. The Group is optimistic about the long term economic potentials of the real estate market in China, and will focus on the development of residential projects in Shandong Province and look for development potential in other areas in China from time to time to explore new markets.

On behalf of the Board

WANG Di
Chairman

Hong Kong, 29 March 2021

DIRECTORS' REPORT

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

Principal Activities

The Group is principally involved in property development and trading of construction materials in the PRC.

Dividend

No final dividend was proposed by the Board for both ordinary shares and convertible preference shares in respect of the Year (2019: Nil). Payment of the preferred annual distribution of RMB0.01 per convertible preference share will be deferred as at 31 December 2020.

Business Review

Business review of the Company and a discussion and analysis of the Group's performance during the Year, the material factors underlying its results and financial position, and an indication of likely future development in the Company's business are set out on pages 6 to 8 of this Annual Report. An analysis of Group's performance using financial key performance indicators is provided on pages 6 to 8 of this Annual Report. These discussions form part of this Directors' report.

Principal Risks and Uncertainties

A number of factors may affect the results and business operations of the Group, some of which are inherent to property development business and some are from external sources. Major risks are summarized below.

(i) Market Risk

The accumulative increase in average prices narrowed down, with price generally stable. The accumulative price increase by city tier slowed down, where the price increase in third-tier cities had decreased significantly, but remained in high level. Meanwhile, we need to bear in mind the negative impact brought by high property prices. For an enterprise, high property prices have increased its cost of purchasing or leasing a property and the cost of living of its staff, which in turn will drive up the wages of its staff, and thus the costs of the enterprise. Moreover, persistently high property prices have also increased the risk for the market price to fall. In response to the change in the government's policy, the Group has enhanced the quality of its products, as well as its competitiveness. We will adopt a policy of marketing aggressively and pricing reasonably, in order to be in well position to adapt to price changes circle.

DIRECTORS' REPORT

The real estate market has gradually shaken off the impact of the epidemic and moved onto the right track, but the drop in income of people engaged in the more affected industries such as foreign trade, tourism and services will, to a certain extent, also suppress the demand for housing. In Zouping, Shandong Province, where the Group's principal operations are located, prices of some high-end residential properties were reduced slightly in the first half of the year and remained stable overall, leaving more room for demand for new and improved housing, limited land supply and fewer new housing developments, and commercial housing prices are expected to remain at the current level with narrow fluctuations.

(ii) Policy Risk

China's real estate industry is strictly regulated by the government. The changes of governmental policies will probably affect the development of the industry. Meanwhile, property developers are required to obtain various permissions, licenses, certificates and other approvals from relevant administrative authorities at different stages of property development. Each approval is subject to several conditions. Failure to obtain relevant approvals will affect the development of our subject property projects, undermining the business, financial condition and operating results of the Company. The Central Economic Work Conference took destocking in the real estate market as the focus of our country's supply-side structural revolution. Destocking is also a core measure to achieve a stable and healthy real estate market. Thanks to our government's various measures, the destocking in real estate made significant progress. In the short term, China's real estate policies will not change a lot, and the regulation will be stepped up. The development pattern of real estate industry features a strong high-end market, a supportive mid-range market and a solid entry-level market. The establishment and improvement of our long-term mechanism takes time. Promoting housing system revolution and establishing of long-term mechanism were proposed in a meeting of the Central Politburo. The implementation of long-term mechanism will be accelerated. Meanwhile, short-term regulation and long-term mechanism have come closer. Taking multilevel housing supply system to a higher level while maintaining the stability of real estate market is of importance. It is also going to change real estate market a lot in the future. For example, the concept of housing on people's mind will change, and house buyers are more likely to be the actual users of the houses they buy. The foundation of the real estate is going to be more solid. Many cites have issued their own regulatory policies. Regulations on real estate finance have become stricter, curbing the demand originating from speculation. The tightening regulations in property market is leading to a "Four Restrictions Era", namely, restrictions on purchasing, borrowing, pricing and selling. The Group closely monitors the laws, regulation and policies in China, so as to duly apply for licences and permits in advance, carry out its operation activities in strict compliance with relevant government policies, tackle and deal with ad hoc issues in an immediate and active manner.

Environmental Policies and Performance

The Group paid attention to nourish and enhance employees' awareness of cherishing resources and utilizing resources with high efficiency, and proactively promoted environmental protection. It urged and encouraged supervisory employees on duty to save energy and paper at work. The ultimate goal is to save resources and costs and protect the environment.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2020 and up to the date of this report, we have complied with all the relevant laws and regulations in the PRC and Hong Kong.

Explanatory Notes to Important Relationship with Employees, Customers and Suppliers

The Group promoted people-oriented management cultures and emphasized the value of employees as it believed employees were important resources for enhancing the Company's productivity and core competency. To provide employees with competitive remunerations and opportunities to receive skill trainings is closely connected to the realization of employees' individual values as well as the Group's strategic goals. The Group maintained good cooperation and communications with upstream builders and material suppliers, and ensured both sides were mutually benefited. The Group also paid close attention to customers' satisfaction, carefully listened to opinions of property owners and constantly enhanced service quality in order to maintain good reputation of the Company.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital for the Year are set out in note 25 to the consolidated financial statements.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 129.

DIRECTORS' REPORT

Share Option Scheme

In view of the expiry of the 2005 Scheme, the Company adopted a share option scheme pursuant to a resolution passed at a shareholders' meeting held on 10 May 2018 (the "**2018 Scheme**"), as incentives or rewards for eligible participants' contribution to the Group. Participants of the 2018 Scheme include (i) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest; (ii) any non-executive Directors (including Independent non-executive Directors) of the Company, any of its Subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The 2018 Scheme became effective on 10 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. No share options have been granted under the 2018 Scheme since its adoption. The maximum number of shares issuable upon exercise of all outstanding options which may be granted under the 2005 Scheme, the 2018 Scheme and any other share option scheme of the Group shall not exceed 140,877,331 ordinary shares in aggregate, representing approximately 10.00% of ordinary shares in issue and listed on the Stock Exchange as at the date of this report, and which must not in aggregate exceed 30% of the ordinary shares in issue from time to time. The maximum number of ordinary shares issued and to be issued upon exercise of the options granted to any eligible person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued ordinary shares from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting (with such participant and his associates abstaining from voting). The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the Directors. The exercise price of share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer, and (iii) the nominal value of a share in the Company. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The Company operated a share option scheme (the "**2005 Scheme**"), which was adopted pursuant to a resolution passed at a shareholders' meeting held on 6 November 2005, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The principal terms of the 2005 Scheme are summarised as follows: The maximum number of ordinary shares of the Company which may be issued upon exercise of all options to be granted under the 2005 Scheme and any other schemes of the Group must not exceed 80,000,000 ordinary shares, being 10% of ordinary shares in issue on the date of listing of the ordinary shares on the Stock Exchange and approximately 5.68% of ordinary shares in issue and listed on the Stock Exchange as at the date of this report, and which must not in aggregate exceed 30% of the ordinary shares in issue from time to time. The maximum number of ordinary shares issued and to be issued upon exercise of the options granted to any eligible person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued ordinary shares from time to time. The subscription price for the ordinary shares under the 2005 Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the ordinary share as stated in the Stock Exchange's daily quotations sheet on the date of the Board approving the grant of an option, which must be a business day; (ii) the average closing price of the ordinary share as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary share. An option may be exercised in whole or in part in accordance with the terms of the 2005 Scheme at any time during the period commencing immediately after the business day on which the option is deemed to be granted and accepted in accordance with the Scheme (the "**2005 Commencement Date**") and expiring on such date of the expiry of the option as the Board may in its absolute discretion determine and which shall not exceed ten years from the 2005 Commencement Date but subject to the provisions for early termination thereof as set out in the 2005 Scheme. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The 2005 Scheme became effective on 6 November 2005 and expired on 5 November 2015. The share options granted under the 2005 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2005 Scheme.

DIRECTORS' REPORT

As at 31 December 2020, options to subscribe for 6,400,000 ordinary shares of the Company, representing approximately 0.45% of ordinary shares in issue and listed on the Stock Exchange as at the date of this report, were outstanding, details of which are set out in note 26 to the consolidated financial statements and below:

Class of grantee	Date of grant	During the year ended 31 December 2020 Granted	Exercised	Cancelled	Lapsed	Outstanding as at 1 January 2020	Outstanding as at 31 December 2020	Exercise price per Share (HK$)	Exercise period
Directors									
WANG Di	5 November 2013	–	–	–	–	3,000,000	3,000,000	1.112	(Note 2, 3)
SUN Xinhu	5 November 2013	–	–	–	–	3,000,000	3,000,000	1.112	(Note 2, 3)
Employees									
(Note 1)	5 November 2013	–	–	–	–	400,000	400,000	1.112	(Note 2, 3)
		–	–	–	–	6,400,000	6,400,000		

Notes:

1. Employees include employees of the Group (other than the directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

2. The closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on 4 November 2013, being the trading day immediately preceding the date of grant of options, was HKD1.10 per share.

3. The validity period of the options is from 5 November 2013 to 5 November 2023. The options can only be exercised by the grantees in the following manner:

Commencing from	Maximum cumulative number of ordinary shares under the options that can be subscribed for pursuant to the exercise of the options
5 November 2014	2,100,000
5 November 2015	2,100,000
5 November 2016	2,200,000

Equity-linked Agreements

Other than the share option schemes as disclosed above, no equity-linked agreements were entered into by the Company, or existed during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Year.

Reserves

Details of movements in the reserves of the Company during the Year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity.

As the 31 December 2020, the reserves available for distribution to shareholders of the Company was RMB204,623,000 (31 December 2019: RMB227,181,000).

DIRECTORS' REPORT

Major Customers and Suppliers

For the Year, purchases from the largest supplier of the Group accounted for approximately 82% (2019: 95%) of the Group's total purchase and purchases from the Group's five largest suppliers accounted for approximately 92% (2019: 98%) of the Group's total purchase. For the Year, the Group's largest customer accounted for approximately 94% (2019: 96%) of the Group's total revenue and the Group's five largest customers accounted for approximately 100% (2019: 99%) of the Group's total revenue. None of the Directors or any of their close associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest suppliers and five largest customers of the Group during the Year.

Directors and Directors' Service Contracts

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

Executive Directors:

Mr. WANG Jin Tao *(Chief Executive Officer)*
Mr. WANG Wei Min

Non-executive Directors:

Mr. WANG Di *(Chairman)*
Mr. WANG Yong *(Deputy Chairman)*
Mr. SUN Xinhu

Independent Non-executive Directors:

Mr. WONG Kai Ming
Mr. WANG An
Mr. WANG Zhen

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, each of Mr. WANG Jin Tao, Mr. SUN Xinhu and Mr. WONG Kai Ming shall retire from office at the forthcoming annual general meeting and, being eligible, will offer himself for re-election. None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considered all the independent non-executive Directors to be independent.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 12 of this annual report.

Directors' Interests in Contracts of Significance

Save as disclosed in note 29 to the consolidated financial statements, no transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, is subsisting at the end of the Year or at any time during the Year.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries or the holding company or a subsidiary of the Company's holding company a party to any arrangements to enable the Directors to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed that none of the Directors has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

Permitted Indemnity Provision

The Company has taken out liability insurance to indemnify its Directors for their liabilities arising from the performance of their duties.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company and the Group were entered into or existed during the year ended 31 December 2020.

Remuneration Policy

The remuneration policy of the Group is set on the basis of the employees' merit, qualifications and competence and reviewed by the Remuneration Committee periodically. The remuneration package of the Directors are reviewed and recommended by the Remuneration Committee and approved by the Board, with consideration to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' REPORT

Directors' Interests in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of company/ associated corporation	Capacity	Number and class of securities held/interested *(Note 1)*	Approximate percentage shareholding in the same class of securities in the relevant corporation as at 31 December 2020
WANG Yong	Company	Interest of controlled corporations *(Note 2)*	982,999,588 ordinary shares (L) *(Note 4)*	69.78%
			506,244,669 convertible preference shares (L) *(Note 4)*	99.75%
	Xiwang Investment Company Limited ("**Xiwang Investment**")	Interest of controlled corporations *(Note 2)*	3 shares (L)	100%
	Xiwang Holdings	Beneficial owner *(Note 2)*	6,738 shares (L)	3.37%
		Interest of controlled corporations *(Note 2)*	190,000 shares (L)	95%
	Xiwang Hong Kong	Interest of controlled corporations *(Note 2)*	694,132,000 shares (L)	100%

Name of Director	Name of company/ associated corporation	Capacity	Number and class of securities held/interested *(Note 1)*	Approximate percentage shareholding in the same class of securities in the relevant corporation as at 31 December 2020
	Xiwang Group	Beneficial owner *(Note 2)*	RMB1,383,000,000 (L)	26.85%
	Xiwang Special Steel	Interest of controlled corporations *(Note 2)*	1,344,855,000 shares (L) *(Note 3)*	56.77%
WANG Di	Company	Beneficial owner	3,000,000 ordinary shares (L) *(Note 5)*	0.21%
	Xiwang Holdings	Beneficial owner	177 shares (L)	0.09%
	Xiwang Group	Beneficial owner	RMB35,400,000 (L)	1.54%
	Xiwang Special Steel	Beneficial owner	11,000,000 shares (L)	0.46%
SUN Xinhu	Company	Beneficial owner	3,000,000 ordinary shares (L) *(Note 5)*	0.21%
	Xiwang Holdings	Beneficial owner	89 shares (L)	0.04%
	Xiwang Group	Beneficial owner	RMB35,400,000 (L)	1.54%
	Xiwang Special Steel	Beneficial owner	2,102,000 shares (L)	0.09%

DIRECTORS' REPORT

Notes:

(1) The letter "L" represents the Director's interests in the shares.

(2) As at 31 December 2020, Xiwang Group is the ultimate holding company of the Company. Xiwang Group is owned as to 26.85% by Mr. WANG Yong, 34.41% by 20 individuals including WANG Di and the remaining 38.74% by other shareholders. Further, the 20 individuals are accustomed to act in accordance with the directions of Mr. WANG Yong in respect of the exercise by such 20 individuals of their voting powers as a shareholder of Xiwang Group. Accordingly, Mr. WANG Yong is deemed to be interested in 61.26% of the shares of the Company in which Xiwang Group is interested.

Xiwang Hong Kong is a wholly-owned subsidiary of Xiwang Group. Xiwang Hong Kong directly holds 95% and Mr. WANG Yong and 22 individuals directly hold 5% of the issued share capital of Xiwang Holdings, respectively. Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings. Therefore, Xiwang Holdings, Xiwang Hong Kong and Xiwang Group are deemed to be interested in the number of shares of the Company held by Xiwang Investment.

(3) These shares are registered in the name of Xiwang Investment. Mr. WANG Yong is deemed to be interested in all the shares of Xiwang Special Steel held by Xiwang Investment.

(4) These shares are registered in the name of Xiwang Investment. Mr. WANG Yong is deemed to be interested in all shares held by Xiwang Investment.

(5) These interests represent the Directors' beneficial interests in the underlying shares in respect of the share options granted by the Company to the Directors. Details of which are set out in the section headed "Share Option Scheme".

Substantial Shareholders and Other Persons who are Required to Disclose their Interests pursuant to Part XV of the SFO

(a) Substantial shareholders of the Company

As at 31 December 2020, so far as it is known to any Directors of the Company, the following shareholders (other than the Directors and chief executive of the Company whose interests and short positions in the shares and underlying shares of the Company are set out above) had or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of shares of the Company held *(Note 1)*	Approximate percentage of interest as at 31 December 2020
Xiwang Investment	Beneficial owner	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Xiwang Hong Kong	Interest of controlled corporations *(Notes 2, 3)*	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%

DIRECTORS' REPORT

Name of substantial shareholder	Capacity	Number of shares of the Company held *(Note 1)*	Approximate percentage of interest as at 31 December 2020
Xiwang Group	Interest of controlled corporations *(Notes 2, 3)*	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
ZHANG Shufang	Interest of spouse *(Note 4)*	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP) ("**Qilu**")	Person having a security interest in shares *(Note 5)*	982,999,588 ordinary share (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Zhongtai International Asset Management Limited	Investment Manager *(Note 6)*	982,999,588 ordinary share (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%

Notes:

(1) The letter "L" represents the entity's interests in the shares.

(2) Xiwang Holdings directly holds 100% of the issued share capital of Xiwang Investment and therefore is deemed to be interested in the number of shares of the Company held by Xiwang Investment.

(3) Xiwang Hong Kong directly holds 95% and Mr. WANG Yong and 22 individuals directly hold 5% of the issued share capital of Xiwang Holdings, respectively. Xiwang Hong Kong is in turn wholly-owned by Xiwang Group. Therefore, Xiwang Hong Kong and Xiwang Group are deemed to be interested in the number of shares of the Company held by Xiwang Investment.

(4) Ms. ZHANG Shufang, being the spouse of Mr. WANG Yong, is deemed to be interested in all the shares in which Mr. WANG Yong is deemed to be interested.

(5) The controlling shareholder of the Company notified the Board on 28 September 2017 that it entered into share charge agreements with an independent third party pursuant to which it charged all of its shareholding in the Company in favour of such independent third party as security for notes issued by its subsidiary to such independent third party in the aggregate principal amount of HK$200,000,000.

(6) Zhongtai International Asset Management Limited is the fund manager of Qilu, as such it is deemed to be interested in all the shares Qilu is interested pursuant to the SFO.

(b) Other persons who are required to disclose their interests pursuant to Part XV of the SFO

Save as disclosed in the paragraph headed "Directors' Interests in shares, underlying shares and debentures of the Company and its associated corporations" and paragraph (a) above, as at 31 December 2020, no other person had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Connected Transactions

The related party transactions set out in note 29 to the consolidated financial statements constitute continuing connected transactions under Chapter 14A of the Listing Rules. Save as the provision of financial services under the new Financial Services Framework Agreement dated 12 August 2019 entered into between the Company and Xiwang Group Finance Company Limited ("**Xiwang Finance**") as described below which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements, all other continuing connected transactions as set out in note 29 to the consolidated financial statements were exempt continuing connected transactions under Rule 14A.33 of the Listing Rules and were exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

On 12 August 2019, the Company and Xiwang Finance entered into a new Financial Services Framework Agreement to renew the existing arrangement for a term commencing from the effective date, being the date on which all the conditions precedent set out in the agreement are fulfilled, to 30 November 2022. For each of the period from the effective date to 31 December 2019, for the years ending 31 December 2020, 31 December 2021 and for the eleven months ending 30 November 2022, the caps on the maximum daily outstanding balance of deposits (including accrued interests) at Xiwang Finance shall be RMB150 million, RMB150 million, RMB250 million and RMB500 million respectively. For the year ended 31 December 2020, the transaction amount did not exceed the cap. Further details of the new Financial Services Framework Agreement were disclosed in the announcement of the Company dated 12 August 2019 and the circular of the Company dated 25 October 2019. Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and are of the opinion that the above continuing connected transactions have been (i) carried out in the usual and ordinary course of business of the Group; (ii) conducted on normal commercial terms; and (iii) entered into in accordance with the terms of the agreement which are fair and reasonable and in the interests of the Company's shareholders as a whole. The Company's external auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of Rule 14A.56 of the Listing Rules, the auditor of the Company, has provided a letter to the Board confirming that nothing has come to their attention to cause them to believe that the continuing connected transactions:

a. have not been approved by the board of directors.

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

c. the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The Board also considers that the transactions have been conducted in accordance with the pricing policies under the Financial Services Framework Agreement and the Company's internal control procedures are adequate and effective.

The board of directors had engaged its auditors to report on the continuing connected transaction for the year ended 31 December 2020 and confirmed that the auditors have confirmed the matters set out in Rule 14A.56. of the Listing Rules.

Corporate governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 13 to 26 of this annual report.

Audit Committee

The Company established an Audit Committee with written terms of reference based upon the provisions and recommended practices of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures and system of the Group. During the Year, members of the Audit Committee comprised Mr. WONG Kai Ming (chairman), Mr. WANG An and Mr. WANG Zhen, being the independent non-executive Directors. The Group's consolidated financial statements for the Year have been reviewed by the Audit Committee, which is of the opinion that such statement complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float not less than 25% of the total issued share capital as at the date of this report.

Auditors

The consolidated financial statements for the Year have been audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the upcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

On behalf of the Board

WANG Di

Chairman

Hong Kong, 29 March 2021

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

To the Shareholders of Xiwang Property Holdings Company Limited
(incorporated in the Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Xiwang Property Holdings Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 50 to 128, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Goodwill

Refer to Notes 2.3 and 16 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
The Group has goodwill of approximately RMB180,405,000 relating to the property development projects as at 31 December 2020. Management performed impairment assessment on the goodwill and concluded that no impairment was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the selling price and construction cost of properties, plot ratio and the discount rate.	Our procedures in relation to management's impairment assessment included: • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

INDEPENDENT AUDITORS' REPORT

Carrying values of properties under development and completed properties held for sale

Refer to Notes 2.3 and 17 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
The carrying values of properties under development and completed properties held for sale were approximately RMB293,878,000 and RMB4,284,000 as at 31 December 2020 respectively. The management estimated the net realisable values of the property under development and completed properties held for sale by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion or by management estimates based on prevailing marketing conditions, which involve significant management estimation.	Our procedures in relation to management's determination of the carrying values of properties under development and completed properties held for sale included: • Assessing the appropriateness of the methodologies used by management for the assessments of the net realisable values of properties under development and completed properties held for sale; • Comparing the management's estimates to relevant market data; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found the carrying values of properties under development and completed properties held for sale were supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("**Other Information**").

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Kwok Tsz Chun.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Tsz Chun
Practicing Certificate Number: P06901

Hong Kong, 29 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Notes	**2020** **RMB'000**	2019 RMB'000
Revenue	5	**25,228**	111,702
Cost of sales		**(34,030)**	(146,746)
Gross loss		**(8,802)**	(35,044)
Other income	5	**4,908**	3,305
Impairment loss recognised in respect of goodwill	16	**–**	(20,178)
Selling and marketing expenses		**(157)**	(167)
Impairment losses under expected credit loss model	6	**(202)**	–
Administrative expenses		**(7,022)**	(13,464)
Loss from operation		**(11,275)**	(65,548)
Finance cost	7	**(14)**	(25)
Loss before tax	8	**(11,289)**	(65,573)
Income tax credit	11	**167**	13,572
Loss for the year		**(11,122)**	(52,001)
Loss attributable to:			
Owners of the Company		**(11,122)**	(52,001)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted	13		
– Loss for the year		**RMB(0.8) cent**	RMB(3.7) cent

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	**2020** **RMB'000**	2019 RMB'000
Loss for the year	**(11,122)**	(52,001)
Other comprehensive loss		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**746**	838
Total comprehensive loss for the year	**(10,376)**	(51,163)
Loss attributable to:		
Owners of the Company	**(10,376)**	(51,163)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	Notes	**2020** **RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**28**	57
Right-of-use asset	15	**1,024**	503
Goodwill	16	**180,405**	180,405
Total non-current assets		**181,457**	180,965
CURRENT ASSETS			
Completed properties held for sale	17	**4,284**	18,163
Properties under development	17	**293,878**	293,878
Trade receivables	18	**12,611**	–
Prepayments and other receivables	19	**89,384**	100,409
Cash and cash equivalents	20	**144,368**	143,833
Total current assets		**544,525**	556,283
CURRENT LIABILITIES			
Trade and other payables	21	**48,926**	51,000
Lease liabilities	23	**551**	511
Contract liabilities	22	**323**	1,084
Tax payable		**4,665**	4,711
Amounts due to related companies	29(a)	**12,139**	10,497
Total current liabilities		**66,604**	67,803
Net current assets		**477,921**	488,480

As at 31 December	Notes	**2020** **RMB'000**	2019 RMB'000
Total assets less current liabilities		**659,378**	669,445
Less: Non-current liabilities			
Lease liabilities	23	**476**	–
Deferred tax liabilities	24	**93,158**	93,325
Total non-current liabilities		**93,634**	93,325
Net assets		**565,744**	576,120
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**175,672**	175,672
Reserves	27	**390,072**	400,448
Total equity		**565,744**	576,120

These consolidated financial statements were approved and authorised for issue by the Board on 29 March 2021 and signed on its behalf by:

WANG Jin Tao
Director

SUN Xinhu
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
		(note 27)		*(note 27)*	*(note 27)*	*(note 27)*			
At 1 January 2019	175,672	1,770	102,910	52,738	373,006	(118,063)	5,427	33,823	627,283
Loss for the year	–	–	–	–	–	–	–	(52,001)	(52,001)
Other comprehensive income for the year	–	–	–	–	–	–	838	–	838
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	838	(52,001)	(51,163)
At 31 December 2019 and 1 January 2020	175,672	1,770	102,910	52,738	373,006	(118,063)	6,265	(18,178)	576,120
Loss for the year	–	–	–	–	–	–	–	(11,122)	(11,122)
Other comprehensive income for the year	–	–	–	–	–	–	746	–	746
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	746	(11,122)	(10,376)
At 31 December 2020	**175,672**	**1,770***	**102,910***	**52,738***	**373,006***	**(118,063)***	**7,011**	**(29,300)**	**565,744**

Note:

* These reserve accounts comprise the consolidated other reserves of RMB390,072,000 (2019: RMB400,448,000) in the consolidated statement of financial position.

The accompany notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020	Notes	**2020** **RMB'000**	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(11,289)**	(65,573)
Adjustments for:			
Interest income	5	**(2,559)**	(1,001)
Depreciation – property, plant and equipment	14	**17**	47
Depreciation – right-of-use asset	15	**584**	597
Finance cost	7	**14**	25
Reversal of write-down of completed properties held for sale to net realisable value	6	**–**	(929)
Loss on write-off of property, plant and equipment	6	**16**	46
Gain on disposal of property, plant and equipment	5	**(340)**	–
Impairment of losses recognised on trade receivables		**202**	–
Impairment loss recognised in respect of goodwill	16	**–**	20,178
		(13,355)	(46,610)
Decrease in completed properties held for sale		**13,879**	142,345
Increase in trade receivables		**(12,813)**	–
Decrease/(increase) in prepayment and other receivables		**11,369**	(8,646)
Decrease in trade and other payables		**(2,088)**	(75,322)
Decrease in contract liabilities		**(761)**	(342)
Increase in amount due to related companies		**1,496**	2,518
Cash (used in)/generated from operations		**(2,273)**	13,943
PRC taxes paid		**(46)**	–
Net cash flows (used in)/generated from operating activities		**(2,319)**	13,943

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020	Note	**RMB'000**	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,215**	1,001
Purchase of property, plant and equipment		**(4)**	–
Proceeds on disposal of property, plant and equipment		**340**	–
Net cash flows generated from investing activities		**2,551**	1,001
CASH FLOW FROM FINANCING ACTIVITY			
Repayment of lease liabilities		**(603)**	(615)
Net cash flow used in financing activity		**(603)**	(615)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(371)**	14,329
Cash and cash equivalents at beginning of year		**143,833**	128,666
Effect of foreign exchange rate changes, net		**906**	838
CASH AND CASH EQUIVALENTS AT END OF YEAR		**144,368**	143,833
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of cash flows	20	**144,368**	143,833

The accompany notes form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. CORPORATE AND GROUP INFORMATION

Xiwang Property Holdings Company Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is disclosed in the corporate information section to the annual report. In the opinion of the directors, the immediate holding company of the Company is Xiwang Investment Company Limited ("**Xiwang Investment**"), which is a private company incorporated in the British Virgin Islands (the "**BVI**"). The ultimate holding company of the Company is Xiwang Group Company Limited ("**Xiwang Group**"), which is established in the People's Republic of China (the "**PRC**").

The Company and its subsidiaries (collectively referred to as the "**Group**") were principally involved in property development and trading of construction materials in the PRC.

Information about subsidiaries

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity interest and voting rights attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Keen Lofty Investments Limited	BVI	US$15,756,000	100	–	Investment holding
Glorious Prosper Limited	Hong Kong	HK$1	–	100	Investment holding
Shandong Xiwang Property Company Limited# (山東西王置業有限公司)	PRC	RMB200,000,000	–	100	Property investment and development
Xiwang Property Company Limited (西王地產有限公司)	PRC	RMB200,000,000	100	–	Property investment and development

Established in the PRC as a wholly-foreign-owned enterprise

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidation financial statements, information is considered material if such information is reasonably expected to influence decision made by primary users. 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 and the Hong Kong Companies Ordinance. They have been prepared on the historical cost basis. These consolidated financial statements are presented in Renminbi ("**RMB**") as the Group's principal activities were carried out in the PRC. The functional currency of the Company is the Hong Kong dollar ("**HKD**"). The functional currency of the Company's subsidiaries in PRC is RMB. All values are rounded to the nearest thousand except when otherwise indicated.

2.2 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

2.2 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Company 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.

Business combinations or asset acquisitions

Optional concentration test

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

Asset acquisitions

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

Business combinations

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

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

Impairment on property, plant and equipment, right-of-use assets other than goodwill

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

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

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Plant and machinery	6.3%
Equipment and motor vehicles	9.5%-31.7%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end. An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset. Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

As a lessee

(i) *Allocation of consideration to components of a contract*

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(ii) *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

(iii) *Refundable rental deposits*

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

As a lessee (continued)

(iv) *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments include: (a) fixed payments (including in-substance fixed payments) less any lease incentives receivable; (b) variable lease payments that depend on an index or a rate as at the commencement date; (c) amounts expected to be payable by the Group under residual value guarantees; (d) the exercise price of a purchase option reasonably certain to be exercised by the Group; and (e) payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

(v) *Lease modifications*

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

As a lessee (continued)

(vi) Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Classification and measurement of leases

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

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

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

Interest and rental income which are derived from the Group's ordinary course of business are presented as other income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

As a lessor (continued)

(i) *Allocation of consideration to components of a contract*

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

(ii) *Refundable rental deposits*

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

(iii) *Sublease*

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(iv) *Lease modification*

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

(i) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost: (a) the financial asset is held within a business model whose objective is to collect contractual cash flows; and (b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is classified as held for trading if:

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset.

(ii) Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivable. The ECL on these assets are assessed individually for debtors with significant balance and/or collectively using a provision matrix with appropriate groupings. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(ii) Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly: (a) an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating; (b) significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread; (c) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; (d) an actual or expected significant deterioration in the operating results of the debtor; and (e) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(ii) Impairment of financial assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(ii) Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables from property management services and lease receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping: (a) past-due status; (b) nature, size and industry of debtors; and (c) external credit ratings where available.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(ii) Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables from property management services, lease receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to related companies and lease liabilities) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions. Development costs of property comprise cost of land use rights, construction costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties for sale. Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction of the relevant property development project is expected to complete beyond normal operating cycle.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management. For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Taxation

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition

Revenue from contracts with customers

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

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (b) the Group's performance creates and enhances an asset that the customer controls as the Group performs; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition (continued)

Sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

Sales of construction materials

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue from the trading of construction materials in the Group's revenue happen at a point in time and do not include any significant separate performance obligations. The Group recognised revenue from trading of construction materials when the construction materials is transferred.

Principal versus agent

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition (continued)

Revenue from other source

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Borrowing costs

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26 to the financial statements. The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Each of the Group's subsidiaries operating in PRC participates in the central pension scheme (the "**CPS**") operated by the local municipal government for all of its staff in PRC. These subsidiaries are required to contribute a percentage of their payroll costs to the CPS. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the CPS.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to noncontrolling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The functional currencies of the Company and certain Hong Kong and overseas subsidiaries are currencies other than RMB. Exchange differences relating to the retranslation of the Group's net assets in Hong Kong dollars to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

(i) Income tax

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portions or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is sufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, and that the asset balance will be reduced and charged to the statement of profit or loss.

(ii) Principal versus agent consideration (principal)

The Group engages in trading of construction materials. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods. The Group has inventory risk. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 December 2020, the Group recognised revenue relating to trading of construction materials amounted to approximately RMB10,839,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

(iii) Land appreciation tax

Under the Provisional Regulations on Land Appreciation Tax ("**LAT**") implemented upon the issuance of the Provisional Regulations of the Public on 27 January 1995, all gains arising from the transfer of real estate properties in PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. The subsidiaries of the Group engaging in the property development business in PRC are subject to LAT, which has been included in income tax. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and provisions for land appreciation taxes in the period in which the determination is made.

Key sources of estimation uncertainty

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's property development operations. The carrying amount of goodwill at 31 December 2020 was RMB180,405,000 (2019: RMB180,405,000). Details of the recoverable amount calculation are disclosed in note 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(ii) Provision of ECL for financial assets at amortised cost

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 32. As at 31 December 2020, the directors have assessed that the effect of ECL is limited. The provision of ECL is sensitive to changes in estimates. The information about the ECL are disclosed in note 31.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

4. OPERATING SEGMENT INFORMATION

Information reported to the Group's senior management, being the chief operating decision marker ("**CODM**") for the purpose of resources allocation and performance assessment, focuses on the operating results the property development business and trading of construction materials business.

For management purposes, the Group is organized into business units based on their principal activities and has two reportable operating segments as follows: (i) property development business and (ii) trading of construction materials business. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The segment results and other segment items included in profit before tax for the reporting period are as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenues and results

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

	Property development		Trading of construction material		Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**14,389**	111,702	**10,839**	–	**–**	–	**25,228**	111,702
Segment result	**(11,134)**	(43,869)	**107**	–	**(5,156)**	(24,984)	**(16,183)**	(68,853)
Other segment information:								
Other income							**4,908**	3,305
Finance costs							**(14)**	(25)
Loss before taxation							**(11,289)**	(65,573)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.3. Segment profit/(loss) represents the profit/(loss) from each segment without allocation of central administration costs, other income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

During the year, the Group commenced the business engaging in trading of construction materials and it is considered as a new operating and reportable segment by the CODM.

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

	Property development		Trading of construction material		Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation on property, plant and equipment	**(3)**	(31)	–	–	**(14)**	(16)	**(17)**	(47)
Depreciation on right-of-use assets	–	–	–	–	**(584)**	(597)	**(584)**	(597)
Impairment loss under ECL model	**(202)**	–	–	–	–	–	**(202)**	–
Loss on write-off of property, plant and equipment	**(16)**	(46)	–	–	–	–	**(16)**	(46)
Gain on disposal of property, plant and equipment	**340**	–	–	–	–	–	**340**	–
Impairment loss recognized in respect of goodwill	–	(20,178)	–	–	–	–	–	(20,178)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

All revenues are from PRC.

Non-current assets

	2020 RMB'000	2019 RMB'000
PRC	28	43
Hong Kong	1,024	517
	1,052	560

The non-current asset information above is based on the locations of the assets and excludes goodwill.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2020 RMB'000	2019 RMB'000
Customer A (Note 1)	23,525	91,477
Customer B (Note 2)	–	19,435

Note:

1 Revenue generated from the Customer A with amount approximately RMB10,839,000 and RMB12,686,000 are derived from trading of construction material and sale of properties respectively.

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2020.

5. REVENUE AND OTHER INCOME

Revenue represents proceeds from the sale of properties and trading of construction materials in the PRC.

An analysis of revenue and other income is as follows:

	2020 RMB'000	2019 RMB'000
Revenue		
Sale of properties	**14,389**	111,702
Trading of construction materials	**10,839**	–
	25,228	111,702

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisified contracts is not disclosed.

	2020 RMB'000	2019 RMB'000
Other income		
Rental income	**1,855**	2,299
Interest income from a related party *(Note 29(b))*	**2,556**	997
Bank interest income	**3**	4
Gain on disposals of property, plant and equipment	**340**	–
Others	**154**	5
	4,908	3,305

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2020 RMB'000	2019 RMB'000
Impairment losses recognised on:		
– trade receivables	**202**	–

Details of impairment assessment are set out in note 32.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. FINANCE COSTS

	2020	2019
	RMB'000	RMB'000
Interest on lease liabilities *(Note 23)*	**14**	25

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2020	2019
	RMB'000	RMB'000
Cost of inventories sold	**34,030**	147,675
Reversal of write-down of completed properties held for sale to net realisable value along with properties sold	**–**	(929)
	34,030	146,746
Auditors' remuneration	**565**	576
Auditors' remuneration for non-audit service	**26**	132
Depreciation		
– Property, plant and equipment	**17**	47
– Right-of-use asset	**584**	597
Lease payments not included in the measurement of lease liabilities	**277**	–
Foreign exchange loss, net	**6**	1,043
Loss on write-off of property, plant and equipment	**16**	46
Gain on disposal of property, plant and equipment	**(340)**	–
Employee benefit expense (including directors' and chief executive's remuneration):		
– Wages and salaries	**2,423**	3,256
– Pension scheme contributions	**112**	252
	2,535	3,508

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2020	2019
	RMB'000	RMB'000
Fees	**230**	233
Other emoluments:		
– Salaries, allowances and benefits in kind	**363**	338
– Pension scheme contributions	**11**	27
	374	365
	604	598

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020	2019
	RMB'000	RMB'000
Mr. Wong Kai Ming	**130**	133
Mr. Wang An	**50**	50
Mr. Wang Zhen	**50**	50
	230	233

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2020				
Executive directors:				
Mr. WANG Jin Tao (the chief executive officer)	**–**	**272**	**6**	**278**
Mr. WANG Wei Min	**–**	**91**	**5**	**96**
	–	**363**	**11**	**374**
Non-executive directors:				
Mr. WANG Yong	**–**	**–**	**–**	**–**
Mr. WANG Di	**–**	**–**	**–**	**–**
Mr. SUN Xinhu	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**
For the year ended 31 December 2019				
Executive directors:				
Mr. WANG Jin Tao	–	254	15	269
Mr. WANG Wei Min	–	84	12	96
	–	338	27	365
Non-executive directors:				
Mr. WANG Yong	–	–	–	–
Mr. WANG Di	–	–	–	–
Mr. SUN Xinhu	–	–	–	–
	–	–	–	–

There was no arrangement under which a director or the chief executive office of the Company waived or agreed to wave any remuneration during the year ended 31 December 2020 (2019: Nil).

Remuneration package, including director's salaries and other benefits, discretionary bonuses and share option scheme, is detrimental according to individual performance, job responsibility and seniority, and is reviewed with reference to market conditions.

During the year ended 31 December 2020, no emolument have been paid by the Group to any of the directors and the chief executive officer as an inducement to join or upon joining the Group as compensation for loss of office (2019: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2019: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**958**	970
Pension scheme contributions	**29**	29
	987	999

The remaining highest paid employees who are non-directors with their remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
	RMB'000	RMB'000
Nil to RMB1,000,000	**3**	3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. INCOME TAX CREDIT

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year (2019: Nil). On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Pursuant to the PRC Corporate Income Tax ("**CIT**"), all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises under specific preferential policies and provisions. In 2020, the applicable tax rate for the subsidiaries of the Company established in the PRC was 25% (2019: 25%). PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights and all property development expenditures. LAT of RMB167,000 is credited (2019: RMB93,000) to the consolidated statement of profit or loss for the year ended 31 December 2020.

	2020	2019
	RMB'000	RMB'000
Group:		
– Current – PRC	**-**	4,711
– LAT credit in PRC	**(167)**	(93)
– Deferred PRC corporate income tax	**–**	(18,190)
Total tax credit for the year	**(167)**	(13,572)

11. INCOME TAX CREDIT (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory income tax rate to the tax expense at the Group's effective income tax rate for the year, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2020		2019	
	RMB'000	**%**	RMB'000	%
Loss before tax	**(11,289)**		(65,573)	
Tax at the statutory tax rate	**(2,822)**	**25.0**	(16,393)	25.0
Lower statutory tax rates for Hong Kong subsidiaries	**219**	**(1.9)**	411	(0.6)
Benefit arising from previously unrecognised temporary difference	**–**	**–**	(18,276)	27.9
Expense not deductible for tax	**2,603**	**(23.1)**	24,104	(36.8)
LAT	**(167)**	**1.5**	(93)	0.1
Utilisation of previous tax loss	**–**	**–**	(3,325)	5.1
Tax credit at the Group's effective rate	**(167)**	**1.5**	(13,572)	20.7

12. DIVIDENDS

No final dividend was proposed by the board of directors for both ordinary shares and convertible preference shares for the year ended 31 December 2020 (2019: Nil). Payment of the preferred annual distribution of RMB1 per convertible preference share as at 31 December 2020 will be deferred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,408,779,382 (2019: 1,408,779,382) in issue during the year. The calculation of the diluted loss per share amount for the year ended 31 December 2019 and 31 December 2020 is based on the loss for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of convertible preference shares and outstanding share options would not have a dilutive effect on the basic loss per share amounts presented.

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

	2020	2019
	RMB'000	RMB'000
Loss attributable to ordinary equity holders of the Company	**(11,122)**	(52,001)

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**1,408,779,382**	1,408,779,382

14. PROPERTY, PLANT AND EQUIPMENT

	Equipment and motor vehicles RMB'000	Total RMB'000
Cost		
At 1 January 2019	3,089	3,089
Write-off	(91)	(91)
At 31 December 2019 and 1 January 2019	2,998	2,998
Addition	4	4
Write-off	(48)	(48)
At 31 December 2020	**2,954**	**2,954**
Accumulated depreciation		
At 1 January 2019	2,939	2,939
Charge of the year	47	47
Write-off	(45)	(45)
At 31 December 2019 and 1 January 2019	2,941	2,941
Charge of the year	17	17
Write-off	(32)	(32)
At 31 December 2020	**2,926**	**2,926**
Net carrying values		
At 31 December 2019	**57**	**57**
At 31 December 2020	**28**	**28**

15. RIGHT-OF-USE ASSET

	2020 **RMB'000**	2019 RMB'000
As at 1 January	**503**	1,083
Addition *(Note 3)*	**1,154**	–
Depreciation charged	**(584)**	(597)
Exchange realignment	**(49)**	17
As at 31 December	**1,024**	503

Notes:

1. For both years, the Group leased building for its operations. Lease contracts were entered into for fixed term of 2 years. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determined the period for which the contract is enforceable.

2. The total cash outflow for leases amounted to approximately RMB603,000 for the year ended 31 December 2020 (2019: RMB615,000).

3. Addition represents a leased building located in Hong Kong with lease term of two years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. GOODWILL

	2020 RMB'000	2019 RMB'000
Cost at 1 January, net of accumulated impairment	**180,405**	200,583
Impairment loss recognised	**–**	(20,178)
At 31 December, net of accumulated impairment	**180,405**	180,405
At 31 December:		
Cost	**200,583**	200,583
Accumulated impairment	**(20,178)**	(20,178)
Net carrying amount	**180,405**	180,405

Goodwill acquired through business combinations has been allocated to the following cash-generating units ("**CGUs**") for impairment testing:

	2020 RMB'000	2019 RMB'000
Meijun Project	**107,420**	107,420
Qinghe Project	**72,985**	72,985
	180,405	180,405

16. GOODWILL (continued)

The recoverable amount of all the above CGUs has been determined based on a value in use calculation prepared by Vincorn Consulting and Appraisal Limited ("**Vincorn**") which is an independent third party not connected to the Group, using cash flow projections based on financial budgets covering three to five-year periods approved by the senior management. The pre-tax discount rates and post-tax discount rates applied to the cash flow projections by Vincorn is 15.0% to 15.6% (2019: 14.7% to 15.4%) and 10.2% to 10.7% (2019: 10.0% to 10.5%) respectively. The key assumptions on which management has based its cash flow projections to undertake the impairment testing of goodwill are as follows: (i) the selling price of properties are estimated based on the current selling price of similar properties in the same location with no expected growth; and (ii) the construction cost of properties is based on the actual cost of similar properties in the same location considering the factors such as the increase of labour cost and inflation.

During the year ended 31 December 2019, upon disposal of all completed properties held for sale in Qingdao which adversely affect the cash flow projection of Xiwang Property Company Limited, the Directors considered that it had minimal foreseeable future cash flow from its operation. The Directors had consequently determined impairment of goodwill directly related to Xiwang Property Company Limited amounting to RMB20,178,000 for the year ended 31 December 2019.

Plot ratio is calculated by the total gross floor area dividing the land area and estimated based on the project design.

	2020	2019
Meijun Project	**3.06**	3.06
Qinghe Project	**2.20**	2.20

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

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17. STOCK OF PROPERTIES

(a) Completed properties held for sale

	2020 RMB'000	2019 RMB'000
Properties held for sale	**4,284**	18,163

As at the end of the reporting period, the Directors assessed whether there exists any objective evidence of impairment of the properties held for sale. Taking into consideration of the current market conditions in the PRC, during the year ended 31 December 2020 no impairment loss (2019: reversal of write down of RMB929,000) was recognised in the profit or loss.

(b) Property under development

	2020 RMB'000	2019 RMB'000
Land in PRC held at cost:		
At 1 January and 31 December	**291,983**	291,983
Development expenditure, at cost:		
At 1 January and 31 December	**1,895**	1,895
	293,878	293,878

18. TRADE RECEIVABLES

	RMB'000
As at 31 December 2020	
Trade receivables	**12,813**
Less: Allowance for expected credit losses	**(202)**
	12,611

The following is an aged analysis of trade receivables presented based on the contract dates.

	2020
0-180 days	**12,813**

The Group generally allows a credit period of 30 days to its customers.

Details of impairment assessment of trade receivables are set out in Note 32.

19. PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Prepayments	**80,232**	79,729
Other receivables	**1,668**	13,252
Prepaid tax	**7,484**	7,428
	89,384	100,409

Detail of impairment assessment of other receivables are set out in Note 32.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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20. CASH AND CASH EQUIVALENTS

	2020	2019
	RMB'000	RMB'000
Cash and bank balances	**144,368**	143,833

At the end of the reporting period, the cash and cash equivalents of the Company's subsidiary in PRC denominated in RMB amounted to RMB143,867,000 (2019: RMB143,536,000). The RMB is not freely convertible into other currencies. However, under PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. At the end of the reporting period, the cash and cash equivalents of the Company's subsidiary in PRC denominated in RMB amounting to RMB143,090,000 (2019: RMB142,807,000) was deposited into a related company, Xiwang Group Finance Company Limited. The effective interest rate of deposit are from 1.95% to 2.10% (2019: 1.95%). Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	RMB'000
Trade payables	**19,519**	16,286
Other payables	**29,071**	34,410
Salary and welfare payables	**336**	304
	48,926	51,000

Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the contract date or invoice date, is as follows:

	2020	2019
	RMB'000	RMB'000
0 – 30 days	**–**	309
31 – 60 days	**4,737**	–
61 – 90 days	**–**	7
Over 90 days	**14,782**	15,970
	19,519	16,286

The trade payables are non-interest-bearing and are normally settled on terms of one year. Other payables are non-interest-bearing and payable on demand.

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22. CONTRACT LIABILITIES

	2020	2019
	RMB'000	RMB'000
Contract liabilities	**323**	1,084

The Group receives payment from customers, payments are usually received in advance of the performance under contracts which are mainly from sales of properties.

(a) Revenue recognised in relation to contract liabilities

	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**1,084**	342

(b) Unsatisfied contracts related to sales of properties

	2020	2019
	RMB'000	RMB'000
Revenue expected to be recognized:		
– within one year	**323**	1,084
	323	1,084

23. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the current reporting periods and at the date of transition of HKFRS 16:

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**551**	**586**	511	518
After 1 year but within 2 years	**476**	**489**	–	–
	1,027	**1,075**	511	518
Less: total future interest expenses		**(48)**		(7)
Present value of lease obligations		**1,027**		511

Note:

The incremental borrowing rate approximates 3.42% (2019: 3.04%) and relevant interest expense recognised in profit or loss approximates RMB14,000 (2019: RMB25,000).

Analysed for reporting purpose as:

	2020 RMB'000	2019 RMB'000
Current liability	**551**	511
Non-current liability	**476**	–
	1,027	511

Lease obligation that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2020 RMB'000	2019 RMB'000
HKD	**1,027**	511

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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24. DEFERRED TAX

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

Deferred tax liabilities:

	LAT from sales of Properties RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Prepaid tax for advance proceeds from properties RMB'000	Total RMB'000
At 1 January 2019	38,492	73,096	31	111,619
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 11)*	(104)	(18,190)	–	(18,294)
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	38,388	54,906	31	93,325
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 11)*	**(167)**	**–**	**–**	**(167)**
Gross deferred tax liabilities at 31 December 2020	**38,221**	**54,906**	**31**	**93,158**

24. DEFERRED TAX (continued)

Deferred tax assets:

No deferred tax assets have been recognised as at 31 December 2020 and 2019. Deferred tax assets have not been recognised in respect of the following items:

	2020	2019
	RMB'000	RMB'000
Tax losses	**169,234**	160,924
	169,234	160,924

The Group has tax losses of RMB149,870,000 (2019: RMB151,163,000) which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in PRC of RMB18,235,000 (2019: RMB9,761,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

25. SHARE CAPITAL

Shares

	2020	2019
	HK$'000	HK$'000
Authorised:		
4,000,000,000 (2019: 4,000,000,000) ordinary shares of HK$0.1 (2019: HK$0.1) each	**400,000**	400,000
2,000,000,000 (2019: 2,000,000,000) convertible preference shares of HK$0.1 (2019: HK$0.1) each	**200,000**	200,000
	600,000	600,000
Issued and fully paid:		
1,408,784,198 (2019: 1,408,784,198) ordinary shares of HK$0.1 (2019: HK$0.1) each	**140,879**	140,879
507,492,257 (2019: 507,492,257) convertible preference shares of HK$0.1 (2019: HK$0.1) each	**50,749**	50,749
	191,628	191,628

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26. SHARE OPTION SCHEME

In view of the expiry of the 2005 Scheme, the Company adopted a share option scheme pursuant to a resolution passed at a shareholders' meeting held on 10 May 2018 (the "**2018 Scheme**"), as incentives or rewards for eligible participants' contribution to the Group. The 2018 Scheme became effective on 10 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. No share options have been granted under the 2018 Scheme since its adoption. The maximum number of shares issuable upon exercise of all outstanding options which may be granted under the 2005 Scheme, the 2018 Scheme and any other share option scheme of the Group shall not exceed 140,877,331 ordinary shares in aggregate. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting (with such participant and his associates abstaining from voting). Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 1% of the shares of the Company in issue at any time within any 12-month period, are subject to shareholders' approval in advance in a general meeting. The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors. The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share in the Company. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2020		2019	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January and 31 December	**1.1120**	**6,400**	1.1120	6,400

26. SHARE OPTION SCHEME (continued)

Grantee	Date of grant	Exercisable period	Exercise price HK$ per share	Number of share option at 1 January and 31 December 2020 '000
Directors	5-11-2013	5-11-2014 to 5-11-2023	1.112	2,000
	5-11-2013	5-11-2015 to 5-11-2023	1.112	2,000
	5-11-2013	5-11-2016 to 5-11-2023	1.112	2,000
Employees	5-11-2013	5-11-2014 to 5-11-2023	1.112	100
	5-11-2013	5-11-2015 to 5-11-2023	1.112	100
	5-11-2013	5-11-2016 to 5-11-2023	1.112	200
				6,400

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26. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2020

Number of options	Exercise price*	Exercise period
'000	HK$ per share	
2,100	**1.112**	**5-11-2014 to 5-11-2023**
2,100	**1.112**	**5-11-2015 to 5-11-2023**
2,200	**1.112**	**5-11-2016 to 5-11-2023**
6,400		

2019

Number of options	Exercise price*	Exercise period
'000	HK$ per share	
2,100	1.112	5-11-2014 to 5-11-2023
2,100	1.112	5-11-2015 to 5-11-2023
2,200	1.112	5-11-2016 to 5-11-2023
6,400		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At the end of the reporting period, the Company had 6,400,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 6,400,000 additional ordinary shares of the Company and additional share capital of HK$640,000 and share premium of approximately HK$6,477,000 (equivalent to RMB5,092,000) (before issue expenses). As at the date of this report, options carrying rights to subscribe for 6,400,000 shares remain outstanding and yet to be exercised, which represented approximately 0.45% of the Company's ordinary shares in issue as at that date.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements. Pursuant to the relevant laws and regulations for Foreign Invested Enterprise ("**FIEs**") registered in the PRC, a portion of the profits of the Group's subsidiaries in PRC has been transferred to the statutory reserve which is restricted as to use and discretionary reserve which is not restricted to use.

Merger reserve represents the reserve arising from business combinations under common control.

Contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor. Pursuant to Bermuda company law, a company may make distributions to its members out of the contributed surplus in certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.3 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire.

28. CAPITAL COMMITMENTS

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

	2020	2019
	RMB'000	RMB'000
Property development expenditure		
Contracted but not provided for	**1,377**	1,497

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29. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in these consolidated financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Outstanding balances with related companies

	Notes	2020 RMB'000	2019 RMB'000
Due to related parties:			
Xiwang Investment Company Limited	(i), (ii)	**8,568**	8,568
Xiwang Hong Kong Company Limited	(i), (iii)	**1,042**	1,042
Master Team International Limited	(i), (iii)	**2,529**	887
		12,139	10,497

(i) These outstanding balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

(ii) The immediate holding company of the Company.

(iii) The subsidiaries of the ultimate holding company of the Company.

(b) Transaction with related parties:

Name to related parties:	Notes	**Nature of transaction**	**2020 RMB'000**	2019 RMB'000
Xiwang Group Finance Company Limited ("**Xiwang Finance**")	5	Interest income	**2,556**	997

29. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Short term employee benefits	**593**	571
Pension Scheme contributions	**9**	27
Total compensation paid to key management personnel	**602**	598

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

(d) On 27 October 2016, the Company and Xiwang Finance, a subsidiary of Xiwang Group, the ultimate holding company of the Company and a connected person of the Company), entered into the Financial Services Framework Agreement in respect of the provision of a range of financial services, including but not limited to deposit services, loan services and other financial services, commencing from 16 December 2016 to 30 November 2019. For each of the years ending 31 December 2016, 31 December 2017, 31 December 2018 and for the eleven months ending 30 November 2019, the caps on the maximum daily outstanding balance of deposits (including accrued interests) at Xiwang Finance shall be RMB120 million, RMB200 million, RMB300 million and RMB580 million respectively. On 12 August 2019, the Company and Xiwang Finance entered into a new Financial Services Framework Agreement to renew the existing arrangement for a term commencing from 1 December to 30 November 2022. For each of the period from 1 December to 31 December 2019, for the years ending 31 December 2020, 31 December 2021 and for the eleven months ending 30 November 2022, the caps on the maximum daily outstanding balance of deposits (including accrued interests) at Xiwang Finance shall be RMB150 million, RMB150 million, RMB250 million and RMB500 million respectively.

	2020 RMB'000	2019 RMB'000
Maximum cap during the period under previous arrangement	**580,000**	580,000
Maximum cap during the period under new arrangement	**150,000**	150,000
Outstanding balance of deposit as at year ended *(note 20)*	**143,090**	142,807

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30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2020	2019
	RMB'000	RMB'000
Financial assets – at amortised cost		
Trade receivables *(note 18)*	**12,611**	–
Other receivables *(note 19)*	**1,668**	13,252
Cash and cash equivalents *(note 20)*	**144,368**	143,833
	158,647	157,085
Financial liabilities at amortised cost		
Trade and other payables *(note 21)*	**48,926**	51,000
Amount due to related parties	**12,139**	10,497
Lease liabilities	**1,027**	511
	62,092	62,008

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

At 31 December 2020 and 2019, the fair values of the Group's financial assets and financial liabilities approximated to their carrying amounts. The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Management has assessed that the fair values of cash and cash equivalents, financial assets included in trade receivables and other receivables, financial liabilities included in trade and other payables, amounts due to related parties and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

All of the Group's revenue and substantially all of the Group's cost of sales and operating expenses are denominated in RMB. Accordingly, the transactional currency exposures of the Group are not significant.

Credit risk

There are no significant concentrations of credit risk within the Group as the Group's receivables are widely dispersed among different customers. The credit risk of the Group's other financial assets, which mainly comprise trade receivables other receivables, cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets. To manage the risk, deposits are mainly placed with different financial institutions which are all high credit quality financial institutions. The Group would not release the property ownership certificates to the buyers before the buyers fully settle the payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Trade receivables arising from contracts with customers

Credit evaluations are performed on all customers requiring credit terms. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as to the economic environment.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arises when the Group has significant exposure to individual customers.

In respect of trade receivables arising from the sale of properties in the PRC, the Group has concentration of credit risk as 99.0% (2019: Nil) and 100.0% (2019: Nil) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the property development segment.

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables arising from contracts with customers (continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverability of each trade debt at the end of each reporting period to ensure that adequate allowance for ECL are made for irrecoverable amounts. The Group applies simplified approach on trade receivables to provide for the ECL prescribed by HKFRS 9. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020:

	Expected loss rate%	Gross carrying amount	Loss allowance
	RMB'000	RMB'000	RMB'000
At 31 December 2020			
Within 30 days	**1.58**	**12,813**	**(202)**

The closing loss allowances for expected credit loss for financial assets at amortised cost including trade receivables as at 31 December 2020 and 2019 reconcile to the opening loss allowances for expected credit loss as follows:

	Trade receivables
	RMB'000
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Increase in loss allowance recognised in profit or loss during the year	(202)
At 31 December 2020	(202)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables arising from contracts with customers (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than agreed contract terms.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 18 to the consolidated financial statement.

The management monitored the financial background and creditability of those debtors on an ongoing basis. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Other receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Cash and cash equivalents

In respect to the Group's cash and cash equivalents, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. Given the high credit ratings of the banks or financial institution, management does not expect any counterparty to fail to meet its obligations. Management will continue to monitor the position and will take appropriate action if they are changed. As at 31 December 2020 and 2019, the Group has no significant concentration of credit risk in relation to deposit with bank or financial institution.

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effect of fluctuations in cash flows. The directors of the Company monitor current and expected liquidity requirements on a regular basis.

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2020						
Non-derivative financial liabilities						
Trade and other payables	–	48,926	–	–	48,926	48,926
Amount due to related companies	–	12,139	–	–	12,139	12,139
Lease liabilities	3.42	586	489	–	1,075	1,027
		61,651	489	–	62,140	62,092

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2019						
Non-derivative financial liabilities						
Trade and other payables	–	51,000	–	–	51,000	51,000
Amount due to related companies	–	10,497	–	–	10,497	10,497
Lease liabilities	3.04	518	–	–	518	511
		62,015	–	–	62,015	62,008

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group manages its capital to ensure that entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the reporting period.

The capital structure of the Group consists of total debt and equity attributable to owners of the Company.

The directors of the Company review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and balance its overall capital structure through the payment of dividends and injection of capital.

The Group's net debt-to-capital ratio at the end of the current and previous reporting periods was as follows:

	2020 **RMB'000**	2019 RMB'000
Total debt *(Note (i))*	**13,166**	11,008
Total equity *(Note (ii))*	**565,744**	576,120
Gearing ratio	**2.3%**	1.9%

Notes:

(i) Debt is defined as lease liabilities and amounts due to related companies as detailed in notes 23 and 29(a).

(ii) Total equity includes share capital and reserves at the end of each reporting period.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2020 **RMB'000**	2019 RMB'000
Lease liabilities		
As at 1 January	**511**	1,083
Changes from financing cash flows		
New leases entered	**1,154**	–
Repayment of lease liabilities	**(603)**	(615)
Total changes from financing cash flows	**1,062**	468
Finance costs	**14**	25
Exchange realignment	**(49)**	18
As at 31 December	**1,027**	511

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**–**	14
Right-of-use assets	**1,024**	–
Investments in subsidiaries	**217,260**	217,260
Total non-current assets	**218,284**	217,274
CURRENT ASSETS		
Other receivables	**363**	387
Amount due from subsidiaries	**46,948**	76,801
Cash and cash equivalents	**220**	181
Total current assets	**47,531**	77,369
CURRENT LIABILITIES		
Other payables	**1,574**	1,319
Lease liabilities	**551**	–
Amount due to related parties	**12,139**	10,497
Total current liabilities	**14,264**	11,816
NET CURRENT ASSETS	**33,267**	65,553
TOTAL ASSETS LESS CURRENT LIABILITIES	**251,551**	282,827
NON CURRENT LIABILITY		
Lease liabilities	**476**	–
Net assets	**251,075**	282,827
EQUITY		
Share capital	**175,672**	175,672
Other reserves	**75,403**	107,155
Total equity	**251,075**	282,827

Approved and authorised for issue by the board of directors on 29 March 2021 and signed on behalf by:

WANG Jin Tao	**SUN Xinhu**
Director	*Director*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
		note 27		*note 27*			
At 1 January 2019	–	1,770	151,442	373,006	60,929	(142,361)	444,786
Loss for the year	–	–	–	–	–	(345,572)	(345,572)
Other comprehensive income for the year	–	–	–	–	7,941	–	7,941
Total comprehensive income for the year	–	–	–	–	7,941	(345,572)	(337,631)
At 31 December 2019	–	1,770	151,442	373,006	68,870	(487,933)	107,155
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(22,664)**	**(22,664)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(9,088)**	**–**	**(9,088)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(9,088)**	**(22,664)**	**(31,752)**
At 31 December 2020	**–**	**1,770**	**151,442**	**373,006**	**59,782**	**(510,597)**	**75,403**

35. MAJOR NON-CASH TRANSACTIONS

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,154,000 and RMB1,154,000, respectively, in respect of lease arrangements for office (2019: Nil).

36. APPROVED OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2021.

FIVE-YEAR FINANCIAL SUMMARY

	2020	2019	2018	2017	2016
For the year ended 31 December (RMB million)					
Revenue	**25**	112	42	41	28
Gross (loss)/profit	**(9)**	(35)	3	(12)	3
(LBITDA)/EBITDA*	**(11)**	(66)	47	(10)	(15)
Operating (loss)/profit	**(11)**	(66)	47	(10)	(15)
Net (loss)/profit	**(11)**	(52)	48	(8)	(14)
As at 31 December (RMB million)					
Current assets	**545**	556	674	565	607
Non-current assets	**181**	181	201	181	181
Total assets	**726**	737	875	746	788
Current liabilities	**67**	68	136	71	100
Non-current liabilities	**93**	93	112	95	97
Total liabilities	**160**	161	248	166	197
Total equity	**566**	576	627	580	591
Total liabilities and equity	**726**	737	875	746	788
Per share (RMB)					
Basic (loss)/earnings per share	**(0.01)**	(0.03)	0.03	(0.01)	(0.01)
Dividends per ordinary share**	**–**	–	–	–	–
Dividends per CPS**	**–**	–	–	–	–

PARTICULARS OF PROPERTIES

COMPLETED PROPERTIES HELD FOR SALE

Property name	Location	Approximate gross floor area	Use	Attributable interest of the Group
		sq.m.		
Meijun Project	The east of Daixi 3rd Road South of Chengnan New District, Zouping, Shandong Province	8,149	Residential	100%
Lanting Project	The south of Heban 3rd Road and the west of Liquan 1st Road, Zouping, Shandong Province	982	Residential	100%

PROPERTIES UNDER DEVELOPMENT

Property name	Location	Approximate site area	Estimated approximate gross floor area	Use	Stage of completion	Attributable interest of the Group
		sq.m.	sq.m.			
Meijun Project	The east of Daixi 3rd Road South of Chengnan New District, Zouping, Shandong Province	159,800	489,100	Residential & Commercial	Construction in progress	100%