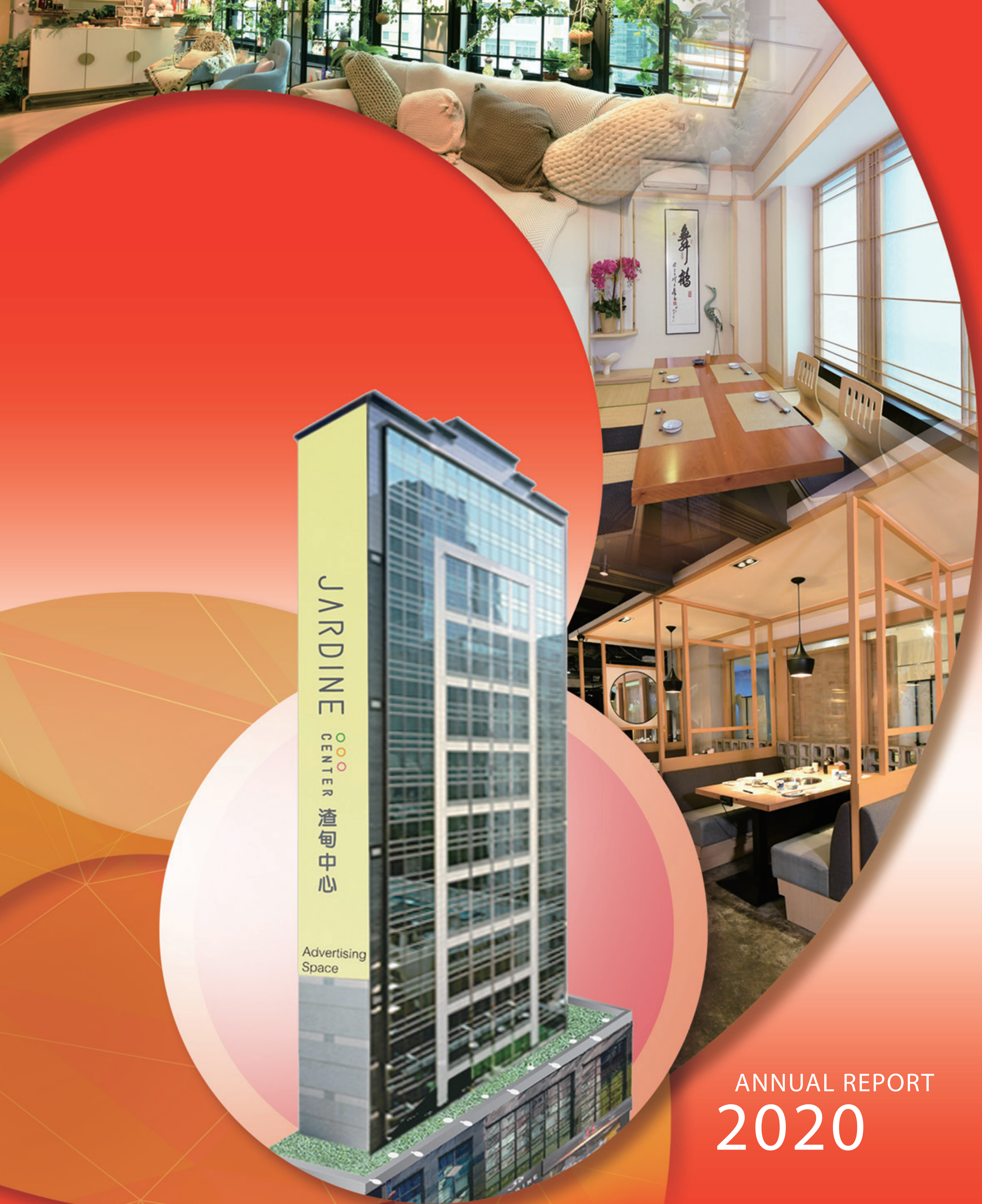

ANNUAL REPORT 2020

Zhongchang International Holdings Group Limited
中 昌 國 際 控 股 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)
Stock code：859

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Chen Zhiwei *(Chairman)*
(appointed on 13 May 2020, resigned as chief executive officer on 15 January 2021 and appointed as the chairman on 15 January 2021)
Ms. Ku Ka Lee *(Chief executive officer)*
(re-designated as executive director and appointed as chief executive officer on 15 January 2021)
Mr. Tang Lunfei *(appointed on 13 May 2020)*
Ms. Huang Limei *(appointed on 13 May 2020)*
Mr. Ma Yilin *(appointed on 13 May 2020 and resigned on 15 January 2021)*
Mr. Fan Xuerui *(resigned as the chairman on 13 May 2020)*
(retired on 19 June 2020)
(removed as chief executive officer on 22 June 2020)
Mr. Pi Minjie *(retired on 13 May 2020)*
Mr. Sun Meng *(resigned on 27 May 2020)*
Ms. Li Guang *(resigned on 27 May 2020)*

Non-executive directors

Dr. Huang Qiang *(appointed on 13 May 2020)*
Ms. Ku Ka Lee *(appointed on 6 January 2021 and re-designated as executive director on 15 January 2021)*
Mr. Wong Chi Keung, Kenjie *(appointed on 26 February 2021)*
Mr. Wang Xin *(Resigned on 6 January 2021)*

Independent non-executive directors

Mr. Liew Fui Kiang
Mr. Wong Wai Leung *(appointed on 13 May 2020)*
Mr. Yip Tai Him *(appointed on 13 May 2020)*
Mr. Hung Ka Hai Clement *(resigned on 15 June 2020)*
Mr. Wong Sai Tat *(resigned on 26 February 2021)*

COMMITTEES

Audit Committee

Mr. Yip Tai Him *(Chairman) (appointed on 15 June 2020)*
Mr. Hung Ka Hai Clement *(Chairman) (resigned on 15 June 2020)*
Mr. Wong Wai Leung *(appointed on 19 June 2020)*
Dr. Huang Qiang *(appointed on 19 June 2020)*
Mr. Liew Fui Kiang *(ceased to be a committee member on 19 June 2020)*
Mr. Wong Sai Tat *(ceased to be a committee member on 19 June 2020)*

Nomination Committee

Mr. Chen Zhiwei *(Chairman) (appointed on 15 January 2021)*
Mr. Ma Yilin *(Chairman) (appointed on 19 June 2020 and resigned on 15 January 2021)*
Mr. Liew Fui Kiang *(re-designated from Chairman to committee member on 19 June 2020)*
Mr. Wong Wai Leung *(appointed on 19 June 2020)*
Mr. Wong Sai Tat *(ceased to be a committee member on 19 June 2020)*
Mr. Fan Xuerui *(ceased to be a committee member on 19 June 2020)*

Remuneration Committee

Mr. Wong Wai Leung *(Chairman)*
(appointed on 15 June 2020)
Mr. Yip Tai Him *(appointed on 26 February 2021)*
Mr. Wong Chi Keung, Kenjie
(appointed on 26 February 2021)
Mr. Hung Ka Hai Clement *(resigned on 15 June 2020)*
Mr. Fan Xuerui *(ceased to be a committee member on 19 June 2020)*
Ms. Huang Limei *(appointed on 19 June 2020 and resigned on 26 February 2021)*
Mr. Wong Sai Tat *(re-designated from chairman to committee member on 15 June 2020 and resigned on 26 February 2021)*

AUTHORISED REPRESENTATIVES

Mr. Chen Zhiwei *(appointed on 22 June 2020)*
Mr. Chow Hok Lim *(appointed on 11 June 2020)*
Mr. Fan Xuerui *(removed on 22 June 2020)*
Mr. Suen Kin Wai *(resigned on 11 June 2020)*

COMPANY SECRETARY

Mr. Chow Hok Lim *(appointed on 11 June 2020)*
Mr. Suen Kin Wai *(resigned on 11 June 2020)*

AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1711
Tower 2 Times Square
1 Matheson Street
Causeway Bay
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

(In Alphabetical order)

Bank of China Limited
Bank of Shanghai Co., Limited
Hang Seng Bank Limited
Nanyang Commercial Bank (China), Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISERS

As to Hong Kong law:
Morgan, Lewis & Bockius
King & Wood Mallesons

As to Bermuda law:
Conyers Dill & Pearman

As to PRC law:
King & Wood Mallesons

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
Cedar House
41 Cedar Avenue
Hamilton, HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

http://www.zhongchangintl.hk

STOCK CODE

859

Corporate Profile

Zhongchang International Holdings Group Limited (hereinafter referred to as the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") is principally engaged in property investment and leasing in Hong Kong and property development in the People's Republic of China (the "**PRC**") during the year ended 31 December 2020 ("**Reporting Period**" or "**FY2020**").

As disclosed in the offer document issued by Glory Rank Investment Limited (a wholly-owned subsidiary of China Cinda (HK) Asset Management Co. Limited) (the "**Offeror**") dated 29 April 2020, the response document issued by the Company dated 13 May 2020 and the joint announcement issued by the Offeror and the Company dated 27 May 2020, China Cinda (HK) Asset Management Co., Limited made a mandatory unconditional general offer (the "**Offer**") via the Offeror to acquire all the issued shares of the Company (other than those already beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer was closed on 27 May 2020. Immediately after the close of the Offer, the Offeror, its ultimate beneficial owners and parties acting in concert with any of them held an aggregate 955,228,042 issued shares of the Company, representing approximately 84.91% of the total number of issued shares of the Company. As disclosed in the announcement of the Company dated 23 December 2020, the Company has been informed by the Offeror that the Offeror has disposed 111,642,295 shares of the Company, representing approximately 9.93% of the total issued shares of the Company (the "**Disposal**") to an independent third party. After the completion of the Disposal, China Cinda (HK) Asset Management Co., Limited is beneficially interested in 74.98% of the total number of issued shares of the Company.

After the change of control in May 2020, the Group has continued to consolidate and strengthen its existing property leasing business in Hong Kong while simultaneously seeking opportunities to rationalize its property development business in PRC. The Board will continue to drive the performance of its core business at a steady pace in order to create value for the Company and the shareholders of the Company (the "**Shareholders**").

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**", and each, a "**Director**") of the Company, I am pleased to present the annual report of the Group for the Reporting Period.

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

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

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

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

Finally, on behalf of the Board, I would like to express my sincere gratitude to all fellow directors and staff for their dedication and contribution, and to the Shareholders and business partners for their continuous support.

Chen Zhiwei
Chairman
Hong Kong, 31 March 2021

REVIEW OF OPERATIONS

Property leasing business

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

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

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

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

Management Discussion and Analysis

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

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

(1) Ginza-style building
(2) Street-shop


JARDINE CENTER
渣甸中心
G/F Shop D
G/F Shop C
G/F Shop A&B
Lockhart RD
Jardine's Bazaar
G/F Jardine's Bazaar 57
Jardine Crescent
1/F Jardine's Bazaar 38-40
G/F Jardine's Bazaar 38
G/F Jardine's Bazaar 41
Hennessy RD
Pak Sha RD
Lan Fong RD
Hysan Avenue

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

Property development business

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

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

The Acquisition of High Morality Group

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

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

Information of Phase II of NQS

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

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

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

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

Valuation of Phase II of NQS as at 31 December 2020

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

Major transaction – Exercise of Put Option in relation to High Morality Group

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

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

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

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

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

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

Litigation involving Shanghai Yuexin and Zhenjiang Tiangong

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

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

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

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

For details, please refer to the Company's announcements dated 15 October 2020, 20 November 2020, 23 November 2020 and 15 January 2021, and the Put Option Circular.

As disclosed in the announcement of the Company dated 31 March 2021 (the "**SIC Preliminary Findings Announcement**"), based on the preliminary investigation results of the PRC counsel to the Company for the investigation (the "**PRC Investigation Counsel**"), it was found that due to the withdrawal of the Civil Claim, it is uncertain which sale and purchase agreement reflects the true intention of the parties when the acquisition of Zhenjiang Tiangong was negotiated. For further details and the proposed next step, please refer to the SIC Preliminary Findings Announcement.

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

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

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

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

For details, please refer to the Company's announcement dated 16 October 2020 and the Put Option Circular.

As disclosed in the SIC Preliminary Findings Announcement, based on the advice of the PRC Investigation Counsel, it was found that, among others, the Prepaid Construction Costs were made without following the internal procedures of the Group. For further details and the proposed next steps, please refer to the SIC Preliminary Findings Announcement.

THE JINHUA PROJECT

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

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

On 19 November 2020 and 7 January 2021, Jinhua Mingrui obtained the 建築工程竣工驗收備案表 (Filing Form for Acceptance and Examination upon Completion of Construction Project* (the “**Filing Form**”)) for phase I and phase II of the Jinhua Project respectively issued by 中國地方城市建設局 (Local Urban Construction Bureau of the PRC*). After obtaining the Filing Form, from which the physical possession and the legal title of the completed properties can be transferred to purchasers, revenue is recognised when the control of the property is transferred. As at 31 December 2020, approximately RMB852.7 million from phase I was recognised as revenue (31 December 2019: Nil). Among which, 830 residential units, 23 units of retail shop and 1 unit of office from phase I were transferred to the relevant purchasers. Revenue from phase II will start to be recognised in early January 2021 after obtaining the Filing From of phase II and the units being transferred to the relevant purchasers.

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

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

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

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

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

Pursuant to Minglun Disposal Agreement II, Zhoushan Mingyi conditionally agreed to sell and Dongwang Project Management conditionally agreed to purchase the Minglun Sale Interest, at the consideration of approximately RMB180.3 million (equivalent to approximately HK$201.9 million)). The disposal of the entire interest of Hangzhou Minglun was completed in 2020.

Termination of acquisition of a hotel in Zhoushan City

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

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

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

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

FINANCIAL REVIEW

The comparative figures and prior year's figures presented in the consolidated financial statements for FY2019 have been restated. The details are highlighted in Note 2.2 in the Notes to the consolidated financial statements.

Revenue

For the year ended 31 December 2020, the revenue of the Group amounted to approximately HK$37.0 million (all comprising gross rental income from investment properties in Hong Kong), representing a decrease of approximately 17.8% from approximately HK$45.0 million (including gross rental income from investment properties in Hong Kong of approximately HK$39.2 million and revenue from provision of property project management services of approximately HK$5.8 million) recorded in the corresponding period of last year. The decrease in revenue was primarily attributable to (i) rental concession granted to tenants during the second quarter of 2020 as a consequence of COVID-19 pandemic and (ii) the absence of property project management services income during the Reporting Period as the relevant services has been suspended since October 2019.

Other income/(loss), net

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

Staff costs

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

Management Discussion and Analysis

Other operating expenses

Other operating expense amounted to approximately HK$29.6 million for the year ended 31 December 2020, representing a decrease of approximately 2.7% from approximately HK$30.4 million (restated) recorded in the same period of last year. The composition of other operating expenses by nature mainly classified as follows:

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

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

Substantial increase in professional fees was mainly due to: 1) substantial increase in auditor's remuneration arising from change in auditor and 2) professional fees arising from mandatory unconditional general offer and major transactions during the FY2020.

Marketing and advertising expenses mainly comprised of advertising expenses and selling expenses in relation to sales of properties under development of Zhenjiang Project.

Share of results of an associate

The share of net loss of associates for the year ended 31 December 2019 was restated to approximately HK$234.4 million which is restricted to the Group's entire interest in an associate and the Group has no obligation to take up further losses. The carrying amount of the investment in an associate is reduced to nil as at 31 December 2019. The significant share of losses of an associate was mainly attributable to a full impairment loss of other receivable in Yitai Group under the ECL model during FY2019.

Net loss in fair value of investment properties

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

Finance costs

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

Impairment losses under the ECL model

The impairment losses under the ECL model for the Reporting Period was approximately HK$7.6 million (2019: approximately HK$334.7 million (restated)) which was mainly attributable to impairment of certain financial assets. The impairment losses for FY2019 were mainly attributable to (i) a full impairment in respect of the deposit paid for acquisition of Zhoushan Sansheng of approximately RMB66.8 million (restated) (equivalent to approximately HK$76.0 million (restated)); (ii) a full impairment in amount due from an associate of approximately RMB48.5 million (restated) (equivalent to approximately HK$55.0 million (restated)); (iii) an impairment loss on trade receivable of approximately RMB3.6 million (restated) (equivalent to approximately HK$4.2 million (restated)); and (iv) provide impairment allowance of RMB173 million (restated) (equivalent to approximately HK$196.9 million (restated)) receivables in a PRC subsidiary.

Loss for the period attributable to the owners of the Company

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

Liquidity and financial resources

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

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

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

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

Capital Structure

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

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

Treasury Policy

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

DIVIDEND

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

CORPORATE GUARANTEE

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

CHARGES ON GROUP ASSETS

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

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

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

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

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

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

6. entire equity interests in certain subsidiaries for securing the Company's other borrowing which amounted to HK$50.0 million (2019: HK$50.0 million) from a financial institution, China Cinda (HK) Asset Management Co., Limited.

CONTINGENT LIABILITIES

At the end of each of the reporting period, contingent liabilities not provided for the consolidated financial statements were as follows:

	2020 **HK$'000**	2019 HK$'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties - amounts drawn by the purchasers	**24,634**	16,901

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

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

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

The Group did not incur any material losses during the year ended 31 December 2020 and 2019 in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

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

(b) Renewal of loan facilities

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

(c) Breach of covenant relating to Hang Seng Bank Limited ("HSB") facilities and potential waiver from HSB

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

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

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

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

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

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

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

EMPLOYEES AND REMUNERATION POLICY

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

* *For identification purpose only*

Report of the Directors

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 1 of the consolidated financial statements. The business review of the Group for the Reporting Period as well as further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (except for the principal risks and uncertainties facing the Group set out from pages 29 to 30), are set out in the section headed "Management Discussion and Analysis" from pages 5 to 21, the section headed "Investors' Relations and Communication with Shareholders" under Corporate Governance Report from pages 50 to 51 and the "Environmental, Social and Governance Report" from pages 53 to 76 of this annual report, which form part of this directors' report.

FINANCIAL STATEMENTS

The results of the Group for the Reporting Period and the state of the Company's and the Group's affairs as at 31 December 2020 are set out in the consolidated financial statements from pages 82 to 181 (the "**FY 2020 Consolidated Financial Statement**").

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the annual general meeting ("AGM")

For determining the entitlement to attend and vote at the AGM, which will be held on 21 June 2021, the register of members of the Company will be closed from Wednesday, 16 June 2021 to Monday, 21 June 2021 (both dates inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Tuesday, 15 June 2021.

INVESTMENT PROPERTIES

The Group's investment properties as at 31 December 2020 were revalued by an independent firm of professional properties valuers using income capitalisation approach and by making reference to comparable rent and sales transactions of similar properties in the similar locations and conditions as available in the market. Details of movements in the investment properties of the Group during the Reporting Period are set out in Note 18 to the FY 2020 Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 15 to the FY 2020 Consolidated Financial Statements.

SHARE CAPITAL

During the Reporting Period, there was no change to the authorized and issued share capital of the Company. Details of the share capital of the Company and the issue of shares made by the Company are set out in Note 29 to the FY 2020 Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing Shareholders.

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

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

CONVERTIBLE NOTES

Reference is made to the circular of the Company dated 26 October 2015 (the "**CB Circular**") in relation, among other things, the proposed issuance of the Convertible Notes (as defined in the CB Circular). The Convertible Notes were issued in December 2015, The outstanding Convertible Notes was fully redeemed at its maturity date of 7 December 2020, and none of the outstanding principal amount of the Convertible Notes of HK$11,000,000 was converted into any shares of the Company prior to such full redemption. For details, please refer to the announcement of the Company dated 8 December 2020.

RESERVES

Movements in reserves of the Group and the Company during the Reporting Period are set out on page 84 and page 181 of this annual report respectively.

As at 31 December 2020, the Company's reserve available for distribution to shareholders of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted of approximately HK$61,483,000 (2019: approximately HK$78,387,000).

SHARE OPTION SCHEMES

The Company, by resolution passed by its Shareholders at the annual general meeting held on 3 September 2013, has adopted a new share option scheme to replace the previous share option scheme that lapsed on 2 September 2013 (the "**2013 Share Option Scheme**"). During the Reporting Period, there was no share options granted and no outstanding share option under the 2013 Share Option Scheme. Particulars of the 2013 Share Option Schemes are set out in Note 32 to the consolidated financial statements.

MAJOR PROPERTIES

Particulars of the major properties held by the Group are set out from pages 183 to 184 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years/period is set out on page 182 of this annual report.

DIRECTORS

The Directors during the Reporting Period and subsequent to the date of this report were:

Executive Directors

Mr. Chen Zhiwei *(Chairman)*
(appointed on 13 May 2020, and
resigned as chief executive officer and appointed as the chairman on 15 January 2021)
Ms. Ku Ka Lee *(Chief executive officer)*
(re-designated as executive director and appointed as chief executive officer on 15 January 2021)
Mr. Tang Lunfei *(appointed on 13 May 2020)*
Ms. Huang Limei *(appointed on 13 May 2020)*
Mr. Ma Yilin *(appointed on 13 May 2020 and resigned on 15 January 2021)*
Mr. Fan Xuerui *(resigned as the chairman on 13 May 2020,*
retired on 19 June 2020 and removed as chief executive officer on 22 June 2020)
Mr. Pi Minjie *(retired on 13 May 2020)*
Mr. Sun Meng *(resigned on 27 May 2020)*
Ms. Li Guang *(resigned on 27 May 2020)*

Non-executive Directors

Dr. Huang Qiang *(appointed on 13 May 2020)*
Ms. Ku Ka Lee *(appointed on 6 January 2021 and*
re-designated as executive director on 15 January 2021)
Mr. Wong Chi Keung, Kenjie *(appointed on 26 February 2021)*
Mr. Wang Xin *(resigned on 6 January 2021)*

Independent non-executive Directors

Mr. Liew Fui Kiang
Mr. Wong Wai Leung *(appointed on 13 May 2020)*
Mr. Yip Tai Him *(appointed on 13 May 2020)*
Mr. Hung Ka Hai Clement *(resigned on 15 June 2020)*
Mr. Wong Sai Tat *(resigned on 26 February 2021)*

In accordance with the Company's bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Mr. Chen Zhiwei, Mr. Tang Lunfei and Mr. Liew Fui Kiang will retire from office at the forthcoming AGM and being eligible, will offer themselves for re-election.

Pursuant to the Company's Bye-law 86(2), every Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board), and shall then be eligible for re-appointment. Accordingly, Ms. Ku Ka Lee and Mr. Wong Chi Keung, Kenjie shall hold office only until the AGM and shall be eligible for re-election at the AGM.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors as at the date of this report are set out on pages 32 to 36 of this annual report.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

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

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

On 6 August 2019, each of Top Bright, Smart Land and Pioneer Delight entered into their respective facility agreements with HSB for term loan facilities in the aggregate principal amount of HK$270 million.

Breach of financial covenant of HSB loans

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

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

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

Please also refer to "Management Discussion and Analysis – Events after the Reporting Period – (c) Breach of covenant relating to HSB facilities and potential waiver fun HSB" for the waiver of the event of default obtained from HSB in relation to the loan-to-value ratio under the HSB loan facilities.

Demand letters from Shanghai Aijian and renewal of loans

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

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

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, has entered into a service contract with the Company for an initial term of two years, commencing from his or her date of appointment. Such service contracts are renewable prior to the expiry for an additional year, subject to the compliance with the Listing Rules and the termination in accordance with the provisions of the service contract, or by either party giving the other not less than one month's prior written notice prior to the expiry or re-election to not renew the existing term, or three months' prior written notice in other cases.

Each of the non-executive Directors and independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of one year to three years depending on the term of appointment and commencing from his or her letter of appointments. Such letter of appointments are renewable on the date of appointment or re-election at the general meeting of the Company, and up to the next annual general meeting of the Company when his or her re-election is being considered, subject to the compliance with the Listing Rules and the termination in accordance with the provisions of the letter of appointment, or by either party giving the other not less than one month's prior written notice.

No Director who are proposed for re-election at the forthcoming AGM has a service contract or letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of The Company or any of its Associated Corporations" on page 27 of this annual report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares, or underlying shares in, or debenture of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, there was no competing business in which a Director had an interest which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

In relation to the Group's business, the percentages of Group's total revenue for the Reporting Period attributable to the largest customer and the five largest customers in aggregate were approximately 7.7% and 32.7%, respectively.

The percentages of Group's total purchases for the Reporting Period attributable to the largest supplier and the five largest suppliers in aggregate were approximately 61.4% and 77.3%, respectively.

None of the Directors, their respective close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interests in any major customers or suppliers noted above.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, none of the Directors nor the chief executive of the Company had any interests or short positions 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 (the "**SFO**")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 December 2020, Shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange were as follows:

		As at 31 December 2020 [(1)]	
Name of substantial shareholder	Capacity and nature of interest	Number of ordinary shares and underlying shares interested L-(long position)/ S-(short position)	Approximate percentage of issued share capital of the Company (Note 1)
China Cinda (HK) Asset Management Co., Limited ("**China Cinda (HK)**") [(2)(3)]	Beneficial owner	L – 843,585,747	74.98%
China Cinda Asset Management Co., Ltd. [(2)(3)]	Interest in controlled corporation	L – 843,585,747	74.98%
DCP China Credit Fund I, L.P. [(4)]	Interest of controlled corporation	L – 843,585,747	74.98%
Dignari Capital Partners GP Limited [(4)]	Interest of controlled corporation	L – 843,585,747	74.98%
Tan Mei Zie Grace [(4)]	Interest of controlled corporation	L – 843,585,747	74.98%
Bonds Chan Family Holding (PTC) Ltd. [(5)(6)]	Beneficial owner	L – 111,642,295	9.93%
Bonds & Sons Holdings Limited [(5)(6)]	Interest in controlled corporation	L – 111,642,295	9.93%
Bonds & Sons International Limited [(5)(6)]	Interest in controlled corporation	L – 111,642,295	9.93%

Notes:

(1) Based on 1,125,027,072 ordinary shares of the Company in issue as at 31 December 2020.

(2) China Cinda (HK) is the beneficial owner of 843,585,747 shares which is wholly-owned by China Cinda Asset Management Co., Ltd.

(3) China Cinda Asset Management Co., Ltd. controlled 100% of China Cinda (HK) Holdings Company Limited, which is the sole shareholder of China Cinda (HK) and is deemed under the SFO to be interested in the 843,585,747 shares held by China Cinda (HK).

(4) To the best knowledge, information and belief of the Directors, DCP China Credit Fund I, L.P., Dignari Capital Partners GP Limited and Tan Mei Zie Grace are interested in 843,585,747 shares of the Company and/or underlying shares of the Company, among which there are interests in 34,139,680 underlying shares of the Company pursuant to physically settled unlisted derivatives; DCP China Credit Fund I, L.P. controlled 100% of Dragons 616 Limited, whilst DCP China Credit Fund I, L.P. was controlled by Dignari Capital Partners GP Limited, and Tan Mei Zie Grace controlled 99% of Dignari Capital Partners GP Limited.

(5) Bonds Chan Family Holding (PTC) Ltd., is the beneficial owner of 111,642,295 Shares which is wholly-owned by Bonds & Sons Holdings Limited.

(6) Bonds & Sons International Limited controlled 100% of Bonds & Sons Holdings Limited, which is the sole shareholder of Bonds & Sons Holdings Limited and is deemed under the SFO to be interested in the 111,642,295 Shares held by Bonds Chan Family Holding (PTC) Ltd.

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS' INDEMNITIES

In accordance with the bye-law 166(1) of the Company's bye-laws, every director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

Such permitted indemnity provisions have been in force throughout the Reporting Period and is currently in force at the time of approval of this report.

Accordingly, the Company has arranged Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could affect the Group's business model, future performance and solvency which are considered by the Board on a regular basis. The Board, through Audit Committee by establishing and maintaining the Group's internal control system and risk management process to monitor significant risks in order to achieve the Group's strategic objectives and missions. Additional information on the Group's risk management and internal control is set out in the Corporate Governance Report. The key major risks affecting the Group's business are as follows:

Economic and Financial Risk

The Group's major assets are investment properties located in Hong Kong which contributed to the Group's revenue and results of operations, accordingly, they are exposed to the risk of uncertain and/or negative performance of Hong Kong economy, financial and property markets, either directly or indirectly through restrictions in the availability of credit from the Group's bankers and the Group's investment properties – tenants in terms of reduction in rental income and occupancy. Such adverse impact in effect might reduce the Group's rental revenue, increase the finance cost and decrease the fair value of the Group's investment properties and hence the net asset values of the Group.

Beside the outlook of the Hong Kong's economy, prospect on the Group's businesses also rely on the performance of the property market in the PRC. The property market in the PRC is affected by a number of factors, including changes in social, political, economic and legal environment, and the government's policies. The Group is also susceptible to changes in economic conditions, consumer confidence, consumption spending, and changes in consumption preferences. Therefore, the Group will continue to develop and expand into different regional markets to reduce its dependence on specific markets.

All of the Group's bank borrowings secured by the investment properties in Hong Kong are subject to floating interest rates based on HIBOR plus a fixed margin while the Group's other borrowings are subject to fixed interest rates ranging from 8% to 23% per annum. The Group will closely monitor and manage its exposure to the interest rate fluctuations and will consider engaging hedging instruments as and when appropriate.

The Group's property development business is mainly denominated in RMB. During the Reporting Period, an unrealised exchange loss on translating foreign operations of approximately HK$11.6 million was charged as other comprehensive loss, which was arisen mainly from the translation of operations in the PRC due to the appreciation of RMB. Though no hedging instruments have been engaged, the Group will closely monitor its foreign exchange risk exposure.

Regulatory Risk

The Group is subject to the introduction of new laws, policies or regulations, changes in the interpretation or application of new laws, policies and regulations applicable to the Group.

During the Reporting Period, as far as the Company is aware, there was no material breach or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Completion of General Offer

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

Public Float Requirement

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

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

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

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

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

AUDITORS

During the Reporting Period, HLB Hodgson Impey Cheng Limited resigned as auditor of the Company on 31 December 2020 and Ernst & Young were appointed by the Directors on 15 January 2021 to fill the casual vacancy so arising. There have been no other changes of auditor in the past three years. A resolution for the reappointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Chen Zhiwei
Chairman and Executive Director

Hong Kong, 31 March 2021

* *for identification purpose only*

DIRECTORS

Executive Directors

Mr. Chen Zhiwei ("Mr. Chen")

Mr. Chen, aged 36, was appointed as an executive Director with effect from 13 May 2020. Mr. Chen was also the Chief executive officer ("**CEO**") between 22 June 2020 and 14 January 2021. At the Board meeting held on 15 January 2021, the Board (other than Mr. Chen himself) proposed to appoint Mr. Chen as the Chairman. In order to comply with the code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules, Mr. Chen has tendered his resignation as the CEO in order to assume the role of the Chairman, with effect from 15 January 2021. Mr. Chen was appointed as the Chairman and the chairman of the Nomination Committee with effect from 15 January 2021. He has over 14 years of investment and research experience in the financial industry. Mr. Chen obtained his Bachelor of Economics in July 2004 from Tsinghua University of the People's Republic of China and his Master of Science (Estate Management) in August 2009 from National University of Singapore. Mr. Chen joined China Cinda (HK) Holdings Company Limited ("**Cinda HK**") in June 2010 and is currently serving as its deputy general manager, and is responsible for managing its investment and financing business. Mr. Chen has been a non-executive director of (1) Modern Land (China) Co., Limited, a company listed on the main board ("**Main Board**") of The Stock Exchange of Hong Kong Limited (stock code: 1107) since December 2016; (2) China Fortune Financial Group Limited, a company listed on the Main Board (stock code: 290) since April 2018; (3) SouthGobi Resources Ltd., a company listed on the Main Board (stock code: 1878), and the Toronto Stock Exchange (TSX: SGQ) since April 2018; and (4) Silver Grant International Holdings Group Limited, a company listed on the Main Board (stock code: 171) since January 2019.

Mr. Chen has entered into a service contract with the Company for an initial term of two years from 13 May 2020 to 12 May 2022 (both dates inclusive). Mr. Chen is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Ms. Ku Ka Lee ("Ms. Ku")

Ms. Ku, aged 50, joined the Group in 17 June 2020 and has been appointed as a non-executive Director since 6 January 2021 up to 14 January 2021. She has been redesignated from non-executive Director to executive Director and appointed as the CEO with effect from 15 January 2021. She is also a director of all subsidiaries of the Company incorporated in Hong Kong and the British Virgin Islands respectively. Ms. Ku is currently the managing director of the Investment Department of Cinda HK, responsible for sourcing and execution of private and secondary market transactions valuing in excess of HK$10 billion. Ms. Ku has over 24 years' experience in the management and finance sectors. She joined China Cinda Asset Management Co., Ltd. ("**China Cinda**") in 1996 and throughout her career at China Cinda, she has worked in a variety of roles and positions. Prior to her appointment in 2018 as the managing director of the Investment Department in Cinda HK, Ms. Ku was an executive director of the Investment Department in Cinda HK from March 2017 to March 2018 and prior to that, a Senior Manager Assistant of the Investment Department in Cinda HK from March 2016 to March 2017. While at Cinda HK, Ms. Ku has provided corporations with financial supports through loans, equity investments, mezzanine investments, bond investments, initial public offerings, and additional investment opportunities at every stage of corporate growth. Ms. Ku has been a non-executive director of SouthGobi Resources Limited, an integrated coal mining, development and trading company listed on the Main Board (Stock code: 1878), since 9 December 2020. Ms. Ku studied international trade at Hubei University in China in 1989. She subsequently obtained a Diploma in Business Management which was jointly organised by The Hong Kong Management Association and Lingnan University in Hong Kong in July 2005. Ms. Ku also completed the Licensing Examination for Securities and Futures Intermediaries from the Hong Kong Securities and Investment Institute for the practising certificate for securities and asset management in October 2013 and December 2013, respectively. Furthermore, Ms. Ku is a member of the Canadian Institute of Corporate Directors.

Ms. Ku has entered into a service contract with the Company for an initial term of two years from 15 January 2021 to 14 January 2023 (both dates inclusive). Ms. Ku is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. Tang Lunfei ("Mr. Tang")

Mr. Tang, aged 42, has been appointed as an executive Director with effect from 13 May 2020. He has over 16 years of experience in the financial industry. Mr. Tang obtained his Bachelor of Economics from Chongqing Institute of Technology of the PRC in June 2000 and his Master of Economics from Sichuan University of the PRC in June 2003. After his graduation, Mr. Tang joined China Cinda Asset Management Co., Ltd. ("**China Cinda**") as the business manager of Chengdu office from July 2003 to April 2005. Subsequently, he worked for the Financial Stability Bureau of The People's Bank of China from May 2005 to June 2006, where he was responsible for resolving the risks associated with securities companies. Mr. Tang then joined Cinda Securities Company Limited from June 2006 to June 2012 with his last position as the business director. From June 2012 to July 2019, he worked for China Cinda with his last position as the chief and specialised approver of various departments of the company. Since July 2019, Mr. Tang has been serving as the chief risk and compliance officer of China Cinda (HK) Holdings Company Limited (a wholly-owned subsidiary of China Cinda). Mr. Tang has been an executive director of Silver Grant International Holdings Group Limited, a company listed on the Main Board (stock code: 171) since 11 January 2021.

Mr. Tang has entered into a service contracts with the Company for an initial term of two years from 13 May 2020 to 12 May 2022 (both dates inclusive). Mr. Tang is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Ms. Huang Limei ("Ms. Huang")

Ms. Huang, aged 55, has been appointed as an executive Director with effect from 13 May 2020. She has over 20 years of experience in the financial industry. Ms. Huang obtained her Bachelor of Financial Statistic Profession* (金融統計專業) from Hunan University of Finance and Economics of the PRC in July 1989 and her Master of National Economics* (國民經濟學) from Zhongnan University of Economics and Law of the PRC in December 2000. Prior to joining China Cinda (HK), Ms. Huang worked for the Shenzhen branch of the China Construction Bank from June 1989 to August 1999 with her last position as the associate head of division. She subsequently joined Shenzhen branch of China Cinda from August 1999 to December 2017 where she was principally responsible for handling the finance, approval of business plans and risk management of the company. Since February 2018, Ms. Huang has served as the deputy general manager of China Cinda (HK).

Ms. Huang has entered into a service contracts with the Company for an initial term of two years from 13 May 2020 to 12 May 2022 (both dates inclusive). Ms. Huang is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Non-Executive Directors

Dr. Huang Qiang ("Dr. Huang")

Dr. Huang, aged 44, has been appointed as a non-executive Director with effect from 13 May 2020. Dr. Huang has been appointed as member of the Audit Committee with effect from 19 June 2020. He has over 21 years of experience in the financial industry. Dr. Huang obtained his Bachelor of Economics from the Southwestern University of Finance and Economics of the PRC in July 1998, his Master of Corporate Management* (企業管理) from the Southwestern University of Finance and Economics of the PRC in December 2003 and his Doctor of Corporate Management* (企業管理) in July 2009 from the Southwestern University of Finance and Economics of the PRC. He had been working for Chengdu branch of The People's Bank of China from July 1998 to December 2002, Chengdu Rural Commercial Bank from December 2002 to March 2011 and the China Securities Regulatory Commission from March 2011 to March 2012 where he obtained his valuable experience in the financial industry. Subsequently, Dr. Huang served the School of Economics of the Peking University as a Postdoctor from March 2012 to February 2013. He then joined China Cinda from February 2013 to June 2016 with his last position as the associate general director. Dr. Huang has been concurrently serving as the deputy general manager of China Cinda (HK) Holdings Company Limited (a wholly-owned subsidiary of China Cinda) since June 2017 and is responsible for managing the equity and corporate finance business of the company.

Dr. Huang has entered into a letter of appointment with the Company for an initial term of two years from 13 May 2020 to 12 May 2022 (both dates inclusive). Dr. Huang is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. Wong Chi Keung, Kenjie ("Mr. K. Wong")

Mr. K. Wong, aged 61, has been appointed as a non-executive Director and a member of the Remuneration Committee with effect from 26 February 2021. He has over 30 years of experience in providing a range of services such as strategy, marketing and business consulting services to international businesses in particular for those wishing to expand into China, including Hong Kong. Through direct experience as well as relationships formed with industry players, he has knowledge in a broad range of market sectors such as consumer products, automotive, finance and banking, property, luxury fashions and wine & spirits. In June 2016, Mr. K. Wong joined House of Connoisseur Ltd. as executive director. House of Connoisseur Ltd. is a wine and spirit company in Hong Kong that carry a wide range of wine and spirits, including fine wine and premium spirits. Mr. K. Wong is responsible for leading, developing and executing a comprehensive business and marketing strategy for it to become a leader in this competitive market. Prior to joining the House of Connoisseur Ltd., Mr. K. Wong held senior posts in a number of private companies. In April 2015, Mr. K. Wong joined Kingsway Cars Ltd., the authorized dealer of Lamborghini in Hong Kong, as general sales manager. From January 2013 to March 2015, Mr. K. Wong was the executive director of Gao Peng Cultural and Media Group Ltd., a consulting company advising on licensing, intellectual property and merchandising. Between March 2011 and January 2013, Mr. K. Wong was the general manager of Newcast Shanghai, the branded content and engagement arm of ZenithOptimedia. From 1997 to 2011, Mr. K. Wong held various positions mainly focused in the field of advertising and marketing. Mr. K. Wong obtained a Bachelor of Arts degree majoring in Communication Studies from Simon Fraser University in British Columbia, Canada in 1984.

Mr. K. Wong has entered into a letter of appointment with the Company for an initial term of one year from 26 February 2021 to 25 February 2022 (both dates inclusive). Mr. K. Wong is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Independent Non-Executive Directors

Mr. Liew Fui Kiang ("Mr. Liew")

Mr. Liew, aged 54, has been appointed as an independent non-executive Director with effect from 12 January 2018. Mr. Liew has been re-designated from the chairman to a member of the Nomination Committee and ceased to be member of the Audit Committee with effect from 19 June 2020. He is a fellow of the Hong Kong Institute of Directors and a solicitor of England and Wales, and Hong Kong. He obtained a Bachelor of Laws (Tetley & Lupton scholar) from the University of Leeds in the United Kingdom in 1989 and a Master of Business Administration from the Hull University Business School in the United Kingdom in 1996. Mr. Liew is currently an independent non-executive director of Shandong Gold Mining Co., Ltd. (stock code: 1787 and 600547.SH), China Apex Group Limited (stock code: 2011) and Zhengye International Holdings Limited (stock code: 3363) respectively. Mr. Liew was the chairman of the board of directors and an executive director of PacRay International Holdings Limited (stock code: 1010) from August 2017 to January 2019. He was a non-executive director of Amber Hill Financial Holdings Limited (stock code: 33) in December 2019. Mr. Liew was an independent director of Baoshan Iron & Steel Company Limited (寶山鋼鐵股份有限公司, stock code: 600019.SH), a Fortune Global 500 company, from 2000 to 2006.

Mr. Liew has entered into an appointment letter with the Company for an initial term of three years commenced from 12 January 2018 and such letter of appointment may be renewed subject to the passing of the relevant resolution at the AGM for his re-election. Mr. Liew is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. Wong Wai Leung ("Mr. W. Wong")

Mr. W. Wong, aged 43, has been appointed as an independent non-executive Director with effect from 13 May 2020. Mr. W. Wong has been appointed as the chairman of the Remuneration Committee with effect from 15 June 2020. Mr. W. Wong has been appointed as members of the Audit Committee and Nomination Committee respectively with effect from 19 June 2020. He has over 20 years of experience in accounting, auditing and financial management. Mr. W. Wong obtained his Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology in November 2000. He has also been admitted as a member of the Hong Kong Institute of Certified Public Accountant (the "**HKICPA**") since July 2004, and a fellow member of the Association of Chartered Certified Accountants since September 2010. After graduation, Mr. W. Wong worked at Ernst & Young in audit assurance from September 2000 to August 2009 with his last held position as the senior manager in the assurance and advisory business services department. He was also seconded to the assurance and advisory business services department of the New York office of Ernst & Young in the United States of America as the senior accountant from November 2004 to March 2006. Mr. W. Wong then worked at Lianjie Capital (Hong Kong) Limited from September 2009 to March 2012 with his last held position as the chief financial officer. He was subsequently transferred to Lianjie Sports Investments Limited, a private company which manages investments and trusts for a family office, between April 2012 and December 2015 with his last position as the chief financial officer. Mr. W. Wong was then appointed as a director of Lianjie Sports Investments Limited since January 2016. Currently, Mr. W. Wong has become the executive director, chief financial officer and company secretary of Qinqin Foodstuffs Group (Cayman) Company Limited (a company principally engaged in the manufacturing, distribution and sale of food and snacks products in the PRC and listed on the Main Board with stock code: 1583) since March 2016 where he is responsible for corporate development, investment, accounting and financial matters. He has also been appointed as an independent non-executive director of (1) MediNet Group Limited (a company principally engaged on providing corporate medical and dental solutions and listed on GEM ("**GEM**") of the Stock Exchange with stock code: 8161) since May 2016; and (2) Vertical International Holdings Limited (a company principally engaged in manufacturing of chip type and radial lead type aluminum electrolytic capacitors and listed on GEM with stock code: 8375) since October 2017.

Mr. W. Wong has entered into an appointment letter with the Company for an initial term of one year from 13 May 2020 to 12 May 2021 (both dates inclusive).. Mr. W. Wong is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Directors' Biography

Mr. Yip Tai Him ("Mr. Yip")

Mr. Yip, aged 50, has been appointed as an independent non-executive Director with effect from 13 May 2020. Mr. Yip has been appointed as the chairman of the Audit Committee with effect from 15 June 2020. Mr. Yip has been appointed as a member of Remuneration Committee with effect from 26 February 2021. He has over 20 years of experience in accounting, auditing and financial management. Mr. Yip obtained his Bachelor degree from the City University of Hong Kong in November 1993. He has been admitted as a member of the HKICPA, a fellow of the Association of Chartered Certified Accountants in the United Kingdom and a fellow of the Institute of Chartered Accountants in England and Wales since June 1997, September 2001 and January 2016 respectively. Mr. Yip has been serving as an independent non-executive director of (1) Shentong Robot Education Group Company Limited (a company with principal business of robotic education and listed on GEM with stock code: 8206) since October 2002; (2) GCL-Poly Energy Holdings Limited (a solar energy related company listed on the Main Board with stock code: 3800) since March 2009; and (3) Redco Properties Group Limited (a property developer listed on the Main Board with stock code: 1622) since January 2014. In addition, during the past three years, he was previously an independent non-executive director of (1) Sino Golf Holdings Limited (a company principally engaged in design, development, manufacture and sale of fully assembled and packaged golf clubs and related accessories and listed on the Main Board with stock code: 361) from September 2015 to November 2018; and (2) Bisu Technology Group International Limited (an engineering and construction company listed on the Main Board with stock code: 1372) from July 2015 to April 2019.

Mr. Yip has entered into an appointment letter with the Company for an initial term of one year from 13 May 2020 to 12 May 2021 (both dates inclusive). Mr. Yip is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

The Company is committed to good corporate governance practices in order to safeguard the interests of the Shareholders. This is essential to the success of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted a corporate governance code prepared based on the code provisions (the "**Code Provisions**") of the latest revised code on corporate governance and relevant amendments effective from 1 January 2020 (the "**CG Code**") as set out in Appendix 14 to the Listing Rules from time to time as the guidelines for corporate governance of the Company, and has complied with the CG Code throughout the Reporting Period save for the following deviations:

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

During the Reporting Period, Mr. Fan Xuerui served as both the Chairman and the chief executive officer of the Company (the "**CEO**") from 30 September 2019 onwards till 12 May 2020, which deviates from the Code Provision A.2.1.

During the said period, the Board at the said period believed that with the support of the management, vesting the roles of both chairman and the CEO in Mr. Fan Xuerui can facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Further, the Board at the said period considered that the structure will not impair the balance of power and authority between the Board and the management of the Group.

As disclosed in the announcement of the Company dated 13 May 2020, Mr. Fan resigned as the chairman of the Board with effective from 13 May 2020. The Company has complied with Code Provision A.2.1 since then.

ROLES AND RESPONSIBILITIES OF THE BOARD AND DELEGATED FUNCTIONS OF THE MANAGEMENT

The Board is responsible for the leadership and overall control of the Company, oversees the Group's business, formulates strategic plans/decisions and monitors financial and operational performances, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibilities for decision making in all major matters of the Company which include, approving and monitoring all policy matters, setting of objectives, and overall strategies, material transactions, appointment of Directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management under the direction and supervision of the Chairman of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to entering into of any significant transactions by the executive Directors and the Board has the full support from them to discharge its duties and responsibilities.

CORPORATE GOVERNANCE FUNCTIONS

The Company has not established any corporate governance committee. The Board is responsible for performing the corporate governance functions including (i) developing and reviewing the Company's policies, practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and (iv) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD COMPOSITION

During the Reporting Period and up to the date of this annual report, the compositions of the Board were as follows:

(i) ***Between 1 January 2020 to 12 May 2020:*** the Board had a total of eight Directors, which comprised of:

- four executive Directors (namely, Mr. Fan Xuerui (*Chairman* and *CEO*), Mr. Pi Minjie, Mr. Sun Meng and Ms. Li Guang);
- one non-executive Director (namely, Mr. Wang Xin); and
- three independent non-executive Directors (namely, Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat);

(ii) ***Between 13 May 2020 to 26 May 2020:*** the Board had a total of 14 Directors, which comprised of:

- seven executive Directors (namely, Mr. Ma Yilin (*Chairman*), Mr. Fan Xuerui (*CEO*), Mr. Sun Meng, Ms. Li Guang, Mr. Tang Lunfei, Ms. Huang Limei and Mr. Chen Zhiwei);
- two non-executive Directors (namely, Mr. Wang Xin and Dr. Huang Qiang); and
- five independent non-executive Directors (namely, Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him);

(iii) ***Between 27 May 2020 to 14 June 2020:*** the Board had a total of 12 Directors, which comprised of:

- five executive Directors (namely, Mr. Ma Yilin (*Chairman*), Mr. Fan Xuerui (*CEO*), Mr. Tang Lunfei, Ms. Huang Limei and Mr. Chen Zhiwei);
- two non-executive Directors (namely, Mr. Wang Xin and Dr. Huang Qiang); and
- five independent non-executive Directors (namely, Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him);

(iv) ***Between 15 June 2020 to 18 June 2020:*** the Board had a total of 11 Directors, which comprised of:

- five executive Directors (namely, Mr. Ma Yilin (*Chairman*), Mr. Fan Xuerui (*CEO*), Mr. Tang Lunfei, Ms. Huang Limei and Mr. Chen Zhiwei);
- two non-executive Directors (namely, Mr. Wang Xin and Dr. Huang Qiang); and
- four independent non-executive Directors (namely, Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him);

(v) ***Between 19 June 2020 to 5 January 2021:*** the Board had a total of 10 Directors, which comprised of:

- four executive Directors (namely, Mr. Ma Yilin (*Chairman*), Mr. Chen Zhiwei (*CEO* since 22 June 2020), Mr. Tang Lunfei and Ms. Huang Limei);
- two non-executive Directors (namely, Mr. Wang Xin and Dr. Huang Qiang); and
- four independent non-executive Directors (namely, Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him);

(vi) ***Between 6 January 2021 to 14 January 2021:*** the Board had a total of 10 Directors, which comprised of:

– four executive Directors (namely, Mr. Ma Yilin (*Chairman*), Mr. Chen Zhiwei (*CEO*), Mr. Tang Lunfei and Ms. Huang Limei);

– two non-executive Directors (namely, Ms. Ku Ka Lee and Dr. Huang Qiang); and

– four independent non-executive Directors (namely, Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him);

(vii) ***Between 15 January 2021 to 25 February 2021:*** the Board had a total of nine Directors, which comprised of:

– four executive Directors (namely, Mr. Chen Zhiwei (*Chairman*), Ms. Ku Ka Lee (*CEO*), Mr. Tang Lunfei and Ms. Huang Limei);

– one non-executive Director (namely, Dr. Huang Qiang); and

– four independent non-executive Directors (namely, Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him);

(viii) ***From 26 February 2021 to the date of this annual report (being 31 March 2021):*** the Board has a total of nine Directors, which comprises:

– four executive Directors (namely, Mr. Chen Zhiwei (*Chairman*), Ms. Ku Ka Lee (*CEO*), Mr. Tang Lunfei and Ms. Huang Limei);

– two non-executive Directors (namely, Dr. Huang Qiang and Mr. Wong Chi Keung, Kenjie); and

– three independent non-executive Directors (namely, Mr. Liew Fui Kiang, Mr. Wong Wai Leung and Mr. Yip Tai Him).

During the Reporting Period and up to the date of this annual report, the Company has at all times complied with Rules 3.10(1) and 3.10A of the Listing Rules, of having at least three independent non-executive directors and representing at least one-third of the Board.

At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors as at the date of this annual report are set out on pages 32 to 36 of this annual report. There is no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

THE BOARD

Number of meetings attended/eligible to attend

The Board held 4 regular meetings and 15 additional meetings during the Reporting Period.

The attendance of individual Directors at the Board meetings and the general meetings held for the Reporting Period are as follows:

Name of Directors	Regular Board meetings	Additional Board meetings[7]	General meetings
Executive Directors			
Mr. Ma Yilin *(Chairman, from 13 May 2020)* [1]	2/2	8/12[6]	1/1
Mr. Chen Zhiwei *(Chief Executive Officer, from 13 May 2020)* [1]	2/2	11/11	1/1
Mr. Tang Lunfei [1]	2/2	8/11	1/1
Ms. Huang Limei [1]	2/2	7/11	1/1
Mr. Fan Xuerui *(Chairman, until 13 May 2020)* [2] *(Chief Executive Officer, until 22 June 2020)*	2/2	8/8	2/2
Mr. Pi Minjie [3]	2/2	2/2	1/1
Mr. Sun Meng [4]	0/2	1/4	0/1
Ms. Li Guang [4]	2/2	4/4	1/1
Non-executive Directors			
Dr. Huang Qiang [1]	2/2	9/11	1/1
Mr. Wang Xin	2/4	10/14	1/2
Independent non-executive Directors			
Mr. Wong Wai Leung [1]	2/2	12/12[6]	1/1
Mr. Yip Tai Him [1]	2/2	12/12[6]	1/1
Mr. Hung Ka Hai Clement [5]	2/2	5/7	1/1
Mr. Liew Fui Kiang	4/4	15/15[6]	2/2
Mr. Wong Sai Tat	4/4	14/15[6]	2/2

Notes:

(1) Appointed on 13 May 2020.

(2) Resigned as the Chairman on 13 May 2020 and retired by rotation as an executive Director on 19 June 2020.

(3) Ceased to be an executive Director on 13 May 2020.

(4) Resigned on 27 May 2020.

(5) Resigned on 15 June 2020.

(6) In addition, the Chairman held a meeting with the independent non-executive Directors without the presence of other executive Directors during the Reporting Period.

(7) Additional Board meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention.

(8) The number of meetings represent the meetings held during the term of the respective Directors' appointments.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Fan Xuerui served as both the chairman and the CEO between 30 September 2019 and 12 May 2020, which deviates from the Code Provision A.2.1. During the said period, the board of directors of the Company at the said period believed that with the support of the management, vesting the roles of both chairman and the CEO in Mr. Fan Xuerui could facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Further, the Board at the said period considered that the structure would not impair the balance of power and authority between the Board and the management of the Group. As disclosed in the announcement of the Company dated 13 May 2020, Mr. Fan Xuerui resigned as the chairman of the Board with effective from 13 May 2020. The Company has complied with Code Provision A.2.1 of the CG Code since then.

BOARD PROCEEDINGS

The company secretary of the Company ("**Company Secretary**") assists the Chairman in establishing the meeting agenda and each Director may request inclusion of items in the agenda. A notice of at least 14 days is given to all Directors for all regular Board meetings. Relevant information is circulated to all Directors normally three days in advance of the Board meetings.

With the assistance of the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising from Board meetings and that they receive adequate information in a timely manner in order to assist them to make informed decisions and discharge their duties as Directors. Upon reasonable request, the Directors and Board Committees will have access to independent professional advice in appropriate circumstances at the Company's expense in carrying out their duties.

According to the current Board practice, if a substantial Shareholder or a Director has any conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The bye-laws of the Company also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting on any Board resolution and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his close associates has a material interest.

Meeting minutes of the Board and Board Committees are recorded in appropriate details and draft minutes are circulated to the respective Board members for comments before being approved by the Board and Board committees. All minutes are kept by the Company Secretary and are open for inspection by the Directors on reasonable notice.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The code provision A.4.2 of the CG Code requires every Director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation at each AGM. The code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

In the AGM of the Company held on 19 June 2020, the former Directors (Mr. Fan Xuerui, Mr. Sun Meng and Ms. Li Guang) retired from office by rotation pursuant to Bye-laws while Mr. Sun Meng and Ms. Li Guang both were resigned on 27 May 2020 and would not put forward for consideration and approval by the shareholders of the Company at AGM of the Company held on 19 June 2020.

All non-executive Directors including the independent non-executive Directors have been appointed for a specific term and accordingly the Company has been in compliance with the code provision A.4.1.

Pursuant the bye-laws of the Company, seven Directors newly appointed by the Board of the Company on 13 May 2020 (Mr. Ma Yilin, Mr. Tang Lunfei, Ms. Huang Limei, Mr. Chen Zhiwei, Dr. Huang Qiang, Mr. Wong Wai Leung and Mr. Yip Tai Him), would hold office until the AGM of the Company held on 19 June 2020. All of them offered themselves for re-election and were re-elected at the AGM of the Company held on 19 June 2020.

See “Report of Directors – Directors” for details of retirement and re-election of Directors at the forthcoming AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual written confirmations of independence from all of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all of the independent non-executive Directors are independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules.

RESPONSIBILITIES OF DIRECTORS

The Directors acknowledged their responsibility for preparing the financial statements of the Group for the Reporting Period. Every Director is required to keep abreast of his/her responsibilities as a Director and of the conduct, business activities and development of the Group. On appointment, new Directors will receive a comprehensive, formal induction on the Group’s business and his/her responsibilities as a Director.

All Directors are also encouraged to attend training courses relevant to changes and developments to the Group’s business and to the legislative and regulatory environments in which the Group operates at the Company’s expenses.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company or any of its subsidiaries or the holding companies who are considered to be likely in possession of inside information in relation to the Company or its securities.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each of the Directors newly appointed during the Reporting Period have received induction on the first occasion of his appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Under the code provision A.6.5 of the CG Code, all Directors should participate in continuous development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments to the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuous briefing and seminars on professional development for the Directors are arranged where necessary. During the Reporting Period, regulatory updates and relevant materials on amendment to Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The table below summarised the trainings each Director received during the Reporting Period:

Name of Directors	Seminars on regulations and updates	Reading materials relating to regulatory update and corporate governance matters
Executive Directors		
Mr. Ma Yilin	√	√
Mr. Tang Lunfei	√	√
Ms. Huang Limei	√	√
Mr. Chen Zhiwei	√	√
Mr. Fan Xuerui	√	√
Mr. Pi Minjie	√	√
Mr. Sun Meng	√	√
Ms. Li Guang	√	√
Non-Executive Directors		
Mr. Wang Xin	√	√
Dr. Huang Qiang	√	√
Independent non-executive Directors		
Mr. Hung Ka Hai Clement	√	√
Mr. Liew Fui Kiang	√	√
Mr. Wong Sai Tat	√	√
Mr. Wong Wai Leung	√	√
Mr. Yip Tai Him	√	√

BOARD COMMITTEES

The Board currently has established three committees, being the Remuneration Committee, the Audit Committee and the Nomination Committee (collectively the "**Board Committees**"), for overseeing particular aspects of the affairs of the Group. All Board Committees have been established with specific terms of reference, which are available on the Company's website at http://www.zhongchangintl.hk and the website of the Stock Exchange at http://www.hkexnews.hk. All the Board Committees should report to the Board on their decisions or recommendations made. During the Reporting Period, the Company also had an Executive Committee up to 26 May 2020. See "Executive Committee" below for details.

All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. The duties and work done by the foregoing Board Committees for the Reporting Period are detailed below.

Remuneration Committee

The Remuneration Committee was established on 20 May 2005 and is governed by its terms of reference. The terms of reference have been posted on Company's website at http://www.zhongchangintl.hk and the website of the Stock Exchange at http://www.hkexnews.hk. For the period from 1 January 2020 to 14 June 2020, the Remuneration Committee comprised two independent non-executive Directors and one executive director, namely, Mr. Wong Sai Tat (former chairman of Remuneration Committee and an independent non-executive Director), Mr. Hung Kai Hai Clement (former Remuneration Committee member and an independent non-executive Director), and Mr. Fan Xuerui (former Remuneration Committee member and an executive Director). On 15 June 2020, Mr. Hung Ka Hai Clement ceased to be member of the Remuneration Committee, Mr. Wong Sai Tat re-designated from the chairman to a member of the Remuneration Committee and Mr. Wong Wai Leung has been appointed as the chairman of the Remuneration Committee. On 19 June 2020, Mr. Fan ceased to be a member of the Remuneration Committee and Ms. Huang Limei has been appointed as a member of the Remuneration Committee.

With effect from 19 June 2020 to 25 February 2021, the Remuneration Committee comprised of the following members: (i) Mr. Wong Wai Leung, the Chairman of the Remuneration Committee and an independent non-executive Director; (ii) Mr. Wong Sai Tat, an independent non-executive Director; and (iii) Ms. Huang Limei, an executive Director.

With effect from 26 February 2021, Mr. Wong Sai Tat and Ms. Huang Limei ceased to be member of the Remuneration Committee; and Mr. Wong Chi Keung, Kenjie and Mr. Yip Tai Him have been appointed as the members of the Remuneration Committee. In this regard, from 26 February 2021 onwards, the Remuneration Committee comprised the following members: (i) Mr. Wong Wai Leung, the Chairman of the Remuneration Committee and an independent non-executive Director; (ii) Mr. Yip Tai Him, an independent non-executive Director; and (iii) Mr. Wong Chi Keung, Kenjie, a non-executive Director.

The Remuneration Committee assists the Board to (i) develop and administer fair and transparent procedures for setting policies on the remuneration; (ii) to assess the performance; (iii) with delegated responsibility to determine the remuneration packages; and (iv) make recommendations to the Board on the remuneration of all Directors and senior management of the Company. It is also responsible for the administration of the share option scheme adopted by the Company, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, the compensation payable to executive Directors and senior management in connection with any loss or termination of their office, their dismissal, removal or appointment; and advising Shareholders on how to vote with respect to any service contracts of Directors that requires Shareholders' approval under the Listing Rules.

During the Reporting Period, the Remuneration Committee reviewed i) the Directors' fee and evaluate the performance of executive Director for the year of 2019 and recommended the same to the Board for approval, ii) the remuneration packages of the newly appointed executive Directors, non-executive Director and independent non-executive Directors, and iii) the terms of executive Director's service contract.

Details of Directors' emoluments on named basis for the Reporting Period are set out in note 10 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of the senior management by bands for the Reporting Period is set out below:

Remuneration bands	No. of senior management
HK$300,001–HK$500,000	2
HK$500,001–HK$1,000,000	3
	5

The Remuneration Committee held two meetings during the Reporting Period and the record of attendance of its members is as follows:

Name of member	Attendance/Number of meeting(s)
Mr. Wong Wai Leung *(Chairman) (appointed on 15 June 2020)*	–/–
Ms. Huang Limei *(appointed on 19 June 2020)*	–/–
Mr. Wong Sai Tat *(Chairman) (redesignated as a member on 15 June 2020)*	2/2
Mr. Hung Kai Hai Clement *(ceased to be a member on 15 June 2020)*	2/2
Mr. Fan Xuerui *(ceased on 19 June 2020)*	2/2

Audit Committee

The Audit Committee was established on 20 May 2005 and is governed by its terms of reference which has been last updated on 31 December 2018 and previously updated on 25 March 2009, 19 March 2012 and 4 December 2015 are available on the Company's website at http://www.zhongchangintl.hk and the website of the Stock Exchange at http://www.hkexnews.hk.

The Audit Committee meets at least twice a year to review the Company's interim and annual results and the integrity of the Group's financial statements. The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring that an effective and adequate system is in place for internal control and risk management and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditor.

For the period from 1 January 2020 to 14 June 2020, the Audit Committee comprised of three independent non-executive Directors, namely, Mr. Hung Ka Hai Clement (committee chairman), Mr. Wong Sai Tat and Mr. Liew Fui Kiang.

On 15 June 2020, Mr. Hung Ka Hai Clement ceased to be the chairman of the Audit Committee and Mr. Yip Tai Him, an independent non-executive Director has been appointed as the chairman of the Audit Committee. On 19 June 2020, Mr. Liew Fui Kiang and Mr. Wong Sai Tat ceased to be members of the Audit Committee. Dr. Huang Qiang, a non-executive Director and Mr. Wong Wai Leung, an independent non-executive Director have been appointed as members of the Audit Committee respectively.

In this regard, with effect from 19 June 2020, the Audit Committee comprised the following members: (i) Mr. Yip Tai Him, the chairman of the Audit Committee and an independent non-executive Director; (ii) Mr. Wong Wai Leung, an independent non-executive Director; and (iii) Dr. Huang Qiang, a non-executive Director.

Each member of the Audit Committee possesses in-depth experience in his own profession. Mr. Yip Tai Him and Mr. Wong Wai Leung possess appropriate accounting or relevant financial management expertise and meet the requirements of Rule 3.21 of the Listing Rules. During the Reporting Period, the Audit Committee had reviewed and discussed with management, among others, the accounting principles and practices adopted by the Group, audit, internal control and risk management systems, financial reporting matters, made recommendation on the re-appointment of external auditor for the approval of the Shareholders in the AGM of the Company, and audited consolidated financial statements for FY2019 agreed by the external auditor.

The work performed by the Audit Committee during the Reporting Period also included the following matters:

- considering the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;

- reviewing the effectiveness of the systems of internal control and risk management of the Group;

- reviewing and discussing with management the report of the risk management and internal control systems proposed by Shinewing Risk Services Limited ("**Shinewing**") as external control consultant to assess the internal control and risk management of the Company during the Reporting Period;

- reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process; and

- discussing with the auditor the nature and scope of the audit and reporting obligations.

The Audit Committee had reviewed and made recommendation for the Board's approval, among others, the draft unaudited interim financial statements of the Group for the six months ended 30 June, 2020, discussed the accounting policies and practices which may affect the Group with the management and the change of the Company's external auditor.

The Audit Committee held five committee meetings during the Reporting Period and the record of attendance of its members is as follows:

Name of member	Attendance/Number of meetings
Mr. Yip Tai Him *(Chairman) (appointed on 15 June 2020)*	2/2
Mr. Wong Wai Leung *(appointed on 19 June 2020)*	2/2
Dr. Huang Qiang *(appointed on 19 June 2020)*	2/2
Mr. Hung Kai Hai Clement *(Chairman) (ceased on 15 June 2020)*	3/3
Mr. Liew Fui Kiang *(ceased on 19 June 2020)*	3/3
Mr. Wong Sai Tat *(ceased on 19 June 2020)*	3/3

Nomination Committee

The Nomination Committee was established on 19 March 2012 and is governed by its terms of reference which was revised on 1 September 2013, which are available on the Company's website at http://www.zhongchangintl.hk and the Stock Exchange's website at http://www.hkexnews.hk.

For the period from 1 January 2020 to 13 May 2020, the Nomination Committee comprised two independent non-executive Directors and an executive Director, namely, Mr. Liew Fui Kiang (Chairman), Mr. Wong Sai Tat and Mr. Fan Xuerui respectively. On 19 June 2020, Mr. Fan Xuerui and Mr. Wong Sai Tat ceased to be members of the Nomination Committee. Mr. Liew Fui Kiang has been re-designated from the chairman to a member of the Nomination Committee. Mr. Ma Yilin has been appointed as the chairman of the Nomination Committee and Mr. Wong Wai Leung has been appointed as a member of the Nomination Committee respectively. With effect from 19 June 2020 to 14 January 2021, the Nomination Committee comprised the following members; (i) Mr Ma Yilin, the Chairman and an executive Director; (ii) Mr. Liew Fui Kiang, an independent non-executive Director; and (iii) Mr. Wong Wai Leung, an independent non-executive Director. With effect from 15 January 2021, Mr. Ma Yilin ceased to be chairman of the Nomination Committee and Mr. Chen Zhiwei has been appointed as the chairman of the Nomination Committee. In this regard, from 15 January 2021 onwards, the Nomination Committee comprised the following members: (i) Mr. Chen Zhiwei, the Chairman of the Nomination Committee and an executive Director; (ii) Mr. Liew Fui Kiang, an independent non-executive Director; and (iii) Mr. Wong Wai Leung, an independent non-executive Director.

The principal duties of the Nomination Committee include, among other, (i) to review the structure, size and composition of the Board at least annually; (ii) to make recommendations to the Board on the appointment and reappointment of Directors of the Company; and (iii) to assess the independence of independent non-executive Directors of the Company.

During the Reporting Period, the Nomination Committee reviewed the composition and rotation of the Board and determined the policy for the nomination of Directors; and considered the appointments of seven new Directors appointed on 13 May 2020.

The Nomination Committee adopted the following procedures and criteria for nomination of Directors:

In relation to the nomination procedures:

1. When the Board considers it necessary to appoint a new Director, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification of information provided by the candidate.

6. Make recommendations to the Board on the appointment or re-appointment of Directors.

In relation to the nomination criteria:

1. Common Criteria for all Directors:

   (a) Character and integrity

   (b) The willingness to assume Board fiduciary responsibility

   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organisation, industry experience and familiarity with the products and processes used by the Company

   (e) Significant business or public experience relevant and beneficial to the Board and the Company

   (f) Breadth of knowledge about issues affecting the Company

   (g) Ability to objectively analyse complex business problems and exercise sound business judgment

   (h) Ability and willingness to contribute special competencies to Board activities

   (i) Fit with the Company's culture

2. Criteria applicable to non-executive Directors/independent non-executive Directors:

   (a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and Board Committee meetings

   (b) Accomplishments of the candidate in his/her field

   (c) Outstanding professional and personal reputation

   (d) The candidate's ability to meet the independence criteria for Directors established in the Listing Rules

BOARD DIVERSITY

The Company has adopted a board diversity policy ("**Board Diversity Policy**") since September 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Company considers that the current composition of the Board is characterised by diversity in terms of professional background and skills.

The Nomination Committee held two committee meetings during the Reporting Period and the record of attendance of its members is as follows:

Name of member	Attendance/Number of meeting(s)
Mr. Ma Yilin *(Chairman) (appointed 19 June 2020)*	–/–
Mr. Wong Wai Leung *(appointed on 19 June 2020)*	–/–
Mr. Liew Fui Kiang *(Chairman) (redesignated as member on 19 June 2020)*	2/2
Mr. Wong Sai Tat *(ceased on 19 June 2020)*	2/2
Mr. Fan Xuerui *(ceased on 19 June 2020)*	2/2

Executive Committee

To effectively manage the business affairs of the Group, the executive committee of the Company was established on 2 February 2018 and is governed by its terms of reference. The terms of reference are available on the Company's website at http://www.zhongchangintl.hk. The executive committee of the Company comprises four members all of whom were executive Directors, namely Mr. Fan Xuerui, Mr. Pi Minjie, Mr. Sun Meng and Ms. Li Guang.

On 27 May 2020, the Board announced that the executive committee of the Company is officially dissolved with effect from 27 May 2020. The functions and duties of the executive committee of the Company shall be taken by the Board.

The executive committee of the Company held 1 committee meeting from 1 January 2020 to 26 May 2020 and the record of attendance of its members is as follows:

Name of member	Attendance/Number of meeting(s)
Mr. Fan Xuerui *(Chairman of Executive Committee)*	1/1
Mr. Sun Meng	0/1
Ms. Li Guang	0/1
Mr. Pi Minjie	1/1

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

During the Reporting Period, HLB Hodgson Impey Cheng Limited ("**HLB**") resigned as the auditor of the Company on 31 December 2020. Please refer to the announcements of the Company dated 31 December 2020 and 18 January 2021 for details.

On 15 January 2021, with the recommendation of the Audit Committee, the Board appointed Ernst & Young as the auditor of the Company to fill the casual vacancy following the resignation of HLB. Ernst & Yong will hold office until the conclusion of the forthcoming AGM.

The consolidated financial statements for the Reporting Period were audited by Ernst & Young.

The reporting responsibilities of Ernst & Young are stated in the Independent Auditor's Report on pages 77 to 81 of the annual report.

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work. For the Reporting Period, the remuneration charged to the Group was HK$3.4 million for statutory audit services and HK$0.6 million for non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The management has overall responsibility to maintain appropriate and effective risk management and internal control systems, and the Board has the responsibility to review and monitor the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective. The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit department to carry out the internal audit function during the Reporting Period. The Group has engaged an external consultant, Shinewing, to carry out the internal audit function which comprises an annual review on the risk management and internal control systems of the Group. The review covered certain operational procedures and included recommendations for improvement and strengthening of the risk management system and internal control systems of the Group. The Company has conducted an annual review on whether there is a need for an internal audit department. Given the Group's corporate and operational structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

Regarding the internal control system, the Company has adopted a set of internal control policies and procedures (including but not limited to retaining Jones Lang LaSalle Management Services Limited as property manager of the core investment properties in Hong Kong) to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

A report of the risk management and internal control systems prepared by Shinewing dated 31 March 2020 (the "**IC Report**") was submitted to the Audit Committee, and to the Board with recommendations from the Audit Committee for approval.

Directors and senior management are responsible for monitoring the performance of business operating units, identifying the operational risk of the Group and reporting to the Audit Committee for any significant risk identified.

Shinewing will report on the weakness in the Group's internal control and accounting procedure (if any) which have come to their attention during the course of their review. The IC Report did not reveal any critical internal control issues have been identified.

Each year, the Audit Committee reviews the findings made by Shinewing in respect of issues encountered by them in the course of review, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report regarding the risks of the Group submitted by the Company's external consultant, Shinewing. The Audit Committee would also review the effectiveness of the internal control and risk management systems of the Group, including financial, operational and compliance, in the key activities of the Company's business, having considered the findings of the external auditor and the internal control report. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues including but not limited to material internal control defects and risks identified. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration. The Board would direct the management to implement the plans as appropriate.

The Board conducts a review of the effectiveness of the Group's risk management and internal control system at least annually. During the Reporting Period, in the Audit Committee meeting and Board meeting held in March 2020, the Directors, through the Audit Committee, have reviewed the effectiveness of the Group's risk management and internal control system which covers review on all material controls including financial, operational and compliance controls and the relevant report, and other duties under the Code for the Reporting Period, so as to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions. The Board considers such systems as effective and adequate.

Regarding the handling and dissemination of inside information, to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures and the preservation of confidential information, certain measures have been taken from time to time, which include:

1. the access of inside information is restricted to a limited number of employees on a need-to-know basis, who are fully aware of their obligations to preserve confidentiality; and

2. the executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

COMPANY SECRETARY

Mr. Chow Hok Lim ("**Mr. Chow**") has been appointed as the Company Secretary following the resignation of Mr. Suen Kin Wai with effect from 11 June 2020. Mr. Chow is an employee of the Company and confirmed that he has complied with all the qualifications, experience and training requirements as required by the Listing Rules. The said change of the Company Secretary was approved by the Board at a Board meeting pursuant to the Listing Rules and in the opinion of the Board, Mr. Chow possesses the necessary qualification and experience, and is capable of performing of the functions of the Company Secretary.

Each of Mr. Chow and Mr. Suen Kin Wai has taken no less than 15 hours of the relevant professional training during the Reporting Period.

INVESTORS' RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board shall maintain an on-going dialogue with Shareholders, investors and other stakeholders of the Company and shall ensure effective and timely dissemination of information to Shareholders and encourage their participation at general meetings of the Company.

The Shareholders' Communication Policy adopted on 19 March 2012 is available on the Company's website at http://www.zhongchangintl.hk. The communication channels of the Company include the AGM, special general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website at http://www.zhongchangintl.hk and the website of the Stock Exchange at http://www.hkexnews.hk and meetings with investors and analysts.

The Company's AGM is a valuable forum for the Board to communicate directly with Shareholders. Most Directors actively participates at the AGM and answer questions from Shareholders. The chairman of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing that their respective duly appointed delegate, are also available to answer questions at the AGM. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting of Shareholders to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

During the Reporting Period, the 2019 AGM was held on 19 June 2020. The attendance records of the Directors at the general meeting are set out in the section headed "The Board" of this report.

DIVIDEND POLICY

The Company has adopted the dividend policy (the "**Dividend Policy**") which has set out the principle and procedures for the payment of dividend to Shareholders to provide stable and sustainable returns to the Shareholders and to share the profits of the Company with the Shareholders. The Board may decide from time to time to declare interim dividends or to recommend the payment of final dividends and special dividends to the Shareholders.

The dividend amount shall be determined at the absolute discretion of the Board taking into account the following factors including but not limited to (1) the Group's financial performance; (2) the liquidity position and capital requirements of the Group; and (3) any other factors that the Board may consider appropriate, if profitable and without affecting the normal operations of the Group.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting.

All resolutions put forward at Shareholders' meeting of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange at http://www.hkexnews.hk and of the Company at http://www.zhongchangintl.hk after each Shareholders' meeting.

Convening a Special General Meeting by Shareholders

Pursuant to bye-law 58 of the bye-laws of the Company, 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 to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the principal place of business of the Company, specifying the shareholding information of the Shareholder(s), his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two months after the deposit of such written requisition. If within twenty-one days of the deposit of such written requisition, the Board fails to proceed to convene such special general meeting, the Shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "**Companies Act**"). Pursuant to bye-law 59 of the bye-laws of the Company, the Company shall serve requisite notice of the general meeting, specifying the time, place of meeting and the general nature of the business.

Put Forward Proposals at a General Meeting by Shareholders

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next AGM notice of such resolution; and (b) circulate to Shareholders entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in such proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the requisitionists may consist of several documents in like form, each signed by one or more of the requisitionists; and it must be deposited at the registered office the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its Hong Kong principal office at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, for the attention of the Company Secretary, with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required by the Companies Act shall be deemed to have been properly deposited for the purposes thereof.

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Amendments to the Company's Bye-Laws

During the Reporting Period, these was no change to the bye-laws of the Company.

ABOUT THIS REPORT

Zhongchang International Holdings Group Limited (hereinafter referred to as the "**Company**", together with its subsidiaries, the "**Group**" or "**we**"), as a property developer and investor, is committed to delivering the best returns to its shareholders, as well as enhancing environmental and social values.

The Group is hereby pleased to present its Environmental, Social and Governance ("**ESG**") report ("**ESG Report**") for the Reporting Period. With the ESG Report, it is hoped that stakeholders can have a more comprehensive understanding of the Group's policies, measures and performances in various environmental and social aspects. As for the information on corporate governance, please refer to the "Corporate Governance Report" on pages 37 to 52 of the annual report.

Scope of the ESG Report

The scope of the ESG Report covers all the Group's businesses, including property leasing and property development. The business of property project management services is removed from the scope due to its suspension in the fourth quarter of 2019.

The environmental key performance indicators ("**KPI**") as disclosed in the ESG Report are based on the performance of the following premises[1], after considering their materiality to the operations of the Group:

i) the head office in Hong Kong

ii) Jardine Center, our core investment property in Hong Kong

iii) the office of 鎮江天工頤景園房地產有限公司 (Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.) in Zhenjiang, the PRC

iv) the office of 金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Ltd.) in Jinhua, the PRC

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1 The removal of the office of 佛山銘舟工程管理諮詢有限公司 (Foshan Mingzhou Construction Management Consultancy Company Limited), under the business of property project management services, from the reporting scope may lead to a considerable change in the KPI as compared to those disclosed in the ESG Report of the preceding reporting period.

Reporting Framework

The ESG Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Listing Rules following all the reporting principles.

(i) *Materiality*

The Group has determined the content of the ESG Report based on the results of the stakeholder engagement and materiality assessment as set out in Stakeholder Engagement and Materiality Assessment and has covered the key ESG issues of concern to stakeholders.

(ii) *Quantitative*

The environmental and social KPIs have been disclosed in the ESG report. The criteria, methodology and references used to calculate the KPIs are set out in the ESG report to provide stakeholders with a comprehensive understanding of the Group's ESG performance.

(iii) *Consistency*

The Group uses consistent reporting and calculation methods as far as reasonably practicable and details significant changes in data or methods in the corresponding chapters to achieve comparability of ESG performance.

Feedbacks and Contact

The Group values your feedback on the ESG Report and our sustainability performance. Should you have any advice, please feel free to send us your comments to the Group's principal place of business in Hong Kong at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or at info@zhongchangintl.hk.

OUR APPROACH TO ESG

The Group believes that well-established ESG principles and practices will increase investment values and provide long-term returns to stakeholders. We value the opinions of the stakeholders and reviews our level of sustainability to identify areas of improvement for environmental and social performance to look for areas of improvement.

Board Statement

The Board is responsible for the oversight of the Group's ESG-related issues, including performance, measures, laws and regulations. To aid the Board in doing so, the Audit Committee was assigned to directly monitor the execution of ESG-related actions and review the content and quality of the ESG report annually. An independent ESG consulting firm was appointed to carry out the instructions given by the Board and the Audit Committee regarding ESG issues.

The Board understands that it is essential to set ESG approach and strategy according to the importance of ESG issues towards the Group and its stakeholders, therefore has assigned the ESG consulting firm to conduct materiality assessment on ESG issues. To identify the material issues, stakeholder surveys have been carried out, and industry-specific issues were considered by using materiality maps together with professional advice. Directors have also participated in the engagement exercise and provided constructive opinions in determining the material ESG issues. The Board is well informed about the results and will keep reviewing the engagement channels and exercise.

To make sure the management of ESG issues is on the right track, the Board oversees the coordination between departments according to their respective targets, and will look for opportunities to set more explicit ESG goals and targets for the Group.

Stakeholder Engagement

Sustainability is upheld by the Group as an opportunity to achieve corporate growth, reduce environmental impact and entrust the communities where it operates. The Group appreciates the great importance of sustainability for the stakeholders. The Group has made substantial effort in ensuring that its stakeholders' value is sustained within its business operations during the Reporting Period.

The Group understands that it is vital to incorporate stakeholders' priorities and concerns into operations to attain sustainable development and continuous improvement. Regular engagement activities are conducted with its shareholders and investors, employees, customers, suppliers, and tenants to objectively examine material areas. It also engages with the community, regulatory bodies and media, whenever necessary.

Through engagement, it allows the Board to respond to issues that concern their stakeholder groups by carrying out corresponding measures. To ensure transparency and facilitate communication with internal and external stakeholders, formal and informal engagement channels are employed within the Reporting Period.

Environmental, Social and Governance Report

Stakeholder groups	Material issues concerning stakeholders	Engagement channels
Government and regulators	• Compliance with national policies, law and regulation • Support for local economic growth • Contribution in local employment • Tax payment in full and on time	• Regular reporting • Regular meetings with regulators • Dedicated reports • Examination and inspection
Shareholders and investors	• Operational compliance • Corporate governance • Rise in company value • Transparency and effective communication	• General meetings • Announcements and circulars • On-site inspection • Email, telephone communication and company website • Annual and interim reports
Customers	• Outstanding products and services • Performance of contracts • Operation with integrity	• Customer service centre and hotlines • Customer survey • Meetings with customers • Customers visits
Employees	• Protection of rights • Remunerations and benefits	• Meetings with employees • Employee mailbox • Notice boards • Training and workshop • Orientation session
Suppliers	• Operational compliance • Operation with integrity • Performance of contracts • Fair play	• Business communications • Exchange and discussion
Tenants/licensees[2]	• Outstanding services • Building safety and security • Performance of contracts • Operation with integrity	• Business communications
Community and the public	• Transparency	• Company website

[2] Tenants refer to the occupier(s) of the premises and/or utilities at Jardine Center.

Materiality Assessment

Given the relevance and validity of this ESG report with the Group's environmental and social performance, the Group has conducted a materiality assessment to identify ESG issues that are material to the business of the Group and its stakeholders. We have conducted an internal stakeholder survey in order to rate and prioritise the ESG issues according to the level of concern by stakeholders. With professional advice from the ESG consulting firm, we have also taken into consideration key ESG issues of concern to the industry by referring to the materiality maps provided by well-known external institutions[3]. As a result, we have identified 8 material issues which are discussed in details in the ESG Report.

Aspects	Material issues
Environmental	Environmental compliance Energy Consumption
Employment and Labor Practices	Employment compliance Occupational health and safety Training and education
Operating Practices	Operational compliance Customer Privacy Protection Anti-corruption

[3] The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by Morgan Stanley Capital International (MSCI) and the Sustainability Accounting Standards Board (SASB).

OPERATING PRACTICES

Effective management of environmental, social and economic performance throughout the daily operation is considered as the core value of the Group. The Group displays commitment towards sustainable development by maintaining a close relationship with its suppliers and ensuring meticulous standards on its operation and business conduct.

Supply Chain Management

The Group values the partnership with suppliers and aims to collectively promote sustainable development. The Group is devoted to enhancing operation throughout its supply chains by maximising operational efficiency and minimising ESG risks.

For our property development businesses, the Group ensures the suitability of suppliers when selecting new suppliers and evaluates the performances of existing suppliers on a regular basis. When selecting new suppliers, the Group rates potential suppliers based on a list of criteria including company's qualification, reputation, awards received, productivity and location of business. The Group also conducts site inspections, if necessary, to further assess the suppliers. For existing suppliers, the Group reviews the performance of contracts of suppliers, as well as their performance in the supply of products or provision of services. A grading system is adopted for suppliers that the grade of each of the existing suppliers are evaluated regularly by designated departments. If the suppliers fail to meet the Group's requirement, the Group would cease the cooperation with them until the situation is rectified.

Environmental and social risks along the supply chain are also a key concern of the Group. The Group assigns specific personnel to check for the latest development in local supply chain-related policies and identify the potential environmental and social risks. When selecting suppliers, priority is always given to those with more outstanding environmental and social performance regarding aspects such as energy conservation, occupational safety, supply chain management and anti-corruption. Suppliers having relevant certification or international recognition are usually more highly valued, but on the other hand those involving in major corruption or safety incident are always downgraded.

Besides, the Group fosters sustainability in the office by implementing green procurement and encouraging the use of eco-friendly products. We use and give priority to eco-friendly products, such as those with water or energy efficiency labels, using fewer packaging materials, having a longer shelf life or made of recyclable materials.

In Jardine Center, the Group is committed to maintaining a well-managed supply chain. The Group has commissioned Jones Lang LaSalle Management Services Limited ("**JLL**") as the building manager, with standard terms and conditions of purchase order/job order issued which requires contractors/suppliers to fully abide by all relevant laws and regulations and obtain all required approval/license from relevant government departments. The contractors/suppliers are required to strictly follow the environmental guidelines to employ measures that generate minimal environmental and noise pollution in their provision of services. Also, safety management guidelines were issued which require that the contractors/suppliers provide a safe working environment and sufficient training, information and supervision to their employees.

Service Quality and Customer Health and Safety

Operational excellence is one of the main targets of the Group. The Group achieves responsible operation through the maintenance of quality products and services and the assurance of health and safety of the customers and tenants. Different policies and measures for controlling and improving service quality and customer health and safety has been adopted in the Group's property leasing and property development businesses. Because of the business nature of the Group, it is not involved in any matters related to advertising, product labeling and product recall.

For Jardine Center, the Group has entrusted JLL as the building manager, who itself is a reputable real estate services firm. To secure that Jardine Center does not impose any health and safety threats to its customers, JLL regularly inspects the lifts and fire services system and equipment. Regarding service quality, the Group always ensures minimal disruption and impact on the business operation of our tenants thus JLL maintains a steady supply of electricity and water by inspecting on the electricity system and pumping and drainage system regularly. Other systems such as air conditioning, lighting and fragrance dispensing system are also under strict control.

For the property development business, the Group signs contracts with the construction contractors to ensure the quality of the construction project. The Group employs other parties for quality control and assessment for the construction projects to ensure the relevant national and industrial quality standards are met. A working group is formed for conducting quality measurement and assessment regularly. When problems are identified, the contractor would be required to carry out remediation or otherwise penalties will be imposed according to the terms of the contract.

The Group values the opinions and complaints received from our customers. We continuously manage and track the opinions given by customers in any of the businesses. When complaints related to service quality are received, the staff in charge will handle immediately and the staff from different departments will work together for follow up actions, including independent investigation on the causes of the issues. We aim to minimise the impact on or inconvenience of our customers.

Protection of Privacy and Intellectual Property Right

The Group strives to protect all customers' and employees' information and eliminate unnecessary data security risks by complying with relevant laws and regulations, such as the Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong and the Law of the PRC on the Protection of Consumer Rights and Interests.

The Group collects personal information legally, with all the usage of the information being limited by contracts. Data are stored in protected servers under robust information technology controls and security infrastructure. Strict control is also imposed with regard to access to confidential or proprietary information provided by clients, suppliers, employers and employees that authorisation is required for having access to the information. For the property development business in the PRC, all employees are required to sign a non-disclosure agreement as legal protection of the confidential information of the Group including design plans, marketing plans and operating reports.

The Group also values intellectual property rights and hence implemented the intellectual property management system. It requires the Group to obtain proper authorisation and licensing agreement and adheres strictly to the terms of use before any utilisation of intellectual property. In protecting respective intellectual properties, all computers at the head office in Hong Kong are equipped with individual formal license.

Environmental, Social and Governance Report

Anti-Corruption

The Group operates with the highest standards of business integrity and ethical standards and strives to establish a positive atmosphere of operation with integrity by adopting a number of measures. With proper management and strict control on employees' business conduct, the Group had no reported or prosecuted case of bribery, extortion, fraud or money laundering during the Reporting Period.

In Hong Kong, the Group implements the Employee Code of Conduct which was developed with reference to the Prevention of Bribery Ordinance (Cap.210) and other relevant anti-corruption regulations. The code of conduct requires strict abidance from employees and specifies that except gifts or favours of a token nature which are considered acceptable, under no other circumstances should employees offer, solicit or accept anything of material value from any parties, unless consent has been given by the Group. The Group has provided effective whistle-blowing channels for reporting on suspected corruption, theft, fraud and embezzlement cases. Besides, the Board strictly follows the Model Code and guarantees that all interested dealings are conducted in compliance with the code. During the Reporting Period, 9 directors and 5 employees have attended external training on the requirement of directors in listed companies which covered anti-corruption-related topics such as on how to avoid actual and potential conflicts of interest to maintain independence.

In the PRC, the Group strictly complies with laws and regulations including the Criminal Law and the Anti-Money Laundering Law of the PRC. We are committed to strengthening its internal management and further preventing disciplinary violations. A whistle-blowing policy is adopted with convenient reporting channels and employees are encouraged to report on any irregularities or violations regarding bribery, extortion, fraud or money laundering.

EMPLOYMENT

Recruiting and retaining engaged talents are of the essence to the sustainable growth of the Group. The Group is committed to providing a safe, healthy and productive working environment for its employees, as well as supporting their career development to unleash their greatest potential.

Recruitment and Compensation

The Group's talent acquisition, promotion, compensation and dismissal procedures are governed by the relevant laws and regulations including the Employment Ordinance (Cap. 57) of Hong Kong and the Labour Law of the PRC including the Provisions on the Prohibition of Using Child Labour and the Provisions on the Special Protection for Female Staff and Workers and Juvenile Workers.

During recruitment, submission of legitimate identification, education and work references, and other relevant documents are strictly required from all candidates. It guarantees that all recruits are thoroughly vetted to meet all criteria needed to fulfill relevant job duties and their identify information is verified to prevent child labour. If child labour is discovered, the Group would investigate the case thoroughly and dismiss relevant employees immediately. When an employee applied for dismissal, the Group would identify and manage issues related to employee turnover and might conduct an exit interview to better understand the reasons for leaving. Within the Reporting Period, no cases of child labour were identified by the Group.

The Group offers a competitive compensation package as outlined in the employees' contracts by adhering to the Minimum Wage Ordinance (Cap. 608) of Hong Kong, Mandatory Provident Fund Schemes Ordinance (Cap. 485) of Hong Kong and the Provisions on Minimum Wages of the PRC. To optimise performance, a performance-based reward system is established. The Group conducts annual performance appraisals on employees' individual possession of attributes and job performance and salary are then adjusted annually in accordance with the result of their performance review.

Rights and Benefits

Employees of the Group are fully protected by the Employment Ordinance (Cap. 57) of Hong Kong, the Labour Law of the PRC and the Social Insurance Law of the PRC which endows employees with medical, employment injury, maternal, and social insurance. The job duties and working hours of employees are clearly stated in the employment contract to prevent any forms of forced labour. If forced labour is discovered, the Group would investigate the case thoroughly and dismiss relevant employees immediately. Within the Reporting Period, no cases of forced labour were identified by the Group.

Besides, we offer paid annual leave, sick leave, maternity and paternity leave, provident fund and allowances, as well as long service payments to all eligible employees. The Group sets the working hours to be a maximum of 8 hours per day or 40 hours per week. Overtime work is not encouraged by the Group but will be compensated at a premium rate depending on the situation.

The employees in the PRC enjoy benefits such as lunch allowance, festive gift, birthday gift, sickness sympathy and free medical check-ups. The Group also organises activities such as badminton competitions and team-building activities for its employees during the Reporting Period.

Anti-discrimination

The Group strives to secure a discrimination-free workplace by complying with the Sex Discrimination Ordinance (Cap. 480) of Hong Kong, the Law of the PRC on the Protection of Women's Rights and Interests and the Law of the PRC on the Protection of Disabled Persons.

The Group has formulated the policy on equal employment opportunities, which indicated that recruitment procedures are observed equitably and fairly, under which potential candidates and current employees are considered for recruitment, internal transfer and promotion regardless of their sex, nationality, marital status, disability and religious belief. To eliminate discrimination at the workplace, all employees are entitled to and offered the same benefits and treatment. In Hong Kong, we have also established the Guidelines on Sexual Harassment.

During the Reporting Period, no cases of material non-compliance with relevant labour-related laws and regulations were found. There were also no cases of complaints with regard to workplace discrimination or harassment.

Health and Safety

Ensuring the health and safety of our employees is the Group's priority. The Group stresses the importance of health and safety of our employees in our daily operations by strictly conforming to the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong and the Law of the PRC on the Prevention and Treatment of Occupational Diseases. We have detailed in the Employee's Handbook the guidelines for ensuring occupational health and safety and the procedures to be taken in case of accidents, injuries or fire at work. The Group is also committed to providing a healthy and safe working environment by eliminating all risks of occupational health and safety. Over the past three reporting periods, there were no work-related injuries and fatalities, thanks to the effort put by the Group in creating an injury-free business environment.

For our property development business, a safety management policy that listed the duties and responsibilities of each employee on health and safety has been established. The management is responsible for providing and maintaining a safe working environment, and ensuring all information, instruction, and supervision necessary for keeping employees safe from injury and health risks are sufficiently provided. Safety procedures for the recognised dangerous work have been established and all necessary protective equipment is provided to employees. To maintain a safe working environment, the employees are required to make daily safety inspections and report any hazards, injuries, and illnesses, while the management is required to keep employees informed about safety inspections, injury and illness statistics, as well as other safety-related issues. For new employees and employees starting new jobs, we organise general safety orientation to focus on the company safety regulations and emergency procedures. Rescue, fire and evacuation drills are also regularly arranged to keep our staff alert and prepare for emergencies.

The Group also cares about the occupational health and safety of the employees of JLL, which is the building manager of Jardine Center. We require that all operations carried out by JLL need to be in strict compliance with the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong. An occupational health and safety work procedure guideline are in place for Jardine Center, providing occupational safety principles for potential risks, implementation and monitoring mechanisms, as well as guidelines on handling emergency incidents, such as injury, fire and chemical spills and leakage.

Training and Development

To attain sustainable business growth, providing training and development programmes to employees are essential. New Director(s) are required to receive director training specifically designed for them. During the Reporting Period, the Director(s) have attended training which covered topics on directors' duties and board effectiveness, board committees' roles and functions, policy on board diversity, as well as methods on risk management and internal control. The training helps directors to perform their role more effectively and improve the management of the Group. During the Reporting Period, 13% of employees of the Group were trained.

Besides, employee performance appraisals are performed periodically to allow employees to receive feedback on their performance, identify areas for and ways of improvement, as well as agree on training needs, whenever necessary. The Group recognises and rewards employees' contribution, work performance and skills. Internal promotion is considered before external hiring to promote employee development.

In the PRC, all new recruits at the executive, administrative and operational level must attend the training programmes on the business operation and overview. The Group has provided training programmes for new employees in the probation period, such as training on working skills, the Group's culture and business system. The programmes are designed according to the level of the employees with training methods including guiding and e-learning.

COMMUNITY

The Group believes that compensating to society and contributing to the common good is at the core of its intrinsic value. In addition to focusing on business development, the Group always strives to contribute to the minority in need and support the surrounding environment.

The Group actively encourages our employees to participate in voluntary activity and render assistance to the needy. During the Reporting Period, our employees from the office in Zhenjiang have organized and participated in a gift delivery activity as a support to the workers, such as medical staff, police officers, sanitation worker, delivery workers, taxi drivers, volunteers and community workers, who support the city in fighting against the COVID-19 epidemic. We have delivered virus prevention materials such as masks, medical alcohol and disinfectant as our appreciation and support for their efforts.

Also, Jardine Center continued to participate in the Charter on External Lighting during the Reporting Period. The Group committed that all the external lighting of Jardine Center are switched off from 12 a.m. to 7 a.m. It helps to reduce the number of people that may be affected by the nuisance lighting at night.

The Group possesses a location advantage in Hong Kong as centering at the business and tourist hub of Hong Kong Island. Jardine Center is able to attract a wide scope of customers that include not only locals but tourists. The Group's operation has fostered the prosperity of the city's tourism and retail industry. In the future, the Group will continue to engage with the community and demonstrate our roles as a responsible corporation.

ENVIRONMENT

Climate change has become a common topic among businesses in recent years that is likely to pose risks and threats to business operation. Although the Group's businesses of property leasing, development and project management do not have significant direct impacts on the environment and natural resources, we still recognise the potential indirect impacts our operations might induce. The Group strives to build a greener future through active environmental management.

The Group follows all relevant laws and regulations in our daily operation, including but not limited to Air Pollution Control Ordinance (Cap. 311) of Hong Kong, Waste Disposal Ordinance (Cap. 354) of Hong Kong, Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Atmospheric Pollution, and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes. Efforts have been made to advocate environmental conservation and compliance among employees, on-site workers, tenants and building users via the pursuit of environmental measures.

During the Reporting Period, the Group did not record any material violations regarding relevant environmental laws and regulations.

Emissions

The operation of the Group does not generate water pollutants because of its business nature. A limited amount of air pollutants are generated from vehicle usage for the daily operation of our offices and the usage of the emergency generator in Jardine Center. The main emission of the Group is the indirect greenhouse gas ("**GHG**") emission from electricity consumption, water consumption at the workplace, overseas business travel, and paper waste discarded at landfills.

Also, the tenants in Jardine Center generated a relatively small amount of indoor air emissions which may affect the indoor air quality of Jardine Center. The Group thereby pays utmost attention to enhance the comfort level of the tenants and building users at Jardine Center by working closely with JLL to require all tenants to adhere to the Air Pollution Control Ordinance (Cap. 311) of Hong Kong during their daily operations.

Waste Generation

Non-hazardous waste of the Group mainly includes general domestic waste and waste paper generated from office operation. The Group only produces a small amount of hazardous waste, which are toner cartridges, from the daily operation. Both hazardous and non-hazardous waste is collected and handled by qualified cleaning company.

Resources Usage

To support the Group's businesses and operations, resources are always consumed. Electricity is the major energy consumed by the Group as it is used frequently in offices and Jardine Center. Other sources of energy consumption include fuel consumption of vehicles for the operation of our offices and the emergency generator in Jardine Center. The Group also relies on paper for its business operation and water is also consumed in offices especially in the toilets.

Emissions Reduction and Resources Conservation

The Group believes that energy, water, and other resources saving are significant to reduce GHG emission and reduce waste generation during the operation. Also, the Group aims to reduce the amount of air pollutants generated to protect the environment. With the Group's substantial efforts and achievements in green management, Jardine Center was recognised by the Environmental Campaign Committee as Hong Kong Green Organisation.

Air Pollutant Reduction

To reduce air pollutants, we have organised regular checks on the vehicles to increase fuel efficiency, maintain good engine and tire condition so as to reduce the pollutant generation. Also, drivers are required to switch off the engine when the vehicle is idle in order to avoid energy wastage and unnecessary emission of pollutants. For the property development business in the PRC, the Group has established guidelines for construction sites to prevent dust and air pollution, such as using sprinkler systems to reduce suspended dust and particles and covering building materials that are easily suspended.

Energy Conservation and GHG Reduction

The Group has adopted a number of measures for maximising energy efficiency and preventing wastage. For instance, the Group encourages all employees to switch off unnecessary light and air-conditioning. The Group maximises the use of natural light in offices and cleans all the light fixtures and air conditioners regularly to maintain high energy efficiency. Under high temperature, employees in some of our offices are not required to wear suits to reduce the demand for air-conditioning. We also set the minimum temperature of the air-conditioning at around 26°C to reduce energy use.

In Jardine Center, the Group also concerns about the use of energy in the common area of the building. The building was built and operated in accordance with the Buildings Energy Efficiency Ordinance (Cap. 610) and we constantly improve the building's energy efficiency performance and introduce energy conservation opportunities. During the Reporting Period, we continued to cooperate with JLL to join the EnergyWi$e organised by the Hong Kong Awards for Environmental Excellence and Jardine Center has been awarded the Energywi$e Certificate on energy saving for our effort in energy conservation. Jardine Center continued to support the Charter on External Lighting launched by the Government of the HKSAR and has pledged to switch off all lighting installations from 12 a.m. to 7 a.m. to cut energy consumption and hence GHG emission. Jardine Center was awarded the Gold Award for its efforts in cutting down the use of external lighting during the Reporting Period.

Water Conservation

To reduce water consumption, the Group has adopted various measures. For example, the Group has posted signs on each toilet to remind its employees to close the faucets after usage and conserve water. Also, the Group strengthens the maintenance of water equipment and regularly inspects and replaces aging faucet to minimise water leakage. In Jardine Center, tenants are also encouraged to cut down on their water usage in the common area such as toilets. During the Reporting Period, the Group has no issue in sourcing water that is fit for purpose.

Waste Reduction

With the business principally operating in offices, green office practices are crucial in reducing waste generation and conserving resources. The Group encourages employees to reuse stationery such as envelopes and folders to reduce possible waste. We also purchase reusable, recyclable and refillable products such as refillable pens and reusable toner cartridges to replace those disposable ones in our offices.

For Jardine Center, we work closely with JLL for waste management. Measures to reduce the amount of waste generated within Jardine Center were adopted, including waste avoidance and reduction by product reuse, collection and recycling of recyclable materials and purchase of recycled materials during product procurement. For the building users, recycling bins have been stationed to encourage recycling. Tenants are also encouraged to voluntarily participate in the Food Waste Recycling Partnership Scheme organised by the Environmental Protection Department. Other wastes such as waste cooking oil and construction waste generated by the tenants are required to be handled under strict compliance with relevant laws and regulations.

Climate Change

Recognising the importance of identifying and managing the risks associated with climate change, the Group has taken different measures to assess and mitigate the risks. The Group has identified different physical risks, such as increase in extreme weather events and change in precipitation patterns which could pose threats to the business and its financial performance. Besides, climate change may pose various transitional risks, such as shifts in consumer preferences, increase in stakeholder concern and legal risks. With increased emissions reporting obligations, the Group's operating costs may increase. The Group is also more likely to be exposed to litigation over increased climate-related compliance obligations.

To mitigate climate-related risks, the Group reviews policies and regulations to identify potential climate-related risks and reserves capital for emergency use in case of extreme weather events. Due to its business nature, the Group focuses on property safety by maintaining comprehensive insurance coverage for properties that are prone to damage by extreme weather or other physical impacts caused by climate change and prioritising building design that enhances the resilience of the physical structure of properties. During extreme weather conditions or events, a safety warning will be issued and special working arrangements will be put in place to ensure the safety of employees, on-site workers and workplaces.

KEY PERFORMANCE INDICATORS

Environmental Indicators	2020
Air Pollutants (Note (i))	
Nitrogen oxides (kg)	1.93
Sulphur oxides (kg)	0.02
Particulate matter (kg)	0.14
Greenhouse Gases	
Total GHG emissions (tonnes CO_2e) (Note (ii))	766.75
Scope 1: Direct emissions (Note (iii))	6.82
Scope 2: Energy indirect emissions (Note (iv))	732.85
Scope 3: Other indirect emissions (Note (v))	27.08
Emissions per million HKD of revenue (tonnes CO_2e)	21.18
Waste	
Total amount of non-hazardous waste (tonnes) (Note (vi))	2.41
Amount of non-hazardous waste per million HKD of revenue (tonnes)	0.07
Total amount of hazardous waste (kg)	15.50
Amount of hazardous waste per million HKD of revenue (kg)	0.43
Use of Resources	
Total energy consumption (MWh)	1,042.60
Direct energy consumption (Note (vii))	31.32
Indirect energy consumption (Note (viii))	1,011.27
Energy consumption per million HKD of revenue (MWh)	28.81
Total water consumption (m^3) (Note (ix))	22,518.00
Water consumption per million HKD of revenue (m^3)	622.14

Note:

(i) The air pollutants of the Group are generated from the use of vehicles. During the Year, the Group has stopped the use of a medium goods vehicle, which was the major source of air pollutants in 2019. As a result, there is a significant reduction in the amount of air pollutants.

(ii) The calculation of carbon emissions is based on Appendix 2 "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong ("**Appendix 2**"). The Group inventory includes carbon dioxide, methane and nitrous oxide. For ease of reading and understanding, the greenhouse gas emissions data is presented in carbon dioxide equivalent (CO_2e).

(iii) Scope 1 includes emissions from the combustion of fuels in vehicles and emergency generators. The emission factors used are from Appendix 2 and the guidelines on greenhouse gas emission accounting and reporting provided by the National Development and Reform Commission ("**NDRC**") of the PRC.

(iv) Scope 2 includes emissions from purchased electricity. The calculation is based on the average carbon dioxide emission factor of China regional power grid provided by the NDRC of the PRC and the emission factor provided by the Hong Kong Electric Company.

(v) Scope 3 includes emissions from water processing, air travel, and paper waste disposed of at landfills. The emissions data is based on Appendix 2 and the International Civil Aviation Organisation Carbon Emissions Calculator.

(vi) Emissions data relating to non-hazardous waste is based on the daily estimated volume of general waste in the office and the volume-to-weight conversion factors provided by the United States Environmental Protection Agency.

(vii) Direct energy consumption includes combustion of fuels in vehicles and emergency generators. The conversion factors used are from Appendix 2 and the guidelines on greenhouse gas emission accounting and reporting provided by the NDRC of the PRC.

(viii) Indirect energy consumption includes purchased electricity.

(ix) Water consumption at the head office in Hong Kong is not available because it shares a lavatory with other tenants within the commercial building.

Social Indicators	2020
Total Workforce	
By gender	
Male	17
Female	22
By employment type	
Full-time	39
Part-time	0
By age	
<30	9
30-50	26
>50	4
By geographical region	
The PRC	31
Hong Kong	8
Employee Turnover Rate (%)	
By gender	
Male	53
Female	36
By age	
<30	11
30-50	62
>50	0
By geographical region	
The PRC	45
Hong Kong	38
Average Training Hours (hrs) and Percentage of Employees Trained (%)	
By gender	
Male	0.24(24)
Female	0.05(5)
By employment category	
Senior	0.33(33)
Middle	0.19(19)
Junior	0.00(0)

CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment – Emissions, Waste Generation, Resources Usage	64-65
KPI A1.1	The types of emissions and respective emissions data.	Key Performance Indicators	68-70
KPI A1.2	Greenhouse gas emissions in total and intensity.	Key Performance Indicators	68-70
KPI A1.3	Total hazardous waste produced and intensity.	Key Performance Indicators	68-70
KPI A1.4	Total non-hazardous waste produced and intensity.	Key Performance Indicators	68-70
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environment – Emissions Reduction and Resources Conservation	65-67
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environment – Waste Generation, Emissions Reduction and Resources Conservation	64-67

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment – Resources Usage	65
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Key Performance Indicators	68-70
KPI A2.2	Water consumption in total and intensity.	Key Performance Indicators	68-70
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environment – Emissions Reduction and Resource Conservation	65-67
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environment – Emissions Reduction and Resource Conservation	65-67
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	N/A	The Group's business does not involve the use of packaging materials.
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment – Emissions Reduction and Resource Conservation	65-67
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment – Emissions Reduction and Resource Conservation	65-67

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
B. Social			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment – Recruitment and Compensation, Rights and Benefits, Anti-Discrimination	60-62
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Key Performance Indicators	68-70
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Indicators	68-70
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment – Recruitment and Compensation, Health and Safety	60-62
KPI B2.1	Number and rate of work-related fatalities.	Employment – Health and Safety	62
KPI B2.2	Lost days due to work injury.	Employment – Health and Safety	62
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	Employment – Health and Safety	62

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment – Training and Development	63
KPI B3.1	The percentage of employees trained by gender and employee category.	Key Performance Indicators	68-70
KPI B3.2	The average training hours completed per employee by gender and employee category.	Key Performance Indicators	68-70
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment – Recruitment and Compensation, Rights and Benefits	60-61
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment – Recruitment and Compensation, Rights and Benefits	60-61
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered.	Employment – Recruitment and Compensation, Rights and Benefits	60-61
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management	58
KPI B5.1	Number of suppliers by geographical region.	N/A	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Operating Practices – Supply Chain Management	58

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices – Service Quality and Customer Health and Safety	59
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	N/A	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practices – Protection of Privacy and Intellectual Property Right	59
KPI B6.4	Description of quality assurance process and recall procedures.	Operating Practices – Service Quality and Customer Health and Safety	59
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Operating Practices – Protection of Privacy and Intellectual Property Right	59

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering.	Operating Practice – Anti-Corruption	60
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Operating Practice – Anti-Corruption	60
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operating Practice – Anti-Corruption	60
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community	63-64
KPI B8.1	Focus areas of contribution.	Community	63-64
KPI B8.2	Resources contributed to the focus area.	N/A	N/A

TO THE SHAREHOLDERS OF
ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhongchang International Holdings Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 82 to 181, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other 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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties	
The Group owns investment properties in Hong Kong which were measured at fair value and their aggregate carrying amount was approximately HK$1,863,000,000 as at 31 December 2020, which represented 64.15% and 223.18% of the Group's total assets and net assets, respectively. The Group has engaged an external valuer to perform the valuation of these properties as at 31 December 2020. Significant judgement is required to determine the fair values of the investment properties, which reflects market conditions as at the end of the reporting period. The use of different valuation techniques and assumptions could produce significantly different estimates of fair values. Accordingly, the valuation of investment properties is considered as a key audit matter. The accounting policies and disclosures of the investment properties are included in notes 3, 4 and 18 to the consolidated financial statements.	Our audit procedures included, among others, the following: 1) We evaluated the competency, capabilities, independence and objectivity of the external valuer. 2) We ascertained the valuation approach and key assumptions used by the external valuer and assessed the correctness of the property related data used as inputs for the valuation. 3) We involved our internal valuation experts to assist us in evaluating the valuation techniques, the underlying assumptions and the source data used in the valuation by benchmarking them to relevant market information on a sample basis. 4) We evaluated the disclosures on the valuation of the investment properties.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Net realisable value of properties for sale	
The properties for sale of the Group amounted to approximately HK$628,372,000 as at 31 December 2020, which represented 21.64% of the Group's total assets. The carrying amounts of properties for sale are stated at the lower of cost or net realisable value. The Group has engaged an external valuer to perform the valuation of net realisable value of properties for sale as at 31 December 2020. Determination of net realisable value of the properties for sale involved critical accounting estimates on the selling price, variable selling expenses and, for properties under development, the costs to completion. Given the significant balance of properties for sale and the involvement of critical accounting estimates, assessment of net realisable value of properties for sale is considered as a key audit matter. The accounting policies and disclosures of properties for sale are included in notes 3, 4 and 21 to the consolidated financial statements.	Our audit procedures performed included, among others, the following: 1) We evaluated the competency, capabilities, independence and objectivity of the external valuer. 2) We involved our internal valuation experts to assist us in evaluating the valuation techniques, the underlying assumptions and the source data used in the valuation by benchmarking them to relevant market information on a sample basis. 3) We evaluated management's assessment by comparing, on a sample basis, the estimated selling price less variable selling expenses and the estimated costs to completion used in the assessment with the price and cost data from recent transactions or available market information. 4) We obtained understanding from management and performing assessment on the latest status and development plans of the underlying properties for sale, such as expected completion dates of the properties for sale. 5) We checked management's adjustments to recoverable amounts of the underlying properties for sale if their carrying amounts are below net realisable value.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, 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.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

Ernst & Young
Certified Public Accountants
Hong Kong

31 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Revenue	5	**36,990**	44,976
Other income/(loss), net	7	**11,882**	(26,640)
Net loss in fair value of investment properties	18	**(58,600)**	(25,100)
Staff costs	8	**(13,901)**	(15,788)
Depreciation of property, plant and equipment	15	**(1,006)**	(998)
Depreciation of right-of-use assets	16	**(1,672)**	(1,475)
Impairment losses under expected credit loss model	8	**(7,628)**	(334,743)
Other operating expenses		**(29,568)**	(30,396)
Loss from operations	8	**(63,503)**	(390,164)
Gain on disposal of a subsidiary	35	**8,431**	–
Share of results of an associate	19	**–**	(234,418)
Impairment of goodwill	17	**–**	(349,981)
Finance costs	9	**(120,027)**	(77,433)
Loss before taxation		**(175,099)**	(1,051,996)
Taxation	12	**(5,981)**	(7,515)
Loss for the year		**(181,080)**	(1,059,511)
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(11,599)**	(9,371)
Other comprehensive loss for the year, net of tax		**(11,599)**	(9,371)
Total comprehensive loss for the year		**(192,679)**	(1,068,882)
Loss for the year attributable to the owners of the Company		**(181,080)**	(1,059,511)
Total comprehensive loss for the year attributable to the owners of the Company		**(192,679)**	(1,068,882)
LOSS PER SHARE			
– Basic (in HK cents)	14	**(16.10)**	(94.18)
– Diluted (in HK cents)	14	**(16.10)**	(94.18)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**1,127**	2,147
Right-of-use assets	16	**2,748**	4,384
Investment properties	18	**1,863,000**	1,921,600
Financial assets at fair value through profit or loss	20	**5,941**	5,581
		1,872,816	1,933,712
Current assets			
Properties for sale	21	**628,372**	456,354
Trade and other receivables, deposits and prepayments	22	**43,815**	229,242
Derivative financial instruments	26	**–**	89
Tax recoverable		**3,185**	664
Cash and bank balances	23	**356,144**	205,947
		1,031,516	892,296
Current liabilities			
Trade and other payables, deposits and accrued expenses	24	**440,807**	171,463
Lease liabilities	16	**1,747**	1,689
Bank and other borrowings	25	**1,604,842**	1,590,940
Convertible notes	27	**–**	9,845
Tax payable		**3,214**	3,284
		2,050,610	1,777,221
Net current liabilities		**(1,019,094)**	(884,925)
Total assets less current liabilities		**853,722**	1,048,787
Non-current liabilities			
Other payables and deposits	24	**6,010**	7,494
Lease liabilities	16	**1,126**	2,841
Deferred tax liabilities	28	**11,839**	11,026
		18,975	21,361
Net assets		**834,747**	1,027,426
CAPITAL AND RESERVES			
Share capital	29	**112,502**	112,502
Reserves	30	**722,245**	914,924
Total equity		**834,747**	1,027,426

These consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2021 and signed on its behalf by:

CHEN Zhiwei
Director

KU Ka Lee
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to the owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Convertible notes equity reserve HK$'000	Contributions from shareholders HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	112,502	168,300	9,628	(120)	5,619	233,606	–	1,566,773	2,096,308
Loss for the year (Restated)	–	–	–	–	–	–	–	(1,059,511)	(1,059,511)
Other comprehensive loss, net of income tax:									
Items that may be reclassified subsequently to profit or loss:									
Exchange difference on translating foreign operations (Restated)	–	–	–	(9,371)	–	–	–	–	(9,371)
Total comprehensive loss for the year (Restated)	–	–	–	(9,371)	–	–	–	(1,059,511)	(1,068,882)
At 31 December 2019 and 1 January 2020 (Restated)	112,502	168,300*	9,628*	(9,491)*	5,619*	233,606*	–*	507,262*	1,027,426
Loss for the year	–	–	–	–	–	–	–	(181,080)	(181,080)
Other comprehensive loss, net of income tax:									
Items that may be reclassified subsequently to profit or loss:									
Exchange difference on translating foreign operations	–	–	–	(11,599)	–	–	–	–	(11,599)
Total comprehensive loss for the year	–	–	–	(11,599)	–	–	–	(181,080)	(192,679)
Release of convertible notes equity reserve upon redemption of convertible note at maturity	–	–	–	–	(5,619)	–	5,619	–	–
At 31 December 2020	112,502	168,300*	9,628*	(21,090)*	–*	233,606*	5,619*	326,182*	834,747

Note:

The contributions from shareholder represent the aggregation of discount on acquisition of an indirect wholly-owned subsidiary, Uptodate Management Limited ("**Uptodate**"), with the amount of approximately HK$233,606,000 from one former controller shareholder – Mr. Ng Chun For, Henry.

* These reserve accounts comprise the consolidated other reserves of HK$722,245,000 (2019: HK$914,924,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(175,099)**	(1,051,996)
Adjustments for:			
Depreciation of property, plant and equipment	15	**1,006**	998
Depreciation of right-of-use assets	16	**1,672**	1,475
Net loss in fair value changes of investment properties	18	**58,600**	25,100
Interest income	7	**(1,878)**	(2,110)
Interest expenses	9	**120,027**	77,433
Share of results of an associate	19	**–**	234,418
Fair value loss on financial assets at fair value through profit or loss	7	**–**	28,267
Impairment under expected credit loss model	8	**7,628**	334,743
Impairment of goodwill	17	**–**	349,981
Gain on disposal of a subsidiary	35	**(8,431)**	–
Fair value loss of derivative financial asset component of convertible notes	7	**89**	639
Operating cash flows before changes in working capital		**3,614**	(1,052)
Increase in properties for sale		**(564,945)**	(101,218)
Decrease/(increase) in trade and other receivables, deposits and prepayments		**186,396**	(187,483)
Increase in other payables, deposits and accrued expenses		**384,376**	82,026
CASH GENERATED FROM/(USED IN) OPERATIONS		**9,441**	(207,727)
Interest paid		**(34,710)**	(76,804)
Tax paid		**(7,758)**	(1,111)
NET CASH USED IN OPERATING ACTIVITIES		**(33,027)**	(285,642)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(21)**	(242)
Acquisition of investment in an associate	19	**–**	(246,114)
Loan to an associate		**–**	(56,549)
Investment in financial assets at fair value through profit or loss		**–**	(33,345)
Net cash outflow on acquisition of subsidiaries	34	**–**	(229,359)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	35	**201,065**	–
Proceeds from disposal of items of property, plant and equipment		**37**	–
Deposit paid for acquisition of a land parcel		**–**	(194,010)
Deposits paid for acquisition of a subsidiary		**–**	(74,572)
Interest received		**1,878**	2,110
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**202,959**	(832,081)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	**2020 HK$'000**	2019 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		**23,443**	544,469
Repayment of bank borrowings		**(41,910)**	(67,620)
Advance from related companies		**–**	125,795
Repayment of amounts due to related companies		**–**	(291,943)
Repayment of convertible note		**(11,000)**	–
Payment of lease liabilities	16	**(1,877)**	(1,597)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(31,344)**	309,104
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**138,588**	(808,619)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**205,947**	1,015,021
Effect of foreign exchange rate changes		**11,609**	(455)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**356,144**	205,947

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

1. CORPORATE INFORMATION

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

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

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

In the opinion of the directors (the "**Directors**"), as at 31 December 2020, the largest shareholder of the Company is China Cinda (HK) Asset Management Co., Limited, a company incorporated in the Hong Kong.

Information about subsidiaries

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

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
New Treasure Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
Zhongchang International Holdings Management Limited	Hong Kong	Ordinary HK$1	100%	–	Provision of administration service to group companies
Rose City Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Max Act Enterprises Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Sharp Wonder Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Capital Garden Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
Top Bright Properties Limited ("**Top Bright**")	Hong Kong	Ordinary HK$9,999 Deferred share HK$1	–	100%	Property investment
Wingplace Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Smart Land Properties Limited ("**Smart Land**")	Hong Kong	Ordinary HK$1	–	100%	Property investment
Joy Depot Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Bond Victory Limited	Hong Kong	Ordinary HK$5,000	–	100%	Property investment
Pioneer Delight Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Top Grade Properties Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
Wealth Properties Limited	Hong Kong	Ordinary HK$100	–	100%	Property investment
New Headland Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
Crystal City Global Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Perfect Shield Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Red Ribbon Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
China Charter Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
Agile Scene Limited ("**Agile Scene**")	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the the Company Direct	Indirect	Principal activities
Powell View Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
浙江自貿區鑫盛海洋產業投資有限公司** (Zhejiang Free Trade Zone Xinsheng Marine Industry Investments Co., Limited*)	The PRC	Registered capital: RMB800,000,000; paid-up capital RMB257,965,720	–	100%	Investment, development and construction of ocean engineering and real estates; investment and development of tourism project; and real estate agent services; consultation of information services; property management and property leasing
佛山快彤物業服務有限公司*** (Foshan Express Property Service Co., Limited*)	The PRC	Registered capital: RMB500,000,000; paid-up capital RMB0	–	100%	Property management, provision of real estate intermediate services, family services and construction works.
High Morality Limited ("**High Morality**")	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Shenwei (Hong Kong) Limited ("**Shenwei**")	Hong Kong	Ordinary HK$1	–	100%	Investment holding
舟山銘義文化產業投資有限公司 **(Zhoushan Mingyi Cultural Assets Investment Co., Limited*)	The PRC	Registered capital RMB600,000,000; paid-up capital RMB4,520,000	–	100%	Investment holding
上海岳信企業管理諮詢有限公司 ***(Shanghai Yuexin Enterprise Management Consultancy Co., Limited***) ("**Shanghai Yuexin**")	The PRC	Registered capital RMB20,000,000; paid-up capital RMB0	–	100%	Investment holding

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the the Company Direct	Indirect	Principal activities
上海薈昌企業管理諮詢有限公司** (Shanghai Huichang Enterprise Management Consultancy Co., Limited*)	The PRC	Registered capital RMB500,000,000; paid-up capital RMB0	–	100%	Provision of administrative services to Group companies
舟山銘泰物業管理有限公司***(Zhoushan Mingtai Property Management Co., Limited***) ("**Zhoushan Mingtai**")	The PRC	Registered capital RMB600,000,000; paid-up capital RMB272,676,498	–	100%	Investment holding
舟山銘舟置業有限公司*** (Zhoushan Mingzhou Real Estate Co., Limited*)	The PRC	Registered capital RMB500,000,000; paid-up capital RMB10,000,000	–	100%	Investment holding
鎮江天工頤景園房地產有限公司***(Zhenjiang Tiangong Yijingyuan Real Estate Co., Limited***) ("**Zhenjiang Tiangong**")	The PRC	Registered and paid-up capital: RMB30,000,000	–	100%	Property development in the PRC

* For identification purpose only.

** The company is registered as a wholly owned foreign enterprise in the PRC.

*** The company is registered as a limited liability company in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

2.1 BASIS OF PREPARATION

These 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**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

As at 31 December 2020, the Group's total current liabilities exceeded its total current assets by approximately HK$1,019,094,000 (2019: approximately HK$884,925,000). The directors of the Company considered that the controlling shareholder has intention to provide unconditional continuing financial support to the Company so as to enable the Company to meet its liabilities as and when they fall due. Accordingly, the directors of the Company believe that the Group has adequate resources to continue its operations in the foreseeable future of not less than 12 months from the end of the reporting period. Therefore, they are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

2.2 PRIOR YEAR ADJUSTMENTS

(i) Restatements in relation to the Group's dissipation of funds

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

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

Based on the findings from the Investigation, the directors of the Company considered it appropriate to provide impairment allowance of RMB173 million receivable balance in the Group's consolidated financial statements for the year ended 31 December 2019, which is a prior year adjustment.

2.2 PRIOR YEAR ADJUSTMENTS (continued)

(ii) Restatements in relation to the Group's acquisition the entire equity interest of High Morality

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

This transaction should be accounted as business combination since the target meets the definition of business in HKFRS 3. Accordingly, prior year adjustments are put through as shown in the below table. Goodwill of HK$347,675,000 was recognised at acquisition date. The Group perform its impairment test for goodwill at 31 December 2019. Due to the progress of the project gradually approached to the condition for sale and the local property market declined since the acquisition date, the Group adjusted the valuation techniques with different relevant underlying assumptions and source data accordingly. As a result, the goodwill was impaired to nil as at 31 December 2019.

Due to accounting for such transaction using business combination, borrowings qualified for capitalization into project cost should be different from those using asset purchase approach. In such respect, certain borrowing costs incurred during 2019 should be recognised in profit or loss in such period.

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

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

2.2 PRIOR YEAR ADJUSTMENTS (continued)

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

Directors of the Company considered that Shanghai Sansheng's financial situation has been visibly deteriorated since October 2019, and the recoverability of the receivables due from Shanghai Sansheng and its related parties was remote since then. Accordingly, it is appropriate to provide impairment allowance of all receivables due from Shanghai Sansheng or its related parties in the Group's consolidated financial statements for the year ended 31 December 2019, including amounts due from Shanghai Sansheng recorded in the book of the Group's associate, which is a prior year adjustment. The impact to the financial statements of the Group are set forth below.

		Prior year adjustments HK$'000
Consolidated statement of financial position		
Decrease in investment in an associate	(a)	(206,001)
Decrease in financial assets at fair value through profit or loss	(b)	(26,034)
Decrease in trade and other receivables, deposits and prepayments		(75,400)
Decrease in amount due from an associate	(a)	(44,697)
Decrease in reserves		(352,132)
Consolidated statement of profit or loss and other comprehensive income		
Increase in other loss, net		(26,537)
Increase in impairment losses under expected credit loss model		(122,422)
Increase in share of results of an associate		(232,629)
Decrease in impairment loss on investment in an associate		26,121
Decrease in exchange difference on translating foreign operations		3,336

2.2 PRIOR YEAR ADJUSTMENTS (continued)

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

(a) As at 31 December 2019, the Group owned 49% equity interest in Yitai International (BVI) Holdings Limited (頤泰國際(英屬維京群島)控股有限公司) ("**Yitai**"). Given the fact that the remaining 51% equity interest was owned by Shenwei International Holdings Limited (申煒國際控股有限公司), a company wholly owned by Mr. Chen Lijun who is the brother-in-law of Mr. Chen Jianming, the ultimate controlling shareholder of Shanghai Sansheng, the recoverability of the receivables due from Shanghai Sansheng within Yitai as well as the amount due from Yitai was remote. Accordingly, it is appropriate to provide impairment allowance of the receivables which lead to the increase of share of losses of associate as well as the impairment under expected credit loss model.

(b) The financial assets at fair value through profit or loss represented the Group's interests in an investment entity as a limited partner. The investment entity is principally engaged in investment management and equity investments, among which have receivables due from Shanghai Sansheng. Directors of the Company considered that it is appropriate to provide impairment allowance of this receivables which led to a decrease in the fair value of this investment, and the fair value loss was included in "other income/(loss), net".

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

Because of the prior year adjustments set out above, the Company's consolidated financial statements for the year ended 31 December 2019 have been restated. As a result, certain covenants included in the borrowing agreement signed with one commercial bank should have been breached. Accordingly, certain of the Group's bank borrowings previously classified as non-current shall be subject to immediate settlement upon the request of such bank. Besides, the above prior year adjustments also resulted in temporary differences which respective deferred tax implications should be accounted for. Corresponding adjustments are set out as follows.

2.2 PRIOR YEAR ADJUSTMENTS (continued)

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

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

2.2 PRIOR YEAR ADJUSTMENTS (continued)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2.2 PRIOR YEAR ADJUSTMENTS (continued)

	As previously reported HK$'000	HK$'000 i	Prior year adjustments HK$'000 ii	HK$'000 iii	HK$'000 iv	Restated HK$'000
Non-current assets						
Investment properties	1,921,600	–	–	–	–	1,921,600
Property, plant and equipment	2,147	–	–	–	–	2,147
Deferred tax assets	6,970	–	–	–	(6,970)	–
Investments in an associate	206,001	–	–	(206,001)	–	–
Financial assets at fair value through profit or loss	31,615	–	–	(26,034)	–	5,581
Right-of-use assets	4,384	–	–	–	–	4,384
Total non-current assets	**2,172,717**	**–**	**–**	**(232,035)**	**(6,970)**	**1,933,712**
Current assets						
Properties for sale	843,117	–	(386,763)	–	–	456,354
Trade and other receivables, deposits and prepayments	472,225	(167,583)	–	(75,400)	–	229,242
Derivative financial instruments	89	–	–	–	–	89
Tax recoverable	664	–	–	–	–	664
Amount due from an associate	44,697	–	–	(44,697)	–	–
Cash and cash equivalents	205,947	–	–	–	–	205,947
Total current assets	**1,566,739**	**(167,583)**	**(386,763)**	**(120,097)**	**–**	**892,296**
Current liabilities						
Trade and other payables, deposits and accrued expenses	129,043	25,545	16,875	–	–	171,463
Lease liabilities	1,689	–	–	–	–	1,689
Bank and other borrowings	591,750	–	–	–	999,190	1,590,940
Convertible notes	9,845	–	–	–	–	9,845
Tax payable	3,284	–	–	–	–	3,284
Total current liabilities	**735,611**	**25,545**	**16,875**	**–**	**999,190**	**1,777,221**

2.2 PRIOR YEAR ADJUSTMENTS (continued)

	As previously reported HK$'000	Prior year adjustments HK$'000 i	HK$'000 ii	HK$'000 iii	HK$'000 iv	Restated HK$'000
Net current assets/(liabilities)	**831,128**	**(193,128)**	**(403,638)**	**(120,097)**	**(999,190)**	**(884,925)**
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,003,845**	**(193,128)**	**(403,638)**	**(352,132)**	**(1,006,160)**	**1,048,787**
Non-current liabilities						
Other payables and deposits	7,494	–	–	–	–	7,494
Lease liabilities	2,841	–	–	–	–	2,841
Bank and other borrowings	999,190	–	–	–	(999,190)	–
Deferred tax liabilities	11,026	–	–	–	–	11,026
Total non-current liabilities	**1,020,551**	**–**	**–**	**–**	**(999,190)**	**21,361**
NET ASSETS/(LIABILITIES)	**1,983,294**	**(193,128)**	**(403,638)**	**(352,132)**	**(6,970)**	**1,027,426**
CAPITAL AND RESERVES						
Share capital	112,502	–	–	–	–	112,502
Reserves	1,870,792	(193,128)	(403,638)	(352,132)	(6,970)	914,924
TOTAL EQUITY	**1,983,294**	**(193,128)**	**(403,638)**	**(352,132)**	**(6,970)**	**1,027,426**

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

* For identification purpose only.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

2.4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 17	Insurance Contracts[3, 6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3,5]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Annual Improvements to HKFRSs 2018 – 2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

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

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

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

4 No mandatory effective date yet determined but available for adoption.

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion.

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

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

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

2.4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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

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

2.4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associates, the Group measures and recognises any retained investments at their fair values. Any difference between the carrying amounts of the associate upon loss of significant influence and the fair values of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operation*.

Business combinations and goodwill

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. The recoverable amount of the CGUs has been determined based on the higher of the value in use ("**VIU**") and fair value less costs of disposal ("**FVLCD**"). Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

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 personal services to the Group or to the parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment 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	Over the shorter of the lease terms or 5 years
Furniture, fixtures and equipment	4-5 years

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Properties for sale

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Buildings	2 to 4 years

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

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

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

Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired; or

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

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

The Group's financial liabilities include trade and other payables, deposits and accrued expenses, convertible notes, bank and other borrowings and lease liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

(i) Financial liabilities at amortised cost (loans and borrowings)

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

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

(ii) Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as redemption option derivative component. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Cash and cash equivalents

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

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

Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

Property project management services

Revenue from the provision of property project management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

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

Contract liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs

Other than the costs which are capitalised as properties for sale and property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Employee Benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. 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.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalization 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.

Foreign currencies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value of investment properties

Investment properties carried at fair value, were revalued at the end of each of the reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each of the reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amounts of investment properties at 31 December 2020 and 2019 were HK$1,863,000,000 and HK$1,921,600,000, respectively.

Provision for properties for sale

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

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

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. The carrying amount of goodwill at 31 December 2020 was nil (2019: nil). Further details are given in note 17 to the financial statements.

Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade and other receivables (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. REVENUE

	2020 HK$'000	2019 HK$'000
Revenue from other sources		
Gross rental income from investment properties in Hong Kong	**36,990**	39,179
Revenue from contracts with customers		
Property project management services income recognised over time in the PRC	**–**	5,797
	36,990	44,976

6. SEGMENT INFORMATION

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

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

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

(ii) Property development in the PRC

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

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

Year ended 31 December 2020

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

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Year ended 31 December 2019 (Restated)

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

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

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

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

At 31 December 2020

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

At 31 December 2019 (Restated)

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

* This includes elimination of intersegment receivables with an amount of approximately HK$942,820,000 and HK$939,046,000 as at 31 December 2020 and 2019, respectively.

** This includes elimination of intersegment payables with an amount of approximately HK$942,820,000 and HK$939,046,000 as at 31 December 2020 and 2019, respectively.

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

- Segment assets exclude cash and cash equivalents, financial assets at fair value through profit or loss, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

- Segment liabilities exclude bank and other borrowings, convertible notes and its accrued interests, tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

6. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2020

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

For the year ended 31 December 2019 (Restated)

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

* Capital expenditure consists of addition to property, plant and equipment and right-of-use assets.

6. SEGMENT INFORMATION (continued)

Geographical information

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

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

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

Information about major customers

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

7. OTHER INCOME/(LOSS), NET

	2020	2019
	HK$'000	HK$'000
		(Restated)
Bank interest income	**1,878**	2,110
Fair value loss of derivative financial asset component of convertible notes (Note 27)	**(89)**	(639)
Fair value loss of financial assets at fair value through profit or loss (Note 20)	**–**	(28,267)
Compensation received from tenant	**511**	–
Exchange gain, net	**8,517**	–
Government grants	**447**	–
Sundry income	**618**	156
	11,882	(26,640)

8. LOSS FROM OPERATIONS

	2020 HK$'000	2019 HK$'000 (Restated)
Loss from operations is arrived at after charging/(crediting):		
Directors' emoluments (Note 10)	**2,031**	2,380
Other staff costs		
Salaries and allowances	**10,467**	11,620
Retirement benefit scheme contributions	**134**	146
Social security contributions	**950**	1,333
Other benefits in kind	**319**	309
	11,870	13,408
Total staff costs	**13,901**	15,788
Net exchange loss	**–**	2,241
Auditor's remuneration		
– Audit services	**3,390**	1,500
– Non-audit services	**610**	–
Depreciation of property, plant and equipment (Note 15)	**1,006**	998
Depreciation of right-of-use assets (Note 16)	**1,672**	1,475
Impairment losses under expected credit loss model	**7,628**	334,743
Lease payments not included in the measurement of lease liabilities (Note 16(c))	**546**	787
Gross rental income from investment properties	**(36,990)**	(39,179)
Less: Direct operating expenses from investment properties that generated rental income during the year	**4,186**	3,992
	(32,804)	(35,187)

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000 (Restated)
Interest on bank and other borrowings wholly repayable within five years	**126,591**	78,613
Interest on lease liabilities (Note 16)	**185**	190
Effective interest expense on convertible notes (Note 27)	**1,327**	1,269
Total borrowing costs	**128,103**	80,072
Less: Amount capitalised to properties for sale	**(8,076)**	(2,639)
	120,027	77,433

10. DIRECTORS' EMOLUMENTS

Directors' 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 HK$'000	2019 HK$'000
Fees	**925**	1,080
Other emoluments:		
Basic salaries, allowances and other benefits	**1,038**	1,251
Discretionary bonus	**15**	–
Contributions to retirement schemes	**53**	49
	1,106	1,300
	2,031	2,380

10. DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2020

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors					
Mr. Chen Zhiwei (Note (a))	–	–	–	–	–
Mr. Ma Yilin (Note (b))	–	–	–	–	–
Mr. Tang Lunfei (Note (a))	–	–	–	–	–
Ms. Huang Limei (Note (a))	–	–	–	–	–
Mr. Fan Xuerui (Note (c))	–	851	–	9	860
Mr. Pi Minjie (Note (d))	–	187	15	44	246
Mr. Sun Meng (Note (e))	–	–	–	–	–
Ms. Li Guang (Note (e))	–	–	–	–	–
	–	1,038	15	53	1,106
Non-executive directors					
Mr. Wang Xin (Note (f))	–	–	–	–	–
Dr. Huang Qiang (Note (g))	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Liew Fui Kiang	256	–	–	–	256
Mr. Wong Sai Tat	256	–	–	–	256
Mr. Wong Wai Leung (Note (h))	124	–	–	–	124
Mr. Yip Tai Him (Note (h))	124	–	–	–	124
Mr. Hung Ka Hai Clement (Note (i))	165	–	–	–	165
	925	–	–	–	925
Total	925	1,038	15	53	2,031

10. DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2019

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors					
Mr. Fan Xuerui (Note (c))	–	1,113	–	18	1,131
Mr. Pi Minjie (Note (d))	–	138	–	31	169
Mr. Sun Meng (Note (e))	–	–	–	–	–
Ms. Li Guang (Note (e))	–	–	–	–	–
Mr. Pan Gongcheng (Note (j))	–	–	–	–	–
Mr. Wang Junyong (Note (k))	–	–	–	–	–
Mr. Lai Hing Kwok (Note (l))	–	–	–	–	–
	–	1,251	–	49	1,300
Non-executive director					
Mr. Wang Xin (Note (f))	–	–	–	–	–
Independent non-executive directors					
Mr. Liew Fui Kiang	360	–	–	–	360
Mr. Wong Sai Tat	360	–	–	–	360
Mr. Hung Ka Hai Clement (Note (i))	360	–	–	–	360
	1,080	–	–	–	1,080
Total	1,080	1,251	–	49	2,380

Notes:

(a) Mr. Chen Zhiwei, Mr. Tang Lunfei and Ms. Huang Limei appointed as executive directors of the Company on 13 May 2020.

(b) Mr. Ma Yilin appointed as an executive director of the Company on 13 May 2020 and resigned on 15 January 2021.

(c) Mr. Fan Xuerui retired as an executive director of the Company on 19 June 2020.

(d) Mr. Pi Minjie appointed as an executive director of the Company on 30 September 2019 and retired on 13 May 2020.

(e) Mr. Sun Meng and Ms. Li Guang resigned as executive directors of the Company on 27 May 2020.

(f) Mr. Wang Xin appointed as a non-executive director of the Company on 23 August 2019 and resigned on 6 January 2021.

(g) Dr. Huang Qiang appointed as a non-executive director of the Company on 13 May 2020.

(h) Mr. Wong Wai Leung and Mr. Yip Tai Him appointed as independent non-executive directors of the Company on 13 May 2020.

(i) Mr. Hung Ka Hai Clement resigned as an independent non-executive director of the Company on 15 June 2020.

(j) Mr. Pan Gongcheng appointed as an executive director of the Company on 5 June 2019 and resigned on 30 September 2019.

(k) Mr. Wang Junyong resigned as an executive director of the Company on 5 June 2019.

(l) Mr. Lai Hing Kwok resigned as an executive director of the Company on 22 May 2019.

10. DIRECTORS' EMOLUMENTS (continued)

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the years ended 31 December 2020 and 31 December 2019 respectively.

No emoluments were paid or payable by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2020 and 2019. No directors waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended 31 December 2020 and 2019 both included one director, details of whose remuneration are set out in Note 10 above. Details of the remuneration for the year of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and other benefits	**2,739**	3,522
Contributions to retirement benefit schemes	**39**	45
Social security contributions	**59**	50
Discretionary bonus	**54**	–
	2,891	3,617

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	No. of individuals	
	2020	2019
HK$300,001 – HK$500,000	**–**	1
HK$500,001 – HK$1,000,000	**4**	2
HK$1,500,001 – HK$2,000,000	**–**	1
	4	4

11. FIVE HIGHEST PAID EMPLOYEES (continued)

No emoluments were paid or payable by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2020 and 2019. No five highest paid individuals waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

12. TAXATION

	2020 HK$'000	2019 HK$'000 (Restated)
Current tax		
Hong Kong		
– Provision for the year	**2,498**	2,758
– Under provision in prior years	**–**	24
	2,498	2,782
The PRC		
– Enterprise income tax	**2,670**	135
	5,168	2,917
Deferred taxation		
– Charged to the consolidated statement of profit or loss and other comprehensive income (Note 28)	**813**	4,598
	5,981	7,515

12. TAXATION (continued)

The provision for Hong Kong Profits Tax for the year ended 31 December 2020 is calculated at 16.5% of the estimated assessable profits for the year (2019: 16.5%). The concession of 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government was taken up by an indirect wholly-owned subsidiary incorporated in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 31 December 2019 and 2020.

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	2020		2019	
	HK$'000	**%**	HK$'000	%
Loss before taxation	**(175,099)**		(1,051,996)	
Tax at the Hong Kong profits tax rate of 16.5% (2019:16.5%)	**(28,892)**	**16.5**	(173,579)	16.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(6,498)**	**3.7**	(2,740)	0.3
Tax effect of expenses not deductible for tax purpose	**17,398**	**(9.9)**	10,426	(1.0)
Tax effect of income not taxable for tax purpose	**(60)**	**–**	(1,096)	0.1
Losses attributable to an associate	**–**	**–**	38,679	(3.7)
Under provision in respect of prior years	**–**	**–**	24	–
Statutory tax concession	**(215)**	**0.1**	(165)	–
Utilisation of tax losses previously not recognised	**(294)**	**0.2**	(74)	–
Tax losses and temporary differences not recognised	**24,542**	**(14)**	136,040	(12.9)
Taxation for the year	**5,981**	**(3.4)**	7,515	(0.7)

13. DIVIDENDS

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

14. LOSS PER SHARE

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

	2020 **HK$'000**	2019 HK$'000 (Restated)
Loss for the purpose of basic and diluted loss per share	**(181,080)**	(1,059,511)

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

For the year ended 31 December 2020, the diluted loss per share is the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share because the effect of which were anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture fixtures and equipment HK$'000	Total HK$'000
COST			
At 1 January 2019	4,563	481	5,044
Acquisition of *a* subsidiary (Note 34)	–	50	50
Additions	200	42	242
Exchange realignment	–	(4)	(4)
At 31 December 2019 and 1 January 2020	4,763	569	5,332
Additions	–	21	21
Disposals	–	(51)	(51)
Exchange realignment	–	4	4
At 31 December 2020	4,763	543	5,306
ACCUMULATED DEPRECIATION			
At 1 January 2019	1,952	237	2,189
Provided for the year (Note 8)	901	97	998
Exchange realignment	–	(2)	(2)
At 31 December 2019 and 1 January 2020	2,853	332	3,185
Provided for the year (Note 8)	918	88	1,006
Disposals	–	(14)	(14)
Exchange realignment	–	2	2
At 31 December 2020	3,771	408	4,179
NET CARRYING VALUES			
At 31 December 2020	**992**	**135**	**1,127**
At 31 December 2019	1,910	237	2,147

16. LEASES

The Group as lessee

The Group has lease contracts for various items of buildings used in its operations. Leases of buildings generally have lease terms between 2 to 4 years.

(a) Right-of-use assets

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

Buildings

	HK$'000
COST:	
At 1 January 2019	888
Acquisition of a subsidiary (Note 34)	1,403
Additions	4,091
Early termination	(700)
Exchange realignment	(71)
At 31 December 2019 and 1 January 2020	5,611
Exchange realignment	85
At 31 December 2020	5,696
ACCUMULATED DEPRECIATION:	
At 1 January 2019	–
Provided for the year (Note 8)	1,475
Early termination	(240)
Exchange realignment	(8)
At 31 December 2019 and 1 January 2020	1,227
Provided for the year (Note 8)	1,672
Exchange realignment	49
At 31 December 2020	2,948
NET CARRYING AMOUNT	
At 31 December 2020	**2,748**
At 31 December 2019	4,384

16. LEASES (continued)

The Group as lessee (continued)

(b) Lease liabilities

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

	2020 HK$'000	2019 HK$'000
At 1 January	**4,530**	888
Additions	**–**	4,091
Acquisition of a subsidiary (Note 34)	**–**	1,493
Interest on lease liabilities (Note 9)	**185**	190
Lease payments	**(1,877)**	(1,597)
Early termination	**–**	(470)
Exchange realignment	**35**	(65)
At 31 December	**2,873**	4,530
Analysed as:		
- Current	**1,747**	1,689
- Non-current	**1,126**	2,841
	2,873	4,530

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

(c) The amounts recognised in the consolidated profit or loss and other comprehensive income in relation to leases are as follows:

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities (Note 9)	**185**	190
Depreciation of right-of-use assets (Note 8)	**1,672**	1,475
Expense relating to short-term leases and leases of low-value assets (included in other operating expenses) (Note 8)	**546**	787
Total amount recognised in the consolidated statement of profit or loss and other comprehensive income	**2,403**	2,452

16. LEASES (continued)

The Group as lessor

The Group leases its investment properties (Note 18) consisting of commercial properties in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

Rental income recognised by the Group for the year ended 31 December 2020 was HK$36,990,000 (2019: HK$39,179,000), details of which are included in Note 5 to the financial statements.

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

	2020	2019
	HK$'000	HK$'000
Within one year	**24,091**	29,159
In the second to fifth years inclusive	**11,759**	24,071
	35,850	53,230

17. GOODWILL

	HK$'000
At 1 January 2019:	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 January 2019, net of accumulated impairment	–
Acquisition of a subsidiary (Note 34) (Restated)	347,675
Exchange realignment (Restated)	2,306
Impairment during the year (Restated)	(349,981)
At 31 December 2019 (Restated)	–
At 31 December 2019 (restated) and 31 December 2020:	
Cost	349,981
Accumulated impairment	(349,981)
Net carrying amount	–

17. GOODWILL (continued)

Impairment testing of goodwill

On 1 March 2019, goodwill arising from the acquisition of High Morality (the Zhenjiang Acquisition - Nanshan Qianshuiwan, or the "**NQS**"), amounted to HK$347,675,000 (Note 34).

Goodwill is allocated to NQS cash-generating unit (the "**CGU**") for impairment testing. The Group performed its impairment testing on goodwill by comparing the recoverable amount of NQS CGU to its carrying amount. For the purpose of goodwill impairment review, the recoverable amount of a CGU is the higher of its fair value less costs of disposal ("**FVLCD**") and its value in use ("**VIU**").

The recoverable amount of the NQS CGU has been determined based on FVLCD. In measuring FVLCD, the hypothetical development method is used to measure fair value. The calculation of the FVLCD is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

The respective recoverable amount and the carrying value of the NQS CGU as at 31 December 2019 are as follows:

	2019 HK$'000 (Restated)
Recoverable amount	608,533
Carrying value including allocated goodwill	958,514

As at 31 December 2019, the Group had accrued full impairment provisions for goodwill of HK$349,981,000 for NQS CGU.

18. INVESTMENT PROPERTIES

	Completed investment properties, in Hong Kong HK$'000
FAIR VALUE:	
At 1 January 2019	1,946,700
Loss in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	(25,100)
At 31 December 2019 and 1 January 2020	1,921,600
Loss in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	(58,600)
At 31 December 2020	**1,863,000**

The investment properties are leased to third parties under operating leases, further summary details of which are included in Note 16 to the financial statements.

18. INVESTMENT PROPERTIES (continued)

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

	2020 **HK$'000**	2019 HK$'000
In Hong Kong		
– long-term leases	**1,863,000**	1,921,600

(b) Pledge of investment properties

Details of pledge of investment properties are set out in Note 38 of the consolidated financial statements.

(c) Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Knight Frank Petty Limited (2019: Knight Frank Petty Limited), independent qualified professional valuers not connected to the Group.

The responsible valuers of Knight Frank Petty Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on (i) the sales comparison approach, which involves an analysis of sales transactions of comparable properties within the neighbourhood area of the properties; and (ii) the income capitalisation approach, which involves estimating the rental incomes of the properties and capitalising them all on an appropriate rate to produce a capital value.

As at 31 December 2020 and 2019, the fair value of the investment properties were generally determined based on income capitalisation approach and by making reference to comparable rent and sales transactions of similar properties in the similar locations and conditions as available in the market to assess the market value of the investment properties.

At each financial year end, the management of the Group will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) hold discussion with the independent valuer.

Changes in level 2 and 3 fair values are analysed at each reporting date by the management of the Group.

The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

18. INVESTMENT PROPERTIES (continued)

(c) Fair value measurement of the Group investment properties (continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2020 and 2019 are as follows:

	Level 3 **HK$'000**	**Fair values** **2020** **HK$'000**
Residential units located in Hong Kong	**14,000**	**14,000**
Commercial units located in Hong Kong	**1,849,000**	**1,849,000**
Total	**1,863,000**	**1,863,000**

	Level 3 HK$'000	Fair values 2019 HK$'000
Residential units located in Hong Kong	14,600	14,600
Commercial units located in Hong Kong	1,907,000	1,907,000
Total	1,921,600	1,921,600

18. INVESTMENT PROPERTIES (continued)

(c) Fair value measurement of the Group investment properties (continued)

	Fair value 2020 HK$'000	2019 HK$'000	Valuation technique	Significant unobservable inputs	Sensitivity
Investment properties located in Hong Kong	**1,863,000**	1,921,600	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental, income potential, nature of property, and prevailing market condition, of 2.1% to 3.4% (2019: 2.0% to 3.3% per annum).	The higher the capitalisation rate, the lower the fair value.
				Monthly market rent, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in the market rent used result in significant increase in fair value, and vice versa.

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

Reversionary yield is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. Market rent per square foot is the market rent taking into account the direct comparable market transactions to the related properties.

In estimating the fair value of investment properties, the highest and best use of the investment properties is their current use.

18. INVESTMENT PROPERTIES (continued)

(c) Fair value measurement of the Group investment properties (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Residential properties in Hong Kong HK$'000	Commercial properties in Hong Kong HK$'000	Total HK$'000
Carrying amount at 1 January 2019	14,700	1,932,000	1,946,700
Fair value changes	(100)	(25,000)	(25,100)
Carrying amount at 31 December 2019 and 1 January 2020	14,600	1,907,000	1,921,600
Fair value changes	(600)	(58,000)	(58,600)
Carrying amount at 31 December 2020	**14,000**	**1,849,000**	**1,863,000**

19. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	2020 HK$'000	2019 HK$'000 (Restated)
Opening balance	**–**	–
Acquisition cost	**–**	246,114
Share of result of an associate	**–**	(234,418)
Exchange adjustment	**–**	(11,696)
	–	–
Amount due from an associate	**57,637**	54,154
Allowance of credit losses	**(57,637)**	(54,154)
	–	–

19. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (continued)

As of 31 December 2020, Particulars of the Group's associate is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group 2019	Principal activities
Yitai International (BVI) Holdings Limited	Ordinary shares	The British Virgin Islands	49%	Investment holding

On 4 February 2019, Agile Scene, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sansheng BVI, pursuant to which Agile Scene agreed to purchase and Sansheng BVI agreed to sell 49% equity interest in Yitai at a cash consideration of approximately RMB255,600,000 (equivalent to approximately HK$299,000,000). Yitai is an investment holding company and indirectly holds 99% beneficial equity interest in 金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Ltd.*) ("**Jinhua Mingrui**"), which is engaged in property development in Jinhua City, Zhejiang Province, the PRC. The acquisition was completed on 2 April 2019.

Yitai is considered as a material associate of the Group and are accounted for using the equity method.

19. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (continued)

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

	2020 HK$'000	2019 HK$'000 (Restated)
Current assets	**1,523,003**	2,173,142
Non-current assets, excluding goodwill	**119,252**	630
Goodwill on acquisition of the associate	**–**	–
Current liabilities	**(1,866,683)**	(2,250,869)
Net liabilities	**(224,428)**	(77,097)
Net liabilities, excluding goodwill	**(224,428)**	(77,097)
Equity attributable to owners of the associate	**(222,184)**	(76,326)
Non-controlling interests	**(2,244)**	(771)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net liabilities of the associate, excluding goodwill	**–**	–
Goodwill on acquisition	**–**	–
Carrying amount of the investment	**–**	–

	2020 HK$'000	2019 HK$'000 (Restated)
Revenue	**962,821**	–
Loss for the year	**(134,746)**	(603,880)
Other comprehensive loss	**(12,585)**	(6,212)
Total comprehensive loss for the year	**(147,331)**	(610,092)

19. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (continued)

The Group has discontinued the recognition of its share of losses of an associate because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were HK$71,470,000 (2019: HK$37,400,000) and HK$108,870,000 (2019: HK$37,400,000), respectively.

At 31 December 2020 and 2019, amount due from an associate was approximately HK$57,637,000 and HK$54,154,000, respectively. The directors of the Group considered that the recoverability of the receivables due from Yitai was remote and the expected credit loss were HK$57,637,000 and HK$54,154,000, respectively, details are set out in Note 2.2(iii)(a).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **HK$'000**	2019 HK$'000 (Restated)
Unlisted equity investments (Note)	**5,941**	5,581

Note:

During the year ended 31 December 2019, Zhoushan Mingtai, an indirect wholly-owned subsidiary of the Group, entered into a Limited Partnership Agreement ("**LP Agreement**") to subscribe, as a limited partner. The investment entity is principally engaged in investment management and equity investments, Zhoushan Mingtai is a limited partner of the investment entity and does not have control nor significant influence in the operational and financing decisions of the investment entity.

As at 31 December 2020, the fair value of financial assets at fair value through profit or loss is RMB5,000,000 (equivalent to approximately HK$5,941,000) (2019: RMB5,000,000 (equivalent to approximately HK$5,581,000)). As at 31 December 2019, fair value loss of financial assets at fair value through profit or loss of RMB24,840,000 (equivalent to approximately HK$28,267,000) was recognised in the consolidated statement of profit or loss and other comprehensive income. The fair value of financial assets at fair value through profit or loss as at 31 December 2019 was restated, details are set out in Note 2.2(iii)(b).

21. PROPERTIES FOR SALE

	2020 HK$'000	2019 HK$'000 (Restated)
Properties under development (Note (a))	**602,919**	432,440
Completed properties (Note (b))	**25,453**	23,914
	628,372	456,354

Notes:

(a) At 31 December 2020, properties under development with an aggregate carrying amount of approximately HK$602,919,000 (2019: approximately HK$432,440,000) were pledged to a financial institution in the PRC as collateral of the Group's other borrowings.

(b) At 31 December 2020, certain completed properties within an aggregate carrying amount of approximately HK$22,468,000 (2019: approximately HK$21,110,000) were pledged to a financial institution in the PRC as collateral for the borrowings from independent third parties.

(c) The value of properties under development is assessed at the end of the reporting period. An impairment exists when the carrying value exceeds the recoverable amount, which is the higher of its fair value less costs of disposal. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. No impairment loss has been recognised for the year ended 31 December 2020 and 2019.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

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

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

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

(iii) The movements in the allowance for credit losses of trade receivables are as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
At 1 January	1	–
Impairment losses, net (Note 8)	–	4,151
Amount written off as uncollectible	–	(4,072)
Exchange realignment	–	(78)
At 31 December	1	1

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

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

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(vi) The amount represents other receivables, deposits and prepayments:

	2020 **HK$'000**	2019 HK$'000 (Restated)
Prepayments	**938**	2,274
Deposits and other receivables	**308,872**	286,877
Prepaid tax	**23,825**	9,605
	333,635	298,756
Less: Allowance for credit losses	**(295,785)**	(270,335)
	37,850	28,421

The movements in the allowance for credit losses of other receivables, deposits and prepayments are as follows:

	2020 **HK$'000**	2019 HK$'000 (Restated)
At 1 January	**270,335**	–
Impairment losses, net (Note 8)	**7,627**	275,573
Amount written off as uncollectible	**–**	–
Exchange realignment	**17,823**	(5,238)
At 31 December	**295,785**	270,335

23. CASH AND BANK BALANCES

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and bank balances. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2020 **HK$'000**	2019 HK$'000
Cash and bank balances	**356,144**	105,947
Time deposits	**–**	100,000
Cash and cash equivalents	**356,144**	205,947

Cash and bank balances comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.001% to 1.2% (2019: 0.01% to 2.40%) per annum and have original maturity of three months or less.

At 31 December 2020, the cash and bank balances of the Group included currencies denominated in RMB amounted to approximately HK$248,749,000 (2019: approximately HK$22,133,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. TRADE AND OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

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

24. TRADE AND OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES (continued)

Notes:

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

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

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

(c) The amount included interest payable to Shanghai Aijian Trust Co., Limited ("**Shanghai Aijian**") and bank loan which is approximately HK$96,645,000 in total (2019: HK$4,764,000), and amounts due to former related companies of approximately HK$1,129,000 (2019: HK$1,065,000).

25. BANK AND OTHER BORROWINGS

	2020			**2019(Restated)**		
	Effective interest rate	**Maturity**	**HK$'000**	**Effective interest rate**	**Maturity**	**HK$'000**
Current						
Bank loans – secured	**HIBOR plus 1.5%-2%**	**On demand**	**997,121**	HIBOR plus 1.5%-2%	On demand	1,040,371
Other borrowings – secured	**8%-23%**	**On demand**	**607,721**	8%-23%	2020	550,569
			1,604,842			1,590,940

25. BANK AND OTHER BORROWINGS (continued)

The carrying amount of the above bank and other borrowings are repayable as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
On demand or within one year	**1,604,842**	1,590,940
Less: Amounts due within one year shown under current	**(1,604,842)**	(1,590,940)
Amounts shown under non-current liabilities	**–**	–

The bank and other borrowings are secured by the Group's assets which were set out in Note 38 of the consolidated financial statements.

Details of pledge of assets and corporate guarantees of the Group were set out in Note 45 of the consolidated financial statements respectively.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 HK$'000	2019 HK$'000
Current assets:		
Derivative financial asset component of convertible notes (Note 27)	**–**	89

27. CONVERTIBLE NOTES

The Company issued in aggregate of HK$125,000,000 1.68% convertible notes on 7 December 2015 (the "**Issue Date**") and recognised its book as of fair values appraised by BMI Appraisals Limited, an independent financial valuer. The convertible notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the convertible notes and their settlement date on (i) the fifth anniversary of the Issue Date or (ii) if it is not a business date, the first business day immediately following the fifth anniversary date of the Issue Date (the "**Maturity Date**") at a conversion price of HK$0.934 per share per convertible note. With effect from 24 August 2017, being the date immediately after the record date for determining the entitlement to the final dividend for the year ended 31 March 2017, the conversion price of the convertible notes was adjusted to HK$0.802 per conversion share in accordance with the terms and conditions of the convertible notes. If the convertible notes have not been converted, they will be redeemed by the Company on the Maturity Date at the aggregate of (i) its principal amount outstanding as at the Maturity Date; and (ii) all interest accrued thereon up to and including the Maturity Date. Interest of 1.68% will be payable by the Company on the Maturity Date.

The Company shall have the right to redeem the convertible notes, in full or in part (provided that in the case of a partial redemption the aggregate principal amount of the convertible notes being redeemed shall be at least HK$3,000,000 or above), held by the noteholder at an amount equal to the aggregate of (a) the aggregate principal amount of the convertible notes held by such noteholder being the subject of the redemption (the "**Redeemed Principal**"); and (b) all interest accrued thereon up to and including the date of such redemption at any time on or after the first month from the Issue Date by giving a redemption notice setting out the Redeemed Principal, the redemption amount and the early redemption date to such noteholder not less than five business days prior to the early redemption date. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

27. CONVERTIBLE NOTES (continued)

The convertible notes contain three components: liability component, equity component and redemption option derivative, which is classified as derivative financial asset component. The equity component is presented in equity heading "convertible notes equity reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 13.73% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of convertible notes are as follows:

	At 31 December 2019 HK$'000
Risk-free rate	1.85%
Expected life	0.94 years
Expected volatility	62.07%
Expected dividend yield	0%

The movement of the equity component, liability component and redemption option derivative of the convertible notes for the year is set out below:

	Liability component HK$'000	Equity component HK$'000	Redemption option derivative component HK$'000	Total HK$'000
At 1 January 2019	8,761	5,619	(728)	13,652
Effective interest charged (Note 9)	1,269	–	–	1,269
Interest payable	(185)	–	–	(185)
Change in fair value of derivative financial asset component of convertible notes (Note 7)	–	–	639	639
At 31 December 2019 and 1 January 2020	9,845	5,619	(89)	15,375
Effective interest charged (Note 9)	1,327	–	–	1,327
Interest payable	(172)	–	–	(172)
Change in fair value of derivative financial asset component of convertible notes (Note 7)	–	–	89	89
Redemption of convertible note at maturity	(11,000)	(5,619)	–	(16,619)
At 31 December 2020	**–**	**–**	**–**	**–**

As at 31 December 2019, the outstanding principal of the convertible notes was HK$11,000,000.

The Company redeemed the outstanding convertible note on 7 December 2020, the maturity date of convertible note.

28. DEFERRED TAX

	2020 HK$'000	2019 HK$'000 (Restated)
Deferred tax liabilities	**(11,839)**	(11,026)

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year were as follows:

	Deferred tax liabilities			Deferred tax assets		
	Depreciation allowances in excess of the related depreciation HK$'000	Convertible notes HK$'000	Total HK$'000	Tax loss HK$'000	ECL provision HK$'000	Total HK$'000
At 1 January 2019	(10,302)	(369)	(10,671)	–	–	–
Acquisition of subsidiaries (Note 34)	–	–	–	4,370	–	4,370
(Charged)/credited to the consolidated statement of profit or loss and other comprehensive income (Note 12)	(534)	179	(355)	(4,243)	–	(4,243)
Exchange realignment	–	–	–	(127)	–	(127)
At 31 December 2019 (restated) and 1 January 2020	(10,836)	(190)	(11,026)	–	–	–
(Charged)/credited to the consolidated statement of profit or loss and other comprehensive income (Note 12)	(1,003)	190	(813)	–	–	–
Exchange realignment	–	–	–	–	–	–
At 31 December 2020	**(11,839)**	**-**	**(11,839)**	**-**	**-**	**-**

At the end of the reporting period, the Group has unused tax losses of approximately HK$64,963,000 (2019: approximately HK$82,803,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$35,676,000 (2019: approximately HK$25,313,000) that will expire in 2025. Other losses may be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2020, no deferred tax has been recognised for withholding taxes as the Group's subsidiaries established in Mainland China is in cumulative loss position.

29. SHARE CAPITAL

	Number of shares		Amount	
	2020	2019		
	Number	Number	**2020**	2019
	’000	’000	**HK$’000**	HK$’000
Authorised:				
Ordinary of shares of HK$0.10 each				
At 1 January and 31 December	**2,000,000**	2,000,000	**200,000**	200,000
Issued and full paid:				
At 1 January and 31 December	**1,125,027**	1,125,027	**112,502**	112,502

30. 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 on page 84 of the financial statements.

Special reserve

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary’s shares and the nominal value of the shares issued by the Company in exchange thereof under the Group reorganisation in April 2000.

Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 3.

Convertible notes equity reserve

The convertible notes equity reserve represents the equity component (conversion rights) of convertible notes issued by the Company. The convertible notes equity reserve has been reclassified to other reserve, since the convertible notes were not converted.

Contribution from shareholders

The contributions from shareholders represent the aggregation of discount on acquisitions of an indirect wholly-owned subsidiary, Uptodate with the amount of approximately HK$233,606,000 from the former controlling shareholder – Mr. Ng Chun For, Henry.

31. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following significant commitments:

	2020 **HK$'000**	2019 HK$'000 (Restated)
Contracted, but not provided for:		
Construction and land development expenditure in respect of properties under development classified as held for sale	**383,234**	382,766
Consideration for acquisition of a land parcel	**–**	194,010
Capital contribution to a limited partnership (Note 20)	**44,556**	41,863
	427,790	618,639

32. SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the AGM held on 3 September 2013 (the "**Share Option Scheme**"). The Share Option Scheme was adopted on 3 September 2013 and the life of the share option scheme shall not be more than 10 years.

The primary purpose of the Share Option Scheme is to provide incentives to participants (as defined including but not limited to (a) any employees; (b) any supplier of goods or services to any member of the Group; (c) any customer of the Group; and (d) any director or independent non-executive director and/or shareholder of the Company and/or any member of the Group) who has contribution to the Group and to enable the Group to recruit and retain high caliber employees.

At the time of adoption by the Company of the share option scheme, the aggregate number of shares which may be issued upon the exercise of all options to be granted by the Company under the share option scheme and any other share option scheme(s) adopted by the Company must not exceed 10% of the total number of issued shares of the Company as at the date of shareholders' approval of the share option scheme. The Company may refresh such limit by an ordinary resolution of its shareholders at a general meeting provided that the limit so refreshed does not exceed 10% of the then total number of issued shares of the Company as at the date(s) of the shareholders' approvals. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued shares of the Company from time to time.

Unless approved by the shareholders of the Company in general meeting, the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted (whether exercised, cancelled or outstanding) under the share option scheme and any other share option scheme(s) of the Company to any eligible person in any 12-month period up to and including the date of further grant shall not exceed 1% of the total number of the Company's shares in issue from time to time.

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the AGM held on 24 August 2018. The total number of issued shares of the Company as at 24 August 2018 was 1,125,027,072 and thus the maximum number of Shares allowed to be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 112,502,707 shares which represented 10% of the total number of issued shares as at 24 August 2018.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the board of directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

At the beginning of the financial year on 1 January 2020 and 2019, there was no outstanding share option. There is no movement in the share options granted to the directors, employees of the Company and other eligible participants under the Share Option Scheme during the year ended 31 December 2020 and 2019. As at 31 December 2020, there was no outstanding share option under the Share Option Scheme.

33. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("**MPF**") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes HK$1,500 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiaries operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The Group's contribution to aforementioned retirement benefits schemes for the year ended 31 December 2020 amounted to in aggregate of approximately HK$1,136,000 (2019: approximately HK$1,528,000).

34. BUSINESS COMBINATION

On 9 December 2018, Agile Scene entered into a sale and purchase agreement with Sansheng BVI, pursuant to which Agile Scene agreed to purchase and Sansheng BVI agreed to sell the entire issued share capital of High Morality at a cash consideration of RMB194,900,000 (equivalent to approximately HK$229,787,000). High Morality is an investment holding company and indirectly holds 100% equity interest in Zhenjiang Tiangong, which is engaged in property development in Zhenjiang City, Jiangsu Province, the PRC. The acquisition was completed on 1 March 2019 and High Morality became an indirect wholly-owned subsidiary of the Company.

The fair values of the identifiable assets and liabilities of High Morality as at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment (Note 15)	50
Right-of-use assets (Note 16)	1,403
Deferred tax assets (Note 28)	4,370
Properties for sale	358,069
Other receivables, deposits and prepayments	21,233
Cash and bank balances	428
Trade and other payables, deposits and accrued expenses	(28,075)
Lease liabilities (Note 16)	(1,493)
Amounts due to related companies	(172,290)
Amounts due to former related party	(6,046)
Interest payables	(5,630)
Other borrowings	(291,218)
Exchange realignment	1,311
Total identifiable net assets at fair value	(117,888)
Goodwill on acquisition (Note 17)	347,675
Satisfied by:	
Cash consideration	229,787

The fair values of properties for sale as at the date of acquisition amounted to HK$358,069,000. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(229,787)
Cash and bank balances acquired	428
Net outflow of cash and cash equivalents	(229,359)

Since the acquisition, High Morality contributed nil to the Group's revenue and loss of HK$24,141,000 to the consolidated profit for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year ended 31 December 2019, the revenue from continuing operations of the Group and the loss of the Group for the year would have been HK$44,976,000 and HK$1,069,815,000, respectively.

35. DISPOSAL OF A SUBSIDIARY

On 7 April 2020, the Group and Dongtou Property entered into a conditional sale and purchase agreement (the "**Agreement**"), pursuant to which the Group conditionally agreed to sell and Dongtou Property conditionally agreed to purchase the sale interest, representing the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the right to receive repayment of the entire shareholder's loan of RMB23,861,000 owed by Hangzhou Minglun to the Group), at the consideration of RMB177,270,000 (equivalent to approximately HK$193,200,000).

On 30 June 2020, the Agreement was terminated and the Group and Dongtou Property still intend to cooperate and proceed with the transactions relating to Hangzhou Minglun, they, together with Dongwang Project Management, entered into the New Disposal Agreement on 30 June 2020.

Pursuant to the New Disposal Agreement, the Group conditionally agreed to sell and Dongwang Project Management conditionally agreed to purchase the sale interest, which represents the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the obligation to repay the entire shareholder's loan of RMB23,861,000 owed by Hangzhou Minglun to the Group) at the consideration of RMB180,248,710 (equivalent to approximately HK$201,894,000).

Net assets disposed of:

	HK$'000
Properties for sale	401,002
Cash and bank balances	829
Other payables	(208,336)
	193,495
Gain on disposal of a subsidiary	8,431
Exchange realignment	(32)
	201,894
Satisfied by:	
Cash	201,894

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

Cash consideration	201,894
Cash and bank balances disposed of	(829)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	201,065

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year ended 31 December 2019, the Group entered into new lease agreements for the use of leased properties for 3 years. On the lease commencement, the Group recognised right-of-use assets of approximately HK$4,091,000 and lease liabilities of HK$4,091,000 respectively.

During the year ended 31 December 2020, the Company redeemed the outstanding convertible notes at the Maturity Date. Convertible notes equity reserve of approximately HK$5,619,000 was released to other reverse.

(b) Changes in the Group's liabilities arising from financing activities:

2020

	Lease liabilities HK$'000 (Note 16)	Bank and other borrowings HK$'000 (Note 25)	Convertible notes HK$'000 (Note 27)	Amount due to former related companies HK$'000 (Note 24(c))	Total HK$'000
At 1 January 2020	4,530	1,590,940	9,845	1,065	1,606,380
Changes from financing cash flows:					
New bank/other borrowings raised	–	23,443	–	–	23,443
Repayment of bank borrowings	–	(41,910)	–	–	(41,910)
Payment of lease liabilities	(1,877)	–	–	–	(1,877)
Repayment of convertible note	–	–	(11,000)	–	(11,000)
Total changes from financing cash flows	(1,877)	(18,467)	(11,000)	–	(31,344)
Other changes:					
Interest expense	185	126,591	1,327	–	128,103
Interest paid classified as operating cash flows	–	(34,710)	–	–	(34,710)
Transfer to other payables	–	(91,881)	(172)	–	(92,053)
Exchange realignment	35	32,369	–	64	32,468
Total other changes	220	32,369	1,155	64	33,808
At 31 December 2020	**2,873**	**1,604,842**	**–**	**1,129**	**1,608,844**

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in the Group's liabilities arising from financing activities: (continued)

2019 (Restated)

	Lease liabilities HK$'000 (Note 16)	Bank and other borrowings HK$'000 (Note 25)	Convertible notes HK$'000 (Note 27)	Amount due to former related companies HK$'000 **(Note 24(c))**	Total HK$'000
At 1 January 2019	888	839,870	8,761	–	849,519
Changes from financing cash flows:					
New bank/other borrowings raised	–	544,469	–	–	544,469
Repayment of bank borrowings	–	(67,620)	–	–	(67,620)
Advanced from related parties	–	–	–	125,795	125,795
Payment to related parties	–	–	–	(291,943)	(291,943)
Payment of lease liabilities	(1,597)	–	–	–	(1,597)
Total changes from financing cash flows	(1,597)	476,849	–	(166,148)	309,104
Other changes:					
Acquisition of subsidiaries (Note 34)	1,493	291,218	–	172,290	465,001
Interest expense	190	78,613	1,269	–	80,072
Interest paid classified as operating cash flows	–	(76,804)	–	–	(76,804)
Transfer to other payables	–	(1,809)	–	–	(1,809)
Termination of lease during the year	(470)	–	–	–	(470)
Lease modification	4,091	–	–	–	4,091
Transfer to other payable	–	–	(185)	–	(185)
Exchange realignment	(65)	(16,997)	–	(5,077)	(22,139)
Total other changes	5,239	274,221	1,084	167,213	447,757
At 31 December 2019	**4,530**	**1,590,940**	**9,845**	**1,065**	**1,606,380**

37. MATERIAL RELATED PARTY TRANSACTIONS

During the year of 2020, the controlling shareholder was changed to China Cinda (HK). In this regard, the transactions and outstanding balances associated with the parties controlled by previous controlling shareholder as at 31 December 2019 were no longer as material related party transactions during the year of 2020.

The group had an outstanding balance due to its ultimate holding company (China Cinda (HK)) of HK$50,000,000 (2019: HK$50,000,000) as at the year ended 31 December 2020. This balance is guaranteed and pledged with annual interest rate of 8%. The balance has no fixed terms of repayment.

Other than the above balances with related parties and those disclosed elsewhere in this report, the Group had no material outstanding balances with related parties at the end of 2020.

38. PLEDGE OF ASSETS

As at 31 December 2020 and 2019, the Group has pledged the following assets:

(1) Investment properties in Hong Kong with an aggregate carrying amount of HK$1,863,000,000 (2019: HK$1,921,600,000) for securing the Group's bank and certain other borrowings;

(2) Share mortgage of certain subsidiaries for securing their respective bank borrowings;

(3) Rent assignments in respect of the investment properties held by the Group;

(4) Properties under development with an aggregate carrying amount of approximately HK$602,919,000 (2019: approximately HK$432,440,000) and the entire equity interest in a subsidiary for securing other borrowings amounted to RMB469,400,000 (equivalent to approximately HK$557,721,000) from Shanghai Aijian;

(5) Properties for sale – completed properties with an aggregate carrying amount of approximately HK$22,468,000 (2019: approximately HK$21,110,000) pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties; and

(6) Entire equity interests in certain subsidiaries for securing the Company's other borrowing which amounted to HK$50,000,000 (2019: HK$50,000,000) from a financial institution, China Cinda (HK).

39. CONTINGENT LIABILITIES

At the end of each of the reporting period, contingent liabilities not provided for the consolidated financial statements were as follows:

	2020 **HK$'000**	2019 HK$'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties – amounts drawn by the purchasers	**24,634**	16,901

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

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

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

The Group did not incur any material losses during the year ended 31 December 2020 and 2019 in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

40. EVENTS AFTER THE REPORTING PERIOD

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

On 19 February 2021, neither Sansheng BVI nor the Shanghai Sansheng Real Estate (Group) Company Limited had settled the consideration pursuant to the terms of the put option.

The Company will (i) take legal action against the Vendor and the Guarantor; and (ii) consider to dispose the High Morality and its subsidiaries (the "**High Morality Group**") by other means, including, but not limited to, disposal by way of public tender. In these circumstances, if the proceeds of disposing the High Morality Group to third parties is lower than the Consideration, the Company will seek to recover the shortfall from the Vendor and the Guarantor. For details, please refer to the Company's announcements dated 6 January 2021 and 19 February 2021 respectively.

(b) Renewal of loan facilities

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

(c) Breach of covenant relating to Hang Seng Bank Limited ("HSB") facilities and potential waiver from HSB

On 5 February 2021, three of the subsidiaries of the Company, namely, Pioneer Delight , Smart Land and Top Bright (together with Pioneer Delight and Smart Land, the "**Borrowers**", and each a "**Borrower**"), each received a letter from HSB (through its solicitors) (the "**Letter**") noted that the respective Borrower was in breach of the financial covenant whereby the consolidated tangible net worth of the Company (as their respective guarantor) was less than the requisite minimum of HK$2,000,000,000 (the "**Breach**").

On 18 March 2021, the Borrowers have respectively received replies from HSB (through is solicitors) on their respective requests to waive the Breach. HSB informed the Borrowers that subject to, among other things, the Borrowers (i) satisfying the Waiver Conditions (as amended whereby the payment of legal fees to be paid as stated in the Waiver Conditions disclosed in the Announcement to be increased to HK$45,000); and (ii) providing HSB with satisfactory evidence on or before 30 June 2021, HSB is minded to waive the Breach. For details, please refer to the Company's announcement dated 5 February 2021 and 18 March 2021.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts (which includes bank and other borrowings and convertible notes), cash and bank balances and equity attributable to equity holders of the Company.

The Group's risk management actively and regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio, expressed as total liabilities over total assets, at the end of the reporting period was as follows:

	2020 **HK$'000**	2019 HK$'000 (Restated)
Total assets	**2,904,332**	2,826,008
Total liabilities	**2,069,585**	1,798,582
Gearing ratio	**71.3%**	63.6%

42. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

(i) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and other receivables and deposits and amount due from an associate. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group applies with simplified approach to provide for ECLs presented by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and ECL.

Rental receivables

In order to minimize the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants, no credit period is granted to tenants. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

42. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Rental receivables (continued)

As part of the Group's credit risk management, the Group assessed the ECL for each of the rental receivable individually. No impairment allowance for the remaining rental receivables was provided since the loss given default and exposure at default are significantly reduced as due to the low probability of default of those receivables based on historical credit loss experience and rental deposits received from those tenants. The directors of the Company have also considered reasonable and supportable best information available without undue cost or effort including historical evidences and forward looking information, such as, but not limited to, subsequent settlement, and concluded that there is no significant increase in credit risk.

As at 31 December 2020 and 2019 the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Further quantitative disclosure of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 22.

Property project management service receivables

At the end of the reporting period and as at 31 December 2020, the receivables from property project management services are contributed by one customer (2019: one customer). The customer is located in the PRC.

The director has made periodic collective assessments as well as individual assessment on the recoverability of the receivables based on historical settlement records, past experience and available forward-looking information.

Other receivables and deposits

In relation to other receivables and deposit, the Group has assessed that the expected credit losses for these receivables under the lifetime expected losses method. Impairment loss of approximately HK$295,785,000 (2019: approximately HK$270,335,000) was made. The Group performs impairment assessment on the balances on a periodic basis. In determining the ECL of other receivables and deposit, the Group has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort.

Amount due from an associate

In relation to amount due from an associate, the Group estimates the ECL under HKFRS 9 ECL models. In assessing whether the credit risk of amount due from an associate has increased significantly since initial recognition, the Group consider that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). Impairment loss of approximately HK$57,637,000 (2019: approximately HK$54,154,000) was made. 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.

42. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Cash and bank balances

Credit risk on bank balances is limited because the amounts are placed in reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12-month ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on bank balances is considered to be insignificant.

Other than concentration of credit risk on liquid fund which are deposited with several banks with high credit ratings and save as disclose elsewhere in the financial statements, the Group does not have any other significant concentration of credit risk.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2020	12 month ECLs		Lifetime ECLs		
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables	–	–	–	5,141	5,141
Security deposits for financing arrangements	825	–	–	–	825
Financial assets included in other receivables, deposits, and prepayments					
– Normal*	7,349	–	–	–	7,349
– Doubtful*	–	–	301,523	–	301,523
Cash and bank balances	356,144	–	–	–	356,144
Amount due from an associate	–	–	57,637	–	57,637
	364,318	–	359,160	5,141	728,619

42. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Maximum exposure and year-end staging (continued)

At 31 December 2019 (Restated)	12 month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables	–	–	–	1,806	1,806
Security deposits for financing arrangements	5,006	–	–	–	5,006
Financial assets included in other receivables, deposits, and prepayments					
– Normal*	3,556	–	–	–	3,556
– Doubtful*	–	–	283,321	–	283,321
Time deposits	100,000	–	–	–	100,000
Cash and bank balances	105,947	–	–	–	105,947
Amount due from an associate	–	–	54,154	–	54,154
	214,509	–	337,475	1,806	553,790

* The credit quality of the financial assets included in prepayments is considered to be "normal" when there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

42. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The following tables detail the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
Non-derivative financial liabilities				
31 December 2020				
Bank borrowings	**1,604,842**	**1,723,424**	**1,723,424**	**–**
Trade and other payables, deposits and accrued expenses	**173,111**	**173,111**	**167,101**	**6,010**
Lease liabilities	**2,873**	**2,999**	**1,879**	**1,120**
	1,780,826	**1,899,534**	**1,892,404**	**7,130**
31 December 2019 (Restated)				
Bank borrowings	1,590,940	1,728,108	1,728,108	–
Convertible notes	9,845	11,000	11,000	–
Trade and other payables, deposits and accrued expenses	107,469	107,469	99,975	7,494
Lease liabilities	4,530	4,735	1,821	2,914
	1,712,784	1,851,312	1,840,904	10,408

42. FINANCIAL RISK MANAGEMENT (continued)

(iii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period:

	2020		2019	
	Effective Interest rate	HK$'000	Effective Interest rate	HK$'000
Net variable rate borrowings				
Bank borrowings	**(Note)**	**997,121**	(Note)	1,040,371
Bank balances (include time deposits)	**0.001% to 1.2%**	**(356,144)**	0.01% to 1.10%	(205,947)
		640,977		834,424

Note: Details of the Group's bank borrowings are set out in Note 25 to the consolidated financial statements.

At 31 December 2020, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation by approximately HK$6,410,000 (2019: increase/decrease the Group's loss after taxation by approximately HK$8,344,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 31 December 2019.

(iv) Currency risk

The Group have foreign currency denominated monetary assets and liabilities, which exposed the Group to foreign currency risk. The Group currently does not have a foreign exchange policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the risk arise.

42. FINANCIAL RISK MANAGEMENT (continued)

(iv) Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Renminbi ("**RMB**")	**256,079**	40,699	**807,034**	597,386
United States Dollars ("**USD**")	**294**	295	**–**	–

Sensitivity analysis

As Hong Kong Dollars are pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the Hong Kong Dollars to USD exchange rates. As a result, the directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between Hong Kong Dollars to USD is minimal.

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in Hong Kong Dollars against RMB. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit or equity where the Hong Kong Dollars strengthen 5% (2019: 5%) against RMB. For a 5% (2019: 5%) weakening of the Hong Kong Dollars against RMB, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

	Impact of RMB	
	2020	2019
	HK$'000	HK$'000 (Restated)
Other comprehensive income (Note)	**27,548**	27,834

Note:

This is mainly attributable to the exposure outstanding on monetary items denominated in RMB not subject to cash flow hedge at the end of the reporting period.

42. FINANCIAL RISK MANAGEMENT (continued)

(v) Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 2020 HK$'000	2019 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Derivative financial asset component of convertible notes (note)	**–**	89	Level 3	The binomial option pricing model	Risk-free rate adopted was 1.85%. Expected volatility of 62.07%
Financial assets at fair value through profit or loss	**5,941**	5,581	Level 3	Net asset value	N/A (Note)

Note:

The Group has determined that the net asset value represents fair value at the end of the reporting period.

Fair value hierarchy as at 31 December 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss	–	–	5,941	5,941

Fair value hierarchy as at 31 December 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Derivative financial asset component of convertible notes	–	–	89	89
Financial assets at fair value through profit or loss	–	–	5,581	5,581

There were no transfers between Level 1 and 2 during the year.

42. FINANCIAL RISK MANAGEMENT (continued)

(v) Fair values measurements of financial instruments (continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities are determined as follows:

a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

	2020		2019	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Bank and other borrowings	**1,604,842**	**1,604,842**	1,590,940	1,590,940
Convertible notes	**–**	**–**	9,845	10,994

(iii) Reconciliation of Level 3 fair value measurements

	Derivative financial asset component of convertible notes HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
At 1 January 2019	728	–	728
Purchases	–	33,345	33,345
Fair value change (Restated)	(639)	(27,764)	(28,403)
At 31 December 2019 and 1 January 2020	89	5,581	5,670
Fair value change	(89)	360	271
At 31 December 2020	–	5,941	5,941

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2020 and 2019 are categorized as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Financial assets		
At amortized cost:		
Trade receivables	**5,140**	1,805
Security deposits for financing arrangements	**825**	5,006
Financial assets included in other receivables, deposits and prepayments (Note 22)	**13,086**	16,540
Cash and cash equivalents (Note 23)	**356,144**	205,947
	375,195	229,298
Financial assets at fair value through profit or loss (Mandatorily designated as such):		
Derivative financial instruments (Note 26)	**–**	89
Financial assets at fair value through profit or loss	**5,941**	5,581
	5,941	5,670
	381,136	234,968
Financial liabilities		
At amortized cost:		
Financial liabilities included in trade and other payables, deposits and accrued expenses (Note 24)	**173,111**	107,469
Bank and other borrowings (Note 25)	**1,604,842**	1,590,940
Convertible notes (Note 27)	**–**	9,845
Lease Liabilities (Note 16)	**2,873**	4,530
	1,780,826	1,712,784

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**6**	10
Interests in subsidiaries (note)	**624,866**	627,712
	624,872	627,722
CURRENT ASSETS		
Other receivables	**188**	504
Derivative financial instruments	**–**	89
Cash and bank balances	**89,529**	101,825
	89,717	102,418
CURRENT LIABILITIES		
Other payables	**8,818**	2,199
Amounts due to subsidiaries	**304,741**	299,878
Other borrowings	**50,000**	50,000
Convertible notes	**–**	9,845
Tax payable	**–**	5
	363,559	361,927
NET CURRENT LIABILITIES	**(273,842)**	(259,509)
TOTAL ASSETS LESS CURRENT LIABILITIES	**351,030**	368,213
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**–**	191
NET ASSETS	**351,030**	368,022
CAPITAL AND RESERVES		
Share capital	**112,502**	112,502
Reserves	**238,528**	255,520
TOTAL EQUITY	**351,030**	368,022

Note:

As at 31 December 2020 and 2019, the balance of interests in subsidiaries included amounts due from subsidiaries.

The Company's financial statements were approved and authorised for issue by the board of directors on 31 March 2021 and signed on its behalf by:

CHEN Zhiwei
Director

KU Ka Lee
Director

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium HK$'000	Convertible notes equity reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	168,300	5,619	–	95,389	269,308
Loss and total comprehensive loss for the year	–	–	–	(13,788)	(13,788)
At 31 December 2019 and 1 January 2020	168,300	5,619	–	81,601	255,520
Loss and total comprehensive loss for the year	–	–	–	(16,992)	(16,992)
Release of convertible notes equity reserve upon redemption of convertible note at maturity	–	(5,619)	5,619	–	–
At 31 December 2020	**168,300**	**–**	**5,619**	**64,609**	**238,528**

45. CORPORATE GUARANTEES

As at 31 December 2020, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK$1,127,000,000 (2019: HK$1,127,000,000), while certain subsidiaries have provided corporate guarantees to a financial institution for securing facilities granted to the Company which amounted to HK$150,000,000 (2019: HK$150,000,000).

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

Five-year Financial Summary

	Year ended 31 March 2017 HK$'000	2018 HK$'000	Nine months ended 31 December 2018 HK$'000	Year ended 31 December 2019 HK$'000 (Restated)	**2020 HK$'000**
Revenue	65,826	47,241	32,787	44,976	**36,990**
Other (loss)/income, net	4,799	(169)	4,235	(26,640)	**11,882**
Net gain/(loss) in fair value of investment properties	30,200	20,500	19,200	(25,100)	**(58,600)**
Staff costs	(12,123)	(10,373)	(5,668)	(15,788)	**(13,901)**
Depreciation of property, plant and equipment	(478)	(840)	(655)	(998)	**(1,006)**
Depreciation of right-of-use assets	–	–	–	(1,475)	**(1,672)**
Impairment losses under ECL model	–	–	–	(334,743)	**(7,628)**
Other operating expenses	(17,922)	(19,310)	(10,768)	(30,396)	**(29,568)**
Profit/(loss) from operations	70,302	37,049	39,131	(390,164)	**(63,503)**
Share of results of an associate	–	–	–	(234,418)	**–**
Impairment of goodwill	–	–	–	(349,981)	**–**
Finance costs	(33,611)	(21,707)	(18,304)	(77,433)	**(120,027)**
Net gains on disposals of subsidiaries	–	5,375	–	–	**8,431**
Net gain on disposal of an investment property	–	4,950	–	–	**–**
Profit/(loss) before taxation	36,691	25,667	20,827	(1,051,996)	**(175,099)**
Taxation	(2,585)	(4,965)	(3,486)	(7,515)	**(5,981)**
Profit/(loss) for the year/period	34,106	20,702	17,341	(1,059,511)	**(181,080)**
Profit/(loss) for the year/period attributable to the owners of the Company	34,106	20,702	17,341	(1,059,511)	**(181,080)**
Dividend and distribution	–	233,097	–	–	**–**
Earnings/(loss) per share					
– Basic (in HK cents)	3.41	1.90	1.54	(94.18)	**(16.10)**
– Diluted (in HK cents)	3.27	1.89	1.53	(94.18)	**(16.10)**
ASSETS AND LIABILITIES					
Total assets	3,489,757	2,682,459	2,973,426	2,826,008	**2,904,332**
Total liabilities	1,262,640	603,390	877,118	1,798,582	**2,069,585**
	2,227,117	2,079,069	2,096,308	1,027,426	**834,747**

Schedule of Properties Held by the Group

At 31 December 2020

MAJOR PROPERTIES

Particulars of major properties held by the Group at 31 December 2020 were as follows:

Investment properties

Location	Type of property	Group interest	Approximate area
Jardine Center, 50 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	GFA of approximately 49,779 sq. ft
Ground Floor and Cockloft Floor, 38 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 446 sq. ft. with yard and the store of approximately 28 and 193 sq. ft. respectively on the ground floor
First Floor, 38 and 40 Jardine's Bazaar, Causeway Bay, Hong Kong	Residential	100%	Saleable area of approximately 762 sq. ft. with flat roof of approximately 99 sq. ft.
Ground Floor including Cockloft of 41 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 600 sq. ft. with yard and store of approximately 80 sq. ft. and 371 sq. ft. respectively with yard of 82 sq. ft. on the ground floor
Ground Floor, 57 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 715 sq. ft.
Shop No.1 on Ground Floor including Portions of The Flat Roof and Canopy over and above The Shop No.1 on the Ground Floor, K.K. Mansion, 119, 121 & 125 Caine Road, Mid-Levels West, Hong Kong	Commercial	100%	Saleable area of approximately 1,345 sq. ft. with flat roof of approximately 273 sq. ft.

Schedule of Properties Held by the Group

At 31 December 2020

Properties for sale

Location	Type of property	Group interest	Approximate area
NQS Phase II (portion of Lot Nos. 07-1-5 and 08-1-8) located at the southern side of Changxiang Road and the western side of Hubin Road Dantu District Zhenjiang City Jiangsu Province The PRC	Commercial and residential	100%	GFA of approximately 157,966 sq.m.
Jinxi Yijingyuan (金義頤景園) located at Lot No. 2 Huajin Street at the southern side of Jingang Avenue and the western side of Huajin Street Jinyi New Urban District Jinhua City Zhejiang Province The PRC	Commercial and residential	48.51%	GFA of approximately 337,530 sq.m.